



# University of North Texas System

---

## Board of Regents

### Schedule of Events for Finance Committee Meeting

**July 10, 2024**

University of North Texas Health Science Center  
Medical Education and Training Building, Room 109/111  
1000 Montgomery St.  
Ft. Worth, Texas

The University of North Texas System Board of Regents will meet on Wednesday, July 10, 2024, from 9:00 am until approximately 12:00 pm. Agenda items are scheduled to follow each other consecutively and may start earlier or later than the posted time depending on the length of the discussions and the reports of previous items. Please note that the estimated times given in the posting are only approximate and may be adjusted as required with no prior notice.

Any members of the Board may attend committee meetings. Because some Board members who are not committee members may attend committee meetings and thereby create a quorum of the full Board, committee meetings are also being posted as meetings of the full Board.

This meeting will take place at the Medical Education and Training building at the University of North Texas Health Science Center. Please contact the Office of the Board Secretary with any questions at 214.752.5533.

**9:00 am      CONVENE FINANCE COMMITTEE**

#### **Briefings:**

##### *Draft Annual Financial Analysis for FY23*

- Susan Alanis, UNT System Deputy Chancellor for Finance and Operations

##### *FY 25 Institutional and System Administration Operating Budgets*

- Susan Alanis, Overview of Personnel Costs
- Clayton Gibson, UNT Chief Financial Officer
- Kemptor Louis, UNTHSC Chief Financial Officer
- Arthur Bradford, UNT Dallas Chief Financial Officer

- Susan Alanis, UNT System Deputy Chancellor for Finance and Operations

**ACTION ITEMS:**

1. UNTS      Amendments to Regents Rule 10.100, *Investments*
2. UNTS      Amendments to System Regulation 08.2000, *Investment of System Funds*,  
and Approval of the UNT System Investment Policy
3. UNTS      Amendments to Regents Rule 04.1000, *Retirement and Deferred  
Compensation Plans*

**12:00 pm      ADJOURNMENT**

# UNTS Board of Regents – Finance Committee

## Draft Financial Analysis/Dashboard for FY2023

Susan Alanis, Deputy Chancellor for Finance & Ops.

July 10, 2024

# Agenda

1. Purpose/Status of Annual Financial Dashboard & Annual Report
2. Preliminary Financial Metrics and Analysis
3. Preliminary Strategic Financial Recommendations



# Framework of Annual Financial Analysis/Dashboard

## Purpose

- Provide a basis for **strategic decision-making** by the Board of Regents and leadership.
- Enhance **transparency and accessibility** of usable information for stakeholders.
- Support **annual, repeated analysis**.
- Allow **appropriate comparison** with peers, best practices, and industry benchmarks.

# Various Lenses to Evaluate Fiscal Health

- **Regents Rules** - specific to debt management
- **Composite Financial Index** - multi-dimensional higher education metric
- **Credit ratings** and Moody's scorecard
- **Philanthropic support** trends and comparisons
- Comparative **State** support
- Condition of **capital assets**

# Current Required Metrics per Regents Rule 10.305

## FY2023 Treasury Ratios (source Data Book)

### Cash & Investments to Debt 1.5x

**Benchmark – 1.5x or greater**

**Availability of cash and investments to debt;** medium to long-term indicator of financial health based on the strength of the balance sheet.

### Debt Service Coverage Ratio 2.13x

**Benchmark – 2.5x or greater**

**Ability to cover debt service requirements** with operating revenues; indicator of the strength of operating income's ability to meet annual obligations.

### Debt Service to Operating Expenses 7.4%

**Benchmark – 5.5% or lower**

This ratio measures the **percentage of expenses that support debt service** and is an indicator of the System's operating flexibility to finance existing obligations and provide funding for new initiatives.

### Cash & Investments to Operating Expenses 0.86x

**Benchmark – 0.8x or greater**

This ratio measures the **ability to cover operating expenses with cash and investments** and is an indicator of the financial strength of the System. Also, it provides insight into the amount of flexibility the System as to invest in new initiatives from existing resources.

#### Issues:

- Debt Service currently includes state supported debt
- Includes all cash and investments rather than expendable fund balance --- the difference between 40% standard and 80% standard across metrics

# Composite Financial Index (CFI)

Ratio	Lens	Benchmark	Calculation
<b>Viability Ratio</b>	Debt resources managed strategically to advance the mission?	>1.25	$\frac{\text{Expendable Net Position (exc. net position restricted for capital investments)}}{\text{Outstanding debt}}$
<b>Primary Reserve</b>	Resources sufficient/flexible enough to support mission?	40% or greater	$\frac{\text{Expendable Net Position (excluding net position restricted for capital investments)}}{\text{Total Expenses}}$
<b>Return on Net Assets</b>	Asset performance and management support strategic direction?	>3% plus inflation	$\frac{\text{Change in Net Position}}{\text{Total Beginning of the Year Net Position}}$
<b>Net Operating Revenues</b>	Operating results indicate institution is living within available resources?	>3% YOY	$\frac{\text{Net operating income (loss) + Net non-operating revenues (expenses)}}{\text{Operating revenues + Non-operating revenues}}$

## Limitations:

- **Comparisons** with other institutions not useful
- Excludes **key financial risks/pressures** such as required investments in infrastructure, strategic direction, fundraising effort required to sustain, etc.
- **Trend analysis requires** smoothing of market value volatility and exclusion of accounting entries such as pension/OPEB

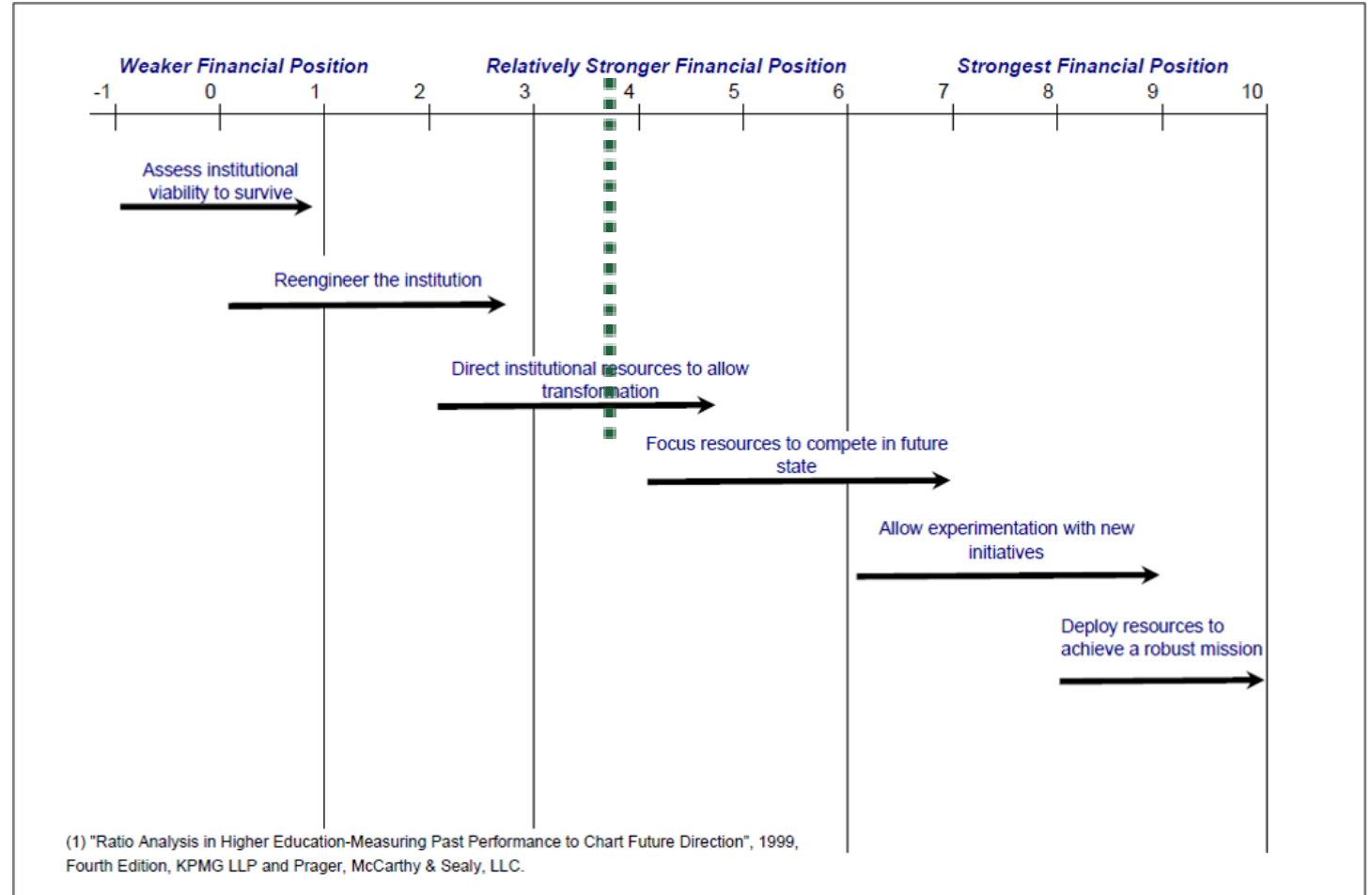


# Composite Financial Index (CFI) - Enterprise

- Benchmark: 3.0
- **FY2023 Score: 3.7**
- Excludes State-funded debt and accounting entries for post-employment benefits

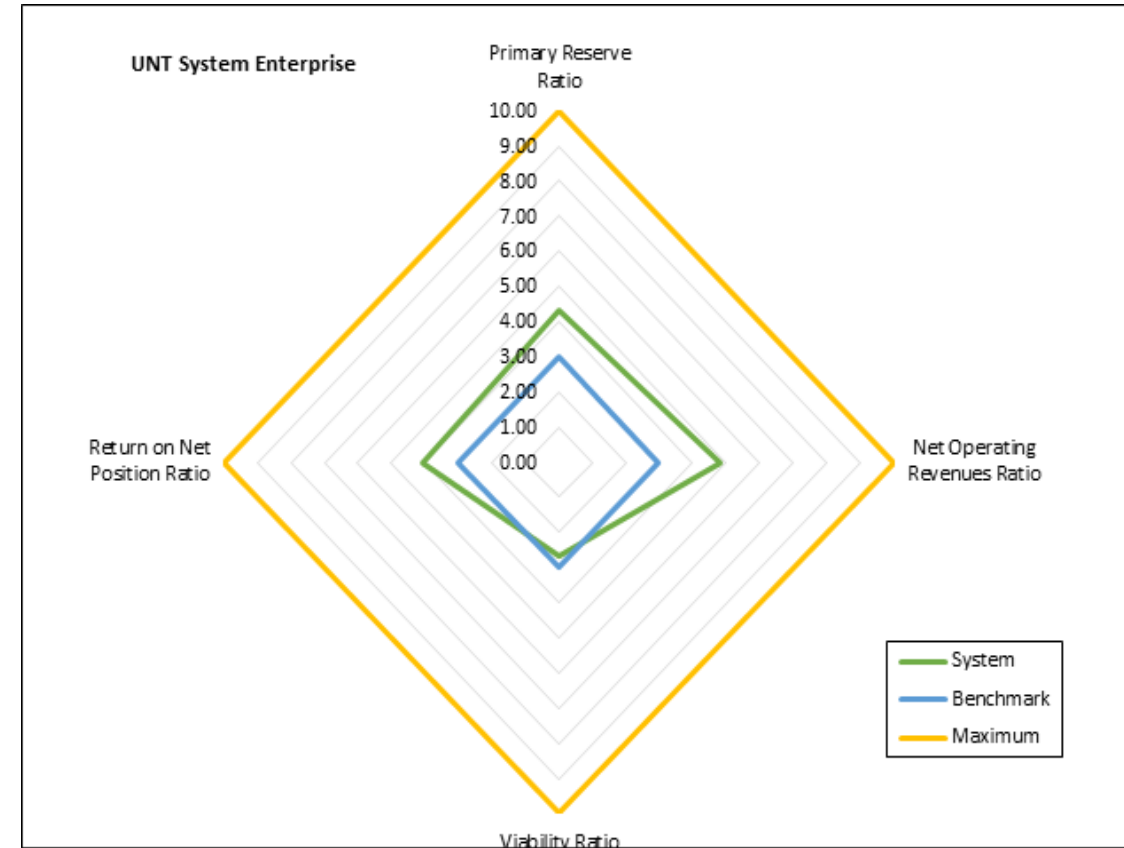
**Indication:** Relatively stronger financial position but requires direction of institutional resources to allow transformation

“...high score not necessarily indicative of a successful institution, although a low CFI generally is indicative of additional challenges...a very high CFI with little achievement of mission may indicate a failing institution.” – *Strategic Financial Analysis for Higher Education*



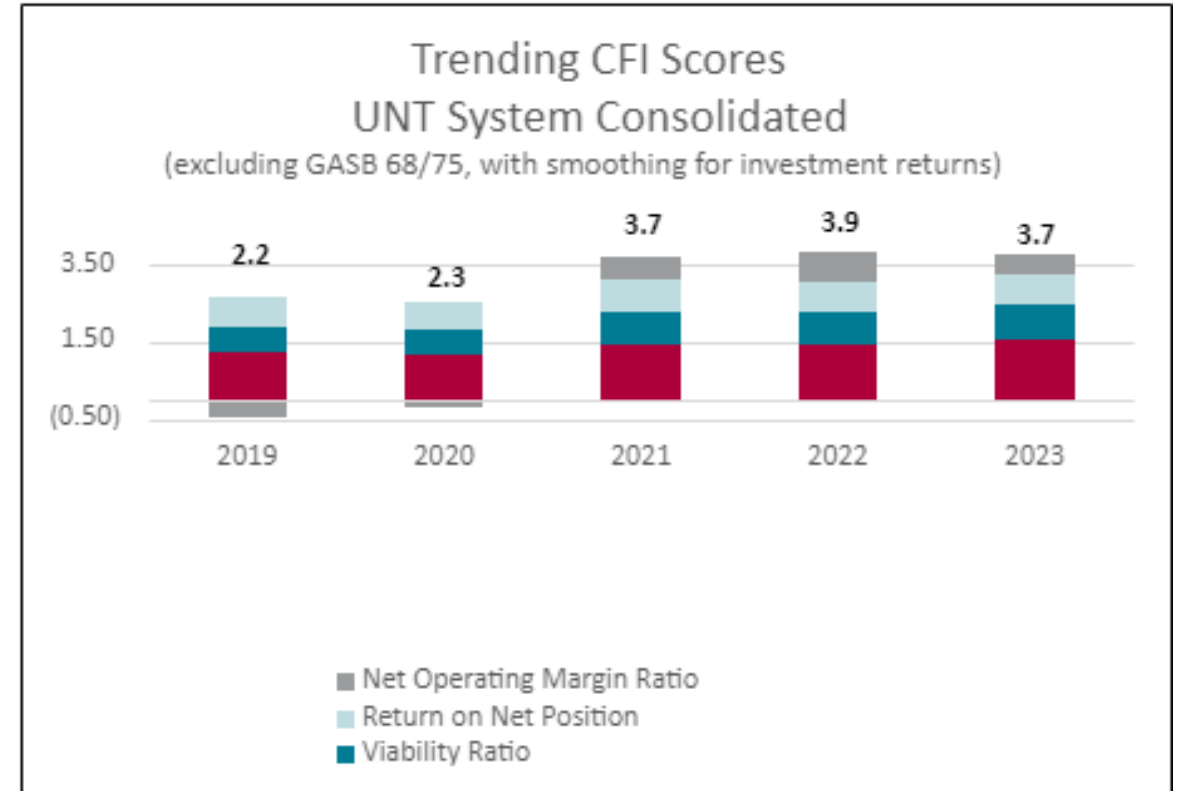
# UNT Enterprise CFI

- Enterprise CFI appropriate since locally-supported debt aggregated at system level
  - Older flagships typically consume more debt, lowering their scores, with newer campuses having artificially high scores
- **Weakest area:** viability ratio (expendable assets/debt) with ratio of 1.11, or .14% below benchmark
- **Choices, or combination thereof:**
  - **Reduce overall debt** – may not align with strategic objectives, facility needs, and appropriate care of plant and equipment
  - **Grow expendable cash and investments** (above 40% reserve standard) to offset debt level; create a dedicated **debt service reserve** – consumes available resources
  - Increase **cash funding of capital maintenance** – consumes available resources



# Enterprise CFI Trend

- Decline from prior year due to Net Operating Revenue falling from 5.72% to 3.37% which is above benchmark
- **Choices:**
  - Budget planned contributions to fund balance
  - Budget conservatively to mitigate risk and generate contributions to fund balance



# Credit Rating Analysis – Moody's Scorecard

- In spring of 2023, anticipated **exhaustion of debt capacity in 2025** without risk of damaging credit rating
  - Established goal to increase Cash and Investments by \$475m by 2027
  - Projected increased debt capacity to \$993m
- Ratio **includes restricted assets** of Foundations
- Texas University Fund (TUF) Tier 1 adds \$365m to balance sheet (75% of corpus) and can **supplement growth goals**
- Opportunity – Improve **qualitative measures**:
  - *Market Profile: Branding and Strategic Positioning*
  - *Financial Policy and Strategy*

# FY2023 Year-End Operating Fund Balances

## Benchmark: 40% core operating reserve

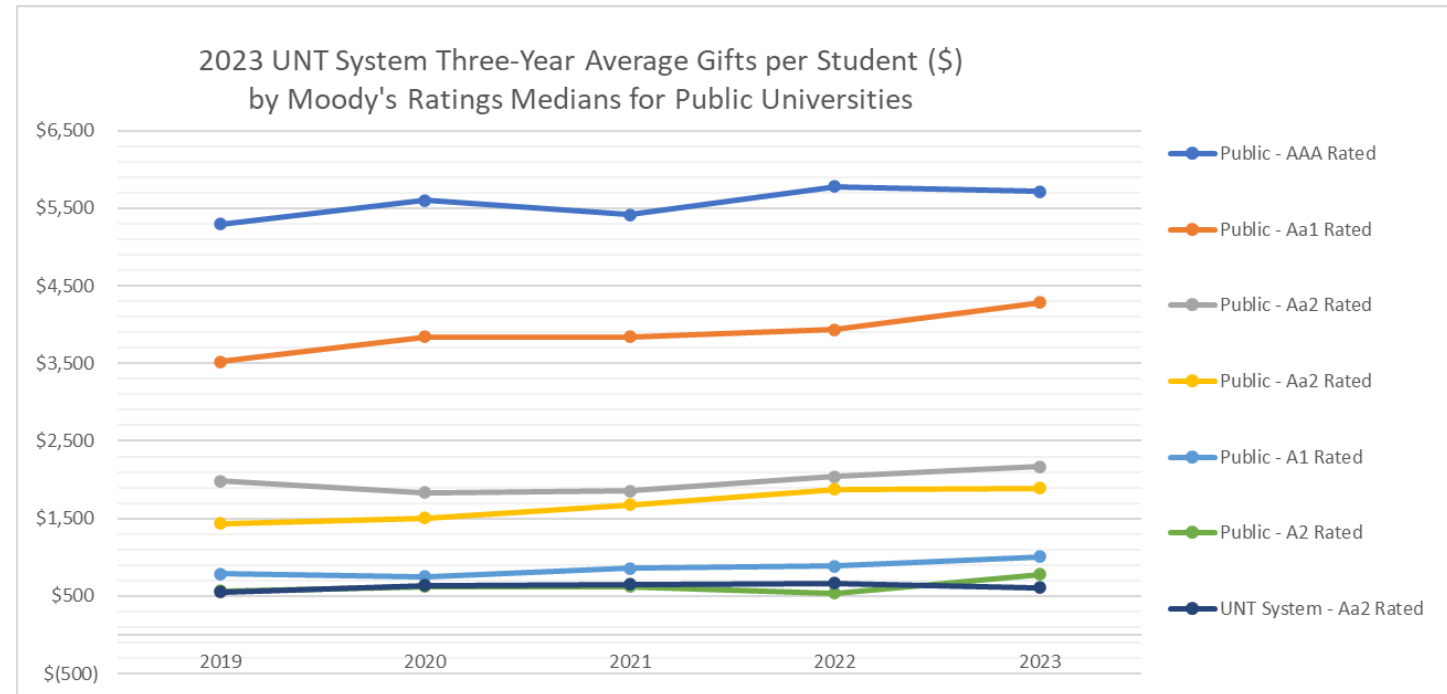
	FY2024 Budget	FY2023 Year End Net Fund Balance	% of Operating
UNT	\$899.5m	\$453m	50.2%
HSC	\$305.8m	\$264m	86.2%
UNTD	\$100.5m	\$47.7m	46.9%
UNTS*	\$73.9m	\$7.4m	10.0%
Total			

\* Recommend 10% reserve requirement for System.

# Philanthropy

Potential metrics compared to peers:

- % growth over last ten years
- Size of endowment per student
- Total investment in advancement and foundation operations
- Analysis of research versus fundraising
- % of operating needs supported



# Preliminary Recommendations

## Reserve Strategy

- Establish minimum **spendable operating reserve requirement policy** of 40% for each campus (10% for system) with excess available for one-time capital purposes only
- In FY2026, begin funding **debt service reserve** of 100% of maximum annual local cost over five-year horizon (adds \$55m to cash and investments)
- In FY2027, consider viability of funding a **Capital Project Reserve** to fund future capital maintenance of new buildings

## Legislative Strategy

- Pursue **increased investment in general academic and health related formula funding** to address statewide enrollment growth and inflation.
- Pursue **new exceptional item funding to improve campus operating support and research initiatives**, including funding for: Texas Talent Pipeline (formerly Flagship Equity) at UNT; Operation Enduring Brain Health at HSC; and Classroom to Career at UNTD.

# Preliminary Recommendations, cont.

## **Capital Strategy** in conjunction with master plans

- Consider policy to **prioritize** maintaining existing square footage, used more efficiently, as target with exception of new research space (except Frisco and Dallas)
- Invest **HEF expansion and any CCAP proceeds, if they materialize**, in realignment, replacement or renovation of existing spaces to address deferred maintenance

## **Philanthropic Strategy**

- In FY2025, complete work on **tools, data, and skill sets** to focus on robust fundraising
- In FY2025, **set targets against peer benchmarks and develop strategies**

## **Operating Strategy**

- **Right-size** personnel costs and compensation strategy
- Continue **administrative efficiencies** (eliminating variability, redundancies, aligning software, etc.)



# Next Steps – Board Milestones

Date	Action
July 10, 2024	<b>BOR Finance Committee</b> – Initial discussions on financial analysis and potential strategies
August 15, 2024	<ul style="list-style-type: none"> <li>• Approve <b>FY2025 CIP with UNT residence hall pended</b></li> <li>• Receive consultant market analysis on residence hall demand</li> </ul>
November 2024	<ul style="list-style-type: none"> <li>• Publish first <b>Annual Financial Analysis and Dashboard for year ended August 31, 2023</b>, following Fall Board retreat (capture near-term and long-term strategies; note additional areas of pending data analysis)</li> <li>• <b>Consider revision of Regents Rules</b> to exclude CCAP funded debt from metrics and establish operating/debt service reserve policies</li> </ul>
May 2025	<ul style="list-style-type: none"> <li>• Publish <b>Annual Financial Analysis and Dashboard for year ended August 31, 2024</b></li> <li>• Legislative session concludes</li> </ul>
August 2025	Incorporate year one of <b>operational and compensation strategies</b> into recommended FY2026 budget
2024 - 2026	Complete <b>facility condition assessments and master plans</b> to inform FY2026 Capital Improvement Plan and deferred maintenance strategy

# Questions

# UNTS Board of Regents – Finance Committee

## Overview of Personnel Costs

Susan Alanis, Deputy Chancellor for Finance & Ops.

July 10, 2024

# Compensation Philosophy

UNT System is dedicated to paying our employees competitively to attract, motivate, and retain top talent. We will maintain fairness, consistency, and accountability in our pay practices, while being good fiscal stewards.

- Approximately **60% of operating budgets** are personnel costs
- Human Resources is centralized; a **consistent compensation strategy** is not

# Strategies to Date

- Conducted **market compensation study**
- Revamped **employee onboarding** content
- September 1
  - Aligning **performance review period calendar and content** focusing on common core competencies and values
  - Expanding Acco**UN**Table Supervisor development and People Management Essentials
  - Realigning pay structure to **entry at 80% of market and mid-point near market**
  - Standardizing **lowest wage** across institutions

# Market Study – Aggregate Results (classified benchmarked incumbents)

Campus	Number of Incumbents Benchmarked	Total Number of Incumbents	Actual Benchmark Staff Aggregate Spend <sup>2</sup>	Benchmark Market Aggregate Spend <sup>2</sup>	Actual Spend as a % of Market Spend
UNT System Administration	281	354	\$21,881,029	\$25,587,133	85.5%
UNT	2,200	2907	\$108,943,875	\$123,293,616	88.4%
UNT HSC	922	1146	\$55,390,083	\$58,555,769	94.6%
UNT Dallas	202	304	\$11,132,669	\$12,466,838	89.3%
<b>Total</b>	<b>3,605</b>	<b>4,711</b>	<b>\$197,347,646</b>	<b>\$219,903,356</b>	<b>89.7%</b>

Overall, the system is approximately 10% below the market target, but varies by campus.

<sup>1</sup> Represents only staff benchmarked in the analysis. Market target reflects market median data. Individual incumbents may have results significantly above or below this aggregate result.

<sup>2</sup> Aggregate spend percentage is the sum of all annualized base salaries in benchmarked positions divided by the sum of the market target for each benchmarked incumbent.

## Minimum Implementation Cost – FY2025

	Living Wage Adjustment (\$14.50)	Additional Cost to Reach Entry Salaries	Total
UNT	\$237,693	\$352,947	\$590,640
UNT HSC	\$6,236	\$186,139	\$192,375
UNT Dallas	\$5,642	\$177,925	\$183,567
UNT System Administration	\$0	\$170,775	\$170,775
<b>Total</b>	\$249,571	\$887,785	\$1,137,356

# Challenges

- Risk to operations
- Cost of turnover
- Internal equity
- Salary compression
- Continuing increase of living wages in DFW metroplex
- Pending federal labor standards changes related to overtime exemption minimum salary threshold
- Consistency and affordability differences among campuses
- FY2025 Budget Allocations



# Action Plan

August 2024

Provide education and information regarding **market study conclusions** and next steps

September 2024

Launch **new performance cycle and tools**; provide training

Fall 2024 and Spring 2025

Continue analysis of **vacancies and other efficiencies**; **determine FY2025 options** for each Institution.

Summer 2025

Adopt a **multi-year strategy** to address internal equity and market pressures.

**DRAFT**



# Fiscal Year 2025 Budget

University of North Texas

Dr. Harrison Keller, President

Clayton Gibson, VP for Finance & Administration

Presented to the UNT System Board of Regents

Thursday, August 15, 2024

# FY 2024 Year-End Update

- Strong '23-'24 enrollment.
- Women's basketball conference title.
- YTD research expenditures 40%+ higher.
- Opened UNT Advanced Air Mobility test facility at Discovery Park.
- STEM building groundbreaking.
- College readiness initiatives.



*FY 2025 budget development was based on the following assumptions:*

- Flat enrollment - strategic initiatives funded via reallocations.
- Space expansion.





## *FY 2025 Key Investments in Strategic Priorities:*

### People

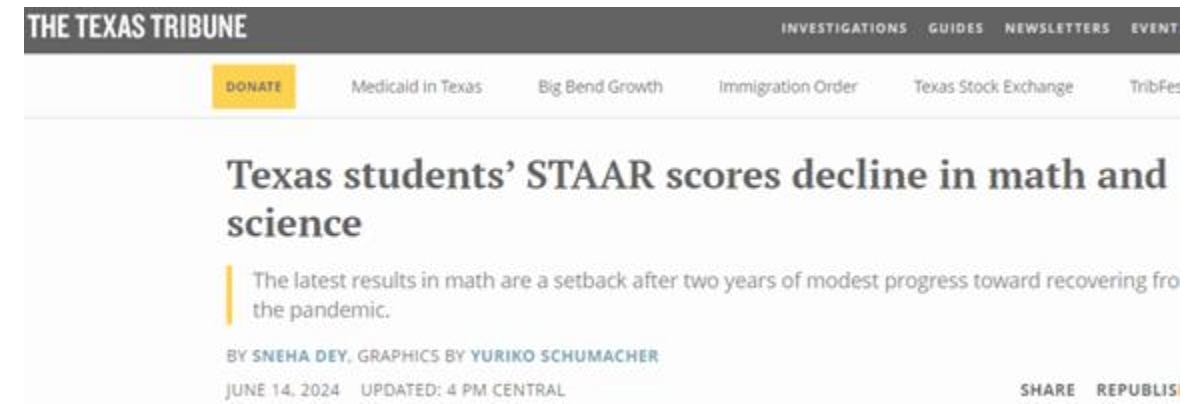
- Staff min wage: \$14 to \$14.50. Student min wage up to \$9.50.

### Programs

- Support of students in Math and English preparedness.

### Financial Strength

- Focus on areas that add highest balanced value to mission.



# Revenues

## Key Drivers

- Flat enrollment.
- Increased dining and athletics revenue.
- More research and student Pell grants.
- Slightly higher investment income.

				FY24 Actuals vs FY25 Budget	
	FY2024 Budget	FY2024 Projected Actuals	FY2025 Budget	\$	%
<b>REVENUES AND TRANSFERS IN</b>					
Net Tuition and Fees	\$ 457,816,578	\$ 463,342,257	\$ 459,046,768	\$ (4,295,489)	-0.9%
Sales of Goods and Services	\$ 106,829,372	\$ 114,512,620	\$ 111,129,482	\$ (3,383,138)	-3.0%
Grants and Contracts	\$ 128,630,055	\$ 160,969,357	\$ 156,810,971	\$ (4,158,386)	-2.6%
State Appropriations	\$ 182,881,014	\$ 173,671,173	\$ 202,386,453	\$ 28,715,280	16.5%
Capital Appropriations (HEF)	\$ 38,473,304	\$ 38,473,304	\$ 38,473,304	\$ -	0.0%
All Other Revenue	\$ 30,096,101	\$ 28,043,756	\$ 31,579,753	\$ 3,535,997	12.6%
System Service Allocations In	\$ -		\$ -	\$ -	
All Other Transfers In	\$ 7,650,495	\$ 38,616,503	\$ 8,148,468	\$ (30,468,035)	-78.9%
<b>Total Revenues and Transfers In</b>	<b>\$ 952,376,919</b>	<b>\$ 1,017,628,970</b>	<b>\$ 1,007,575,199</b>	<b>\$ (10,053,771)</b>	<b>-1.0%</b>

# Expenditures & Net Transfers



## Key Drivers

*Personnel costs:* largely student wages, restricted funds/grants, and faculty and support staff for growth areas.

*Maintenance & Operations:* higher utilities, food cost, int'l recruiter fees, and athletics travel.

*Scholarships:* increases in Pell and Texas Grants over FY24 budget.

*All Other Expenses:* higher capital expenditures.

				FY24 Actuals vs FY25 Budget	
	FY2024 Budget	FY2024 Projected Actuals	FY2025 Budget	\$	%
<b>EXPENSES AND TRANSFERS OUT</b>					
Personnel Costs	\$ 499,836,336	\$ 510,482,438	\$ 531,104,924	\$ 20,622,486	4.0%
Maintenance & Operations Cost	\$ 168,106,974	\$ 172,263,089	\$ 180,310,796	\$ 8,047,707	4.7%
Capital Expenses	\$ 24,908,486	\$ 23,768,790	\$ 27,646,727	\$ 3,877,937	16.3%
Scholarship & Financial Aid	\$ 116,168,622	\$ 128,565,249	\$ 127,470,340	\$ (1,094,909)	-0.9%
All Other Expenses	\$ 3,127,191	\$ 4,399,932	\$ 2,013,603	\$ (2,386,329)	-54.2%
Debt Service Transfers Out	\$ 45,740,583	\$ 45,740,583	\$ 41,592,322	\$ (4,148,261)	-9.1%
System Service Allocations Out	\$ 46,113,074	\$ 46,113,074	\$ 47,216,034	\$ 1,102,960	2.4%
All Other Transfers Out	\$ 46,064,447	\$ 61,738,970	\$ 48,483,387	\$ (13,255,583)	-21.5%
<b>Total Expenses &amp; Transfers Out</b>	<b>\$ 950,065,713</b>	<b>\$ 993,072,125</b>	<b>\$ 1,005,838,133</b>	<b>\$ 12,766,008</b>	<b>1.3%</b>

# Reserves and Estimated Budget Impact on Fund Balance

FY2023 Ending Reserves	FY2024 Projected Ending Reserves	FY2025 Estimated Ending Reserves	FY24 Actuals vs FY25 Budget	
			\$	%
\$ 371,703,828	\$ 396,260,673	\$ 397,997,739	\$ 1,737,066	0.4%

Estimated Budget Impact on Fund Balance	
0	Education and General – addition to Reserves
1,737,066	Designated Operating – addition to Reserves
0	Auxiliary & Restricted – addition to Reserves

## Highlights:

- FY24 operating performance should yield reserve increase of approx. \$25M.
- Modest reserve increase forecast in FY25 based on current budget methodology and anticipated flat enrollment.



# Fiscal Year 2025 Budget

**Presented to: UNT Board of Regents, Finance Committee**

**Presented by: Kemp Louis, CPA, MPA, Chief Financial Officer**

**July 2024**

# FY24 Highlights and Accomplishments

## College of Nursing

- Curricula Development
- Hired 25 faculty and staff since July 2023
- Affiliate agreements with most DFW area hospital systems



**HSC College of Nursing**  
**ELEVATE**  
your future  
RN to BSN

APPLY BY JULY 1 | [UNTHSC.EDU/RN-BSN](https://unthsc.edu/rn-bsn)

hsc  
THE UNIVERSITY of NORTH TEXAS  
HEALTH SCIENCE CENTER at FORT WORTH

# FY24 Highlights and Accomplishments

## HSC Extended Campus

Collaboration efforts underway with UNT-Dallas to build student pathway and pipeline programs

## Campus Infrastructure/Capital Projects

Investments in campus infrastructure and capital projects to ensure the safety and soundness of HSC students, faculty and staff



## Grant / Award Funding

As of May 2024, HSC has received a total of over **\$107** million in grant funding, exceeding the entire funding received in the previous fiscal year (\$104.6 MM)

# FY25 Budget Key Drivers and Priorities



## Academic/Enrollment Management

- Enrollment baselined to Fall 2023 (*flat enrollment*)
- Launch College of Nursing Programs (Fall 2024)
  - RN to BSN
  - MSN in Nursing Practice Innovation
- Expanding pilot programs at UNT-Dallas

## Employee Recruitment/Retention

- Develop sustainable compensation strategy
- Investment in Marketing/Communications and Institutional Advancement departments

## HSC Health Enterprise

- Reimagine HSC Health Enterprise business model



# Revenues and Transfer In

	FY2024 Budget	FY2024 Est Actuals	FY2025 Budget	FY24 Actuals vs. FY25 Budget	
				\$000's	%
<b>REVENUES AND TRANSFERS IN</b>					
Net Tuition and Fees	\$ 31,965	\$ 32,446	\$ 32,635	\$ 189	0.6%
Sales of Goods and Services	35,800	34,718	30,895	(3,823)	(11.0%)
Grants and Contracts	78,243	95,818	95,886	68	0.1%
State Appropriations	128,319	128,319	128,319	0	0.0%
Capital Appropriations (HEF)	15,582	15,582	15,582	0	
All Other Revenue	22,182	21,719	23,368	1,649	7.6%
Transfers In	0	0	0	0	
<b>Total Revenues and Transfers In</b>	<b>\$ 312,091</b>	<b>\$ 328,601</b>	<b>\$ 326,685</b>	<b>\$ (1,916)</b>	<b>(0.6%)</b>

## FY24 Est. Actuals compared to FY25 Budget

- **Net Tuition & Fees** \$0.2M or 0.6% increase driven by College of Nursing Launch in Fall 2024
- **Sales of Goods and Services** (\$3.8M) or (11%) decrease mostly due to reimbursement model changes offset by increased Correctional Medicine revenue
- **All Other Revenue** increase \$1.6M or 7.6% due to investment income

# Expenditures and Transfers Out



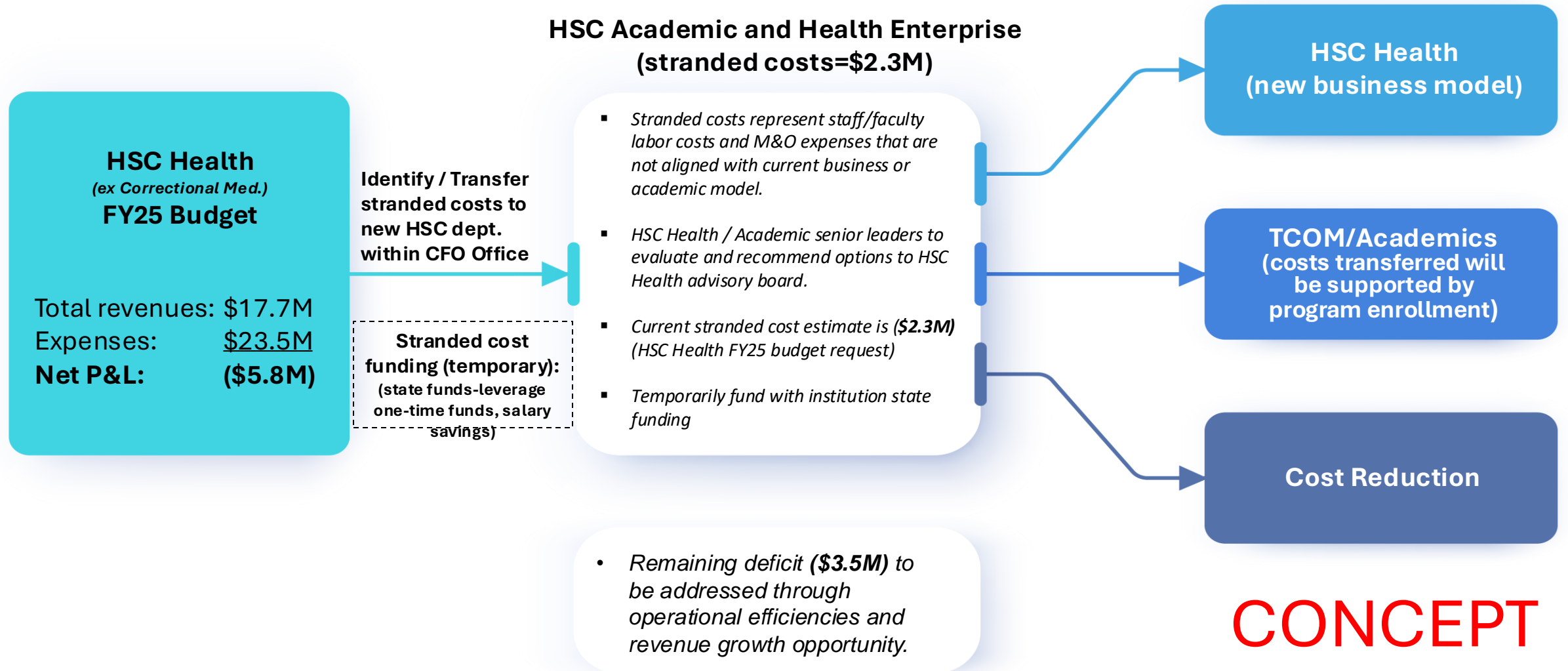
	FY2024 Budget	FY2024 Est Actuals	FY2025 Budget	FY24 Actuals vs. FY25 Budget	
				\$000's	%
<b>EXPENSES AND TRANSFERS OUT</b>					
Personnel Costs	\$ 161,215	\$ 163,255	\$ 160,800	\$ (2,455)	-1.5%
Maintenance & Operation Costs	107,952	109,180	108,110	(1,070)	-1.0%
Capital Expenses	9,300	8,000	8,000	-	0.0%
Scholarships & Financial Aid	938	938	1,123	185	19.7%
All Other Expenses (Fed Pass-through)	1,265	18,762	18,576	(186)	-1.0%
Debt Service Transfer Out	5,407	5,407	5,148	(259)	-4.8%
System Service Allocations	5,398	5,398	4,064	(1,334)	-24.7%
All Other Transfers Out	19,729	19,730	20,890	1,160	5.9%
<b>Total Expenses and Transfers Out</b>	<b>\$ 311,204</b>	<b>\$ 330,670</b>	<b>\$ 326,710</b>	<b>\$ (3,960)</b>	<b>-1.2%</b>

## FY24 Est. Actuals compared to FY25 Budget

**Personnel and M&O** reductions (\$3.5M) primarily due to planned staff and operational reductions within the HSC Health clinical operations

**System Service Allocations and All Other Transfers Out** net reduction (\$0.2M) due to reduced UNT System assessment

# Managing Through the HSC Health Enterprise Transition (Stranded Costs)





# Reserves and Estimated Budget Impact on Fund Balance



FY2023 Ending Reserves	FY2024 Projected Ending Reserves	FY2025 Estimated Ending Reserves	FY2024 vs. FY2025	
			\$000's	%
\$ 251.8	\$ 249.7	\$ 249.7	\$ -	0.0%

Estimated Budget Impact on Fund Balance	
\$ -	Education and General – addition to Reserves
\$ -	Designated Operating – addition to Reserves
\$ -	Auxiliary – addition to Reserves
\$ -	Restricted – addition to Reserves
\$ -	Clinical – addition to Reserves



# Summary

## Achievements

- Launch of College of Nursing programs
- Alignment of financial and investment priorities with strategic plan

## Challenges to Overcome

- Reimagine HSC Health Enterprise business model
- Establish sustainable compensation strategy

## Future Outlook

- Develop funding streams to support future strategic priorities
- Revenue Diversification / Tuition strategy



Courageous  
Integrity



Be Curious



We Care



Better Together

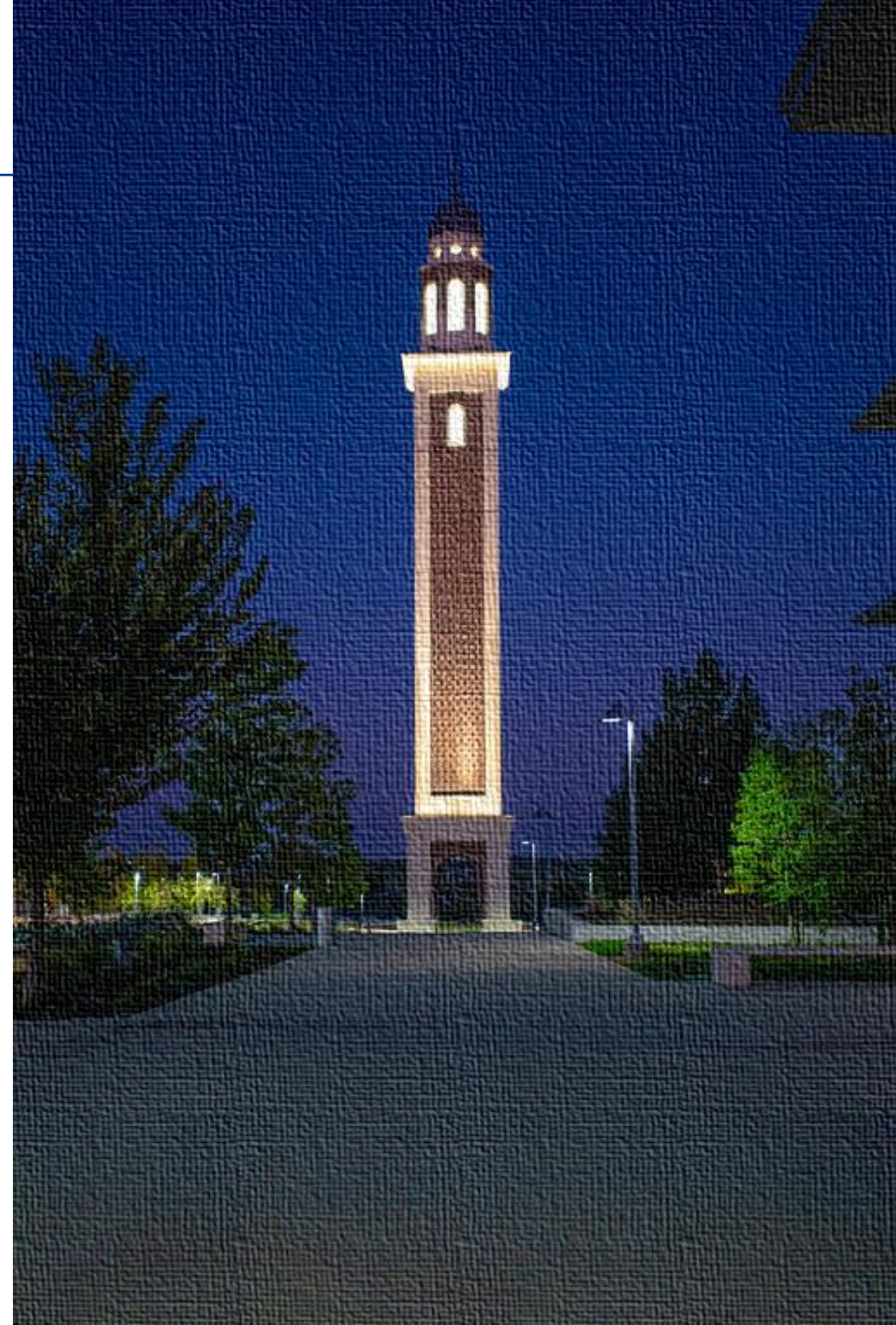


Show Your  
Fire



# Fiscal Year 2025 Budget

University of North Texas at Dallas  
Board of Regents Meeting | August 15-16, 2024



# FY24 Highlights

---



Enrollment  
Growth



STEM Building  
Construction Progress



Pre-Professional  
Pathways Program (P4)



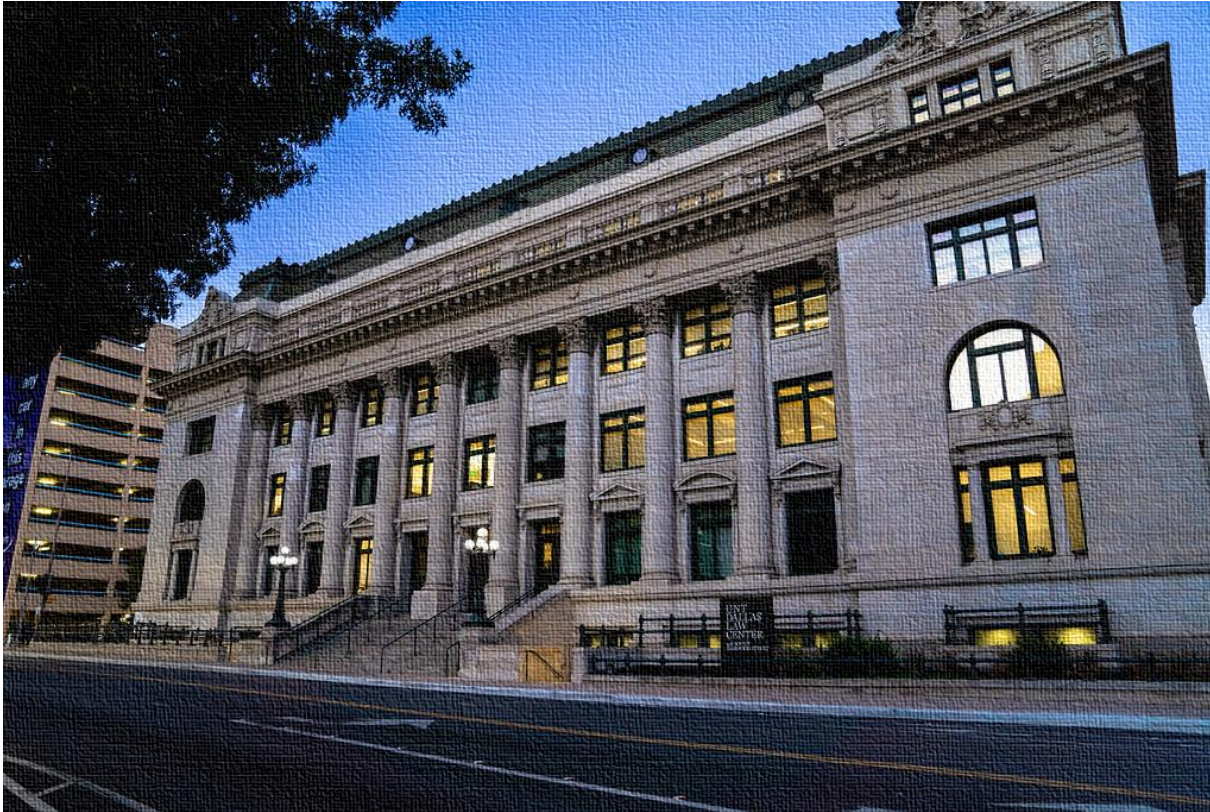
New Academic  
Programs



Academic Summer  
Bridge



# Budget Context & Assumptions



- Zero-base budgeting methodology
- Holding SCH flat to Su23, Fa23, and Sp24
- Key Funding Components
  - \$29.7M Net Tuition & Fees
  - \$20.5M Base State Funding
  - \$3.0M Classroom to Career (C2C)
  - \$1.9M Pre-Professional Pathways Program (P4)
  - ✓ \$1.3M B-On-Time (One-Time)
  - \$0.9M Comprehensive Regional Funding (CRU)
  - \$16.3M CCAP Revenue Bonds
- Strategic Investments



# Key Drivers & Priorities



## Enrollment & Recruiting

To maintain and enhance our financial stability, strategic efforts will focus on increasing enrollment through targeted marketing and recruiting efforts and improved student retention strategies.



## Student Success

To direct investments towards enhancing student outcomes by strengthening academic support services, more data-driven advising, and expanding college and career readiness programs to ensure overall student success.

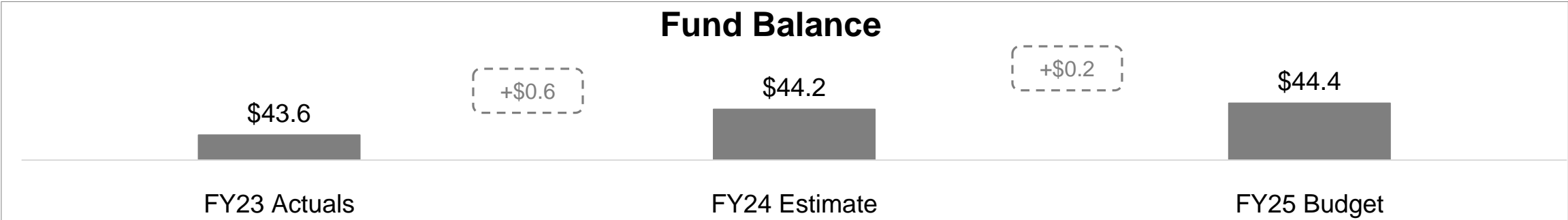
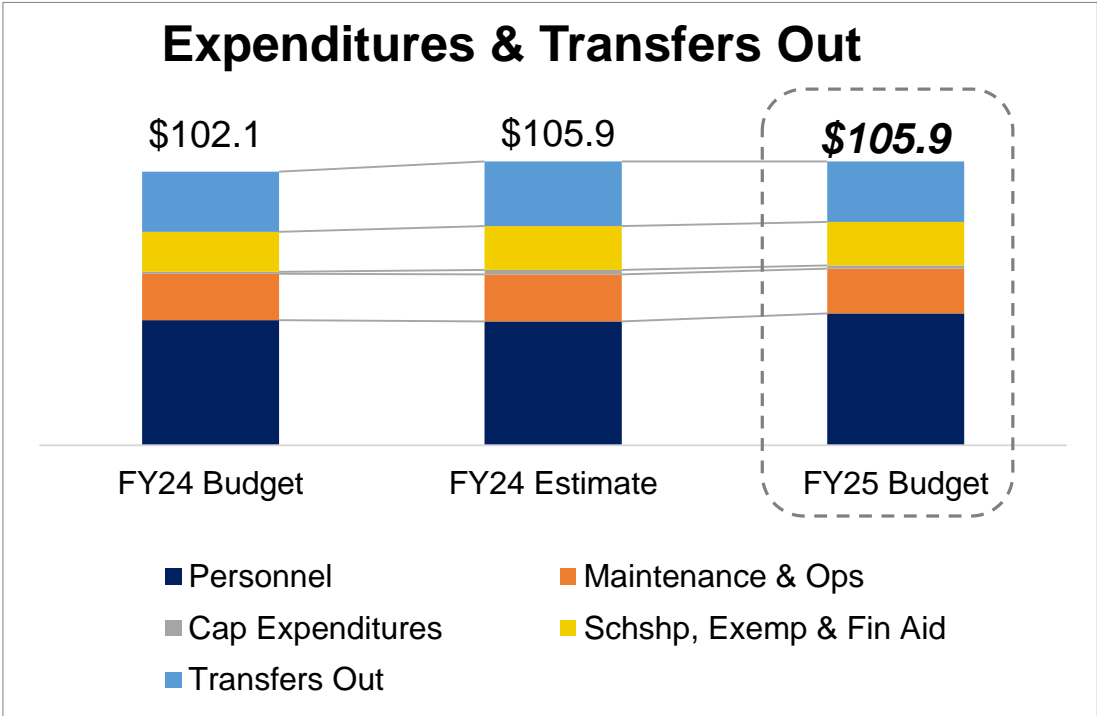
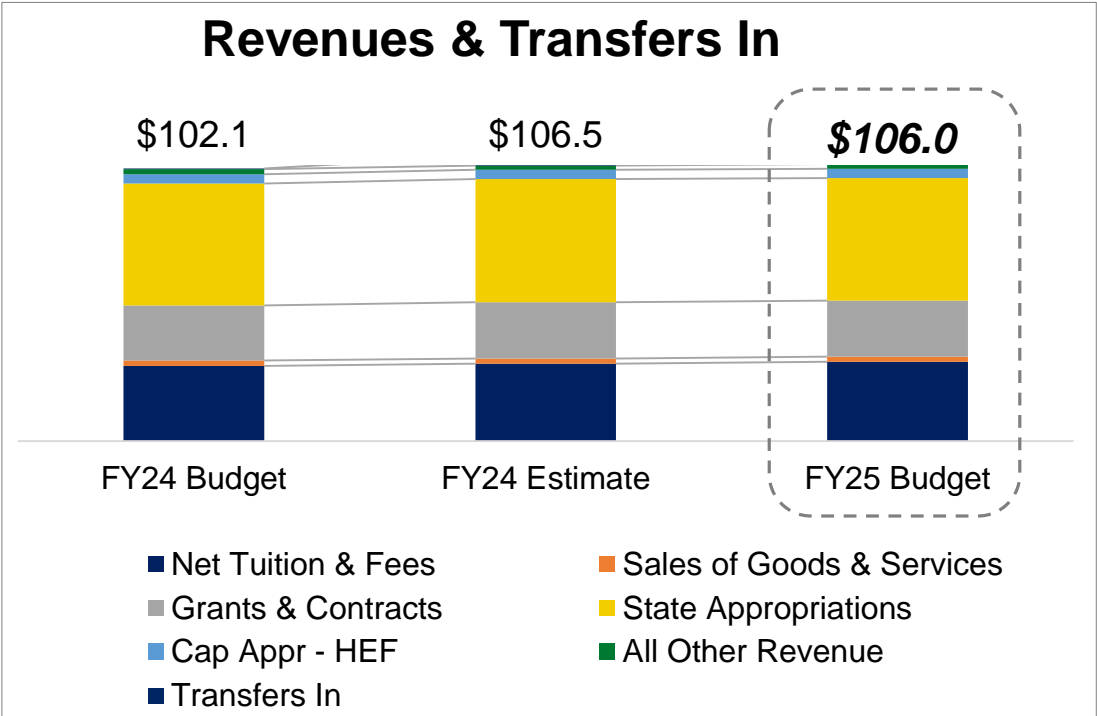


## Pre-Professional Pathways Program

To continue to collaborate with HSC on the Pre-Professional Pathways Program (P4), including nursing, aimed at addressing the growing demand for healthcare professionals by providing tailored academic and practical training to prepare students for successful careers.

# Budget Summary

Dollar Amounts In Millions



# Revenues & Transfers In

Dollar Amounts In Thousands

## Key Drivers, Trends & Initiatives

	FY24	FY24	FY25	FY24 Est Act vs FY25 Bud	
	Budget	Est Actual	Budget	▲ in \$	▲ in %
Net Tuition & Fees	28,200	29,073	29,729	656	2.3%
Sales of Goods & Services	1,975	1,933	1,932	(1)	-0.1%
Grants & Contracts	20,724	21,062	20,961	(101)	-0.5%
State Appropriations	45,623	46,169	45,905	(264)	-0.6%
Capital Appropriations - HEF	3,456	3,456	3,456	0	0.0%
All Other Revenue	1,887	1,538	1,841	303	19.7%
<b>Total Revenues</b>	<b>101,866</b>	<b>103,230</b>	<b>103,824</b>	<b>593</b>	<b>0.6%</b>
<b>Transfers In</b>	<b>190</b>	<b>3,291</b>	<b>2,206</b>	<b>(1,085)</b>	<b>-33.0%</b>
<b>Total Revenues &amp; Transfers In</b>	<b>102,056</b>	<b>106,521</b>	<b>106,029</b>	<b>(492)</b>	<b>-0.5%</b>

- Net Tuition & Fees: Flat YOY SCH | No tuition rate increase | Fall 2023 (FY24) started a week earlier vs Fall 2024 (FY25)
- Grants & Contracts: B-On-Time +\$1.3M | Sponsored Project -\$0.9M
- State Appropriations: CCAP extinguished -\$0.2M
- All Other Revenue: CFT (CPI) gift revenue \$0.3M
- Transfer In: Nursing P4 \$2.2M in FY24 vs \$1.9M in FY25
- Total Revenues & Net Transfers In expected to decline slightly at -0.5% or -\$0.5M



# Expenditures & Transfers Out

Dollar Amounts In Thousands

	FY24	FY24	FY25	FY24 Est Act vs FY25 Bud	
	Budget	Est Actual	Budget	▲ in \$	▲ in %
Personnel	46,742	46,187	49,137	2,950	6.4%
Maintenance & Operations	17,239	17,528	16,714	(814)	-4.6%
Capital Expenditures	735	1,739	1,246	(493)	-28.3%
Scholarship, Exemptions & Fin Aid	14,893	16,300	16,267	(33)	-0.2%
<b>Total Expenditures</b>	<b>79,609</b>	<b>81,755</b>	<b>83,364</b>	<b>1,610</b>	<b>2.0%</b>
<b>Transfers Out</b>	<b>(22,447)</b>	<b>(24,147)</b>	<b>(22,515)</b>	<b>1,632</b>	<b>6.8%</b>
<b>Expenditures &amp; Transfers Out</b>	<b>102,056</b>	<b>105,902</b>	<b>105,879</b>	<b>(23)</b>	<b>0.0%</b>

## Key Drivers, Trends & Initiatives

- Personnel: Nursing P4 Ramp-Up \$1.1M | CPI \$0.3M | Related Benefits \$0.5M | Student Support \$0.3M | System-wide market study adjustments \$0.2M | Adjuncts \$0.1M
- Maintenance & Operations: Reduction in Sponsored Project activity
- Capital Expenditures: -\$1.6M Nursing/STEM equipment purchases in FY24 offset by increase in HEF spending
- Transfers Out: System Assessment \$5.0M, up \$0.1M or +2.9% | CCAP extinguished of \$0.2M in FY24 | Benefits credit -\$0.5M
- Expenditures & Transfers expected to be flat

# Fund Balance

Dollar Amounts In Millions

## Highlights

FY23 Act Ending	FY24 Est Ending	FY25 Est Ending	FY24 Est Act vs FY25 Bud	
			▲ in \$	▲ in %
43.6	44.2	44.4	0.2	0.3%

- The year-end unrestricted reserve balance for FY23 was \$43.6M.
- FY24 forecast shows a +\$0.6M increase to total reserves.
- FY25 budget reflects a slightly better than a balanced position at +\$0.2M.

**DRAFT**

# Fiscal Year 2025 Recommended Budget

*Susan Alanis, Deputy Chancellor*

Board of Regents Finance Committee

July 10, 2024

# Budget Objectives

- Establish a **10% reserve target** for System
- **Limit increase** in campus allocations to 1.7%
  - Fully budget anticipated external revenue
  - Deploy anticipated savings and excess fund balance
- Transparently **anticipate savings and expenses** previously funded with mid-year savings



**Courageous  
Integrity**



**Be Curious**



**We Care**



**Better Together**



**Show Your  
Fire**

# Key Drivers and Priorities

Total increase of  
6% from FY2024

## Revenues

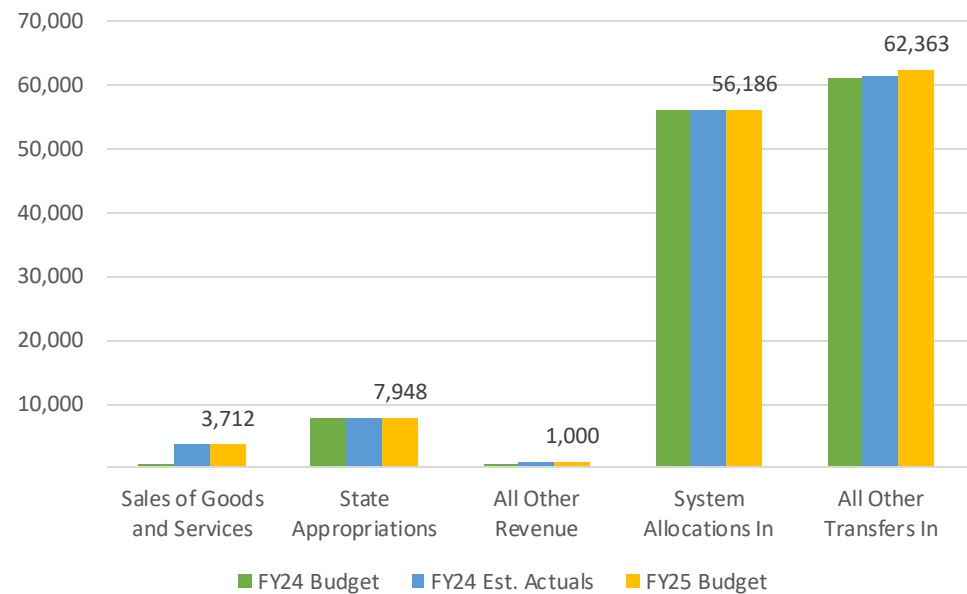
- Restore rental/lease revenues for **downtown buildings**
- Budget for previously **unbudgeted rebate income** at System
- **Plan use of reserves** to support one-time expenses in IT from historical savings

## Expenses

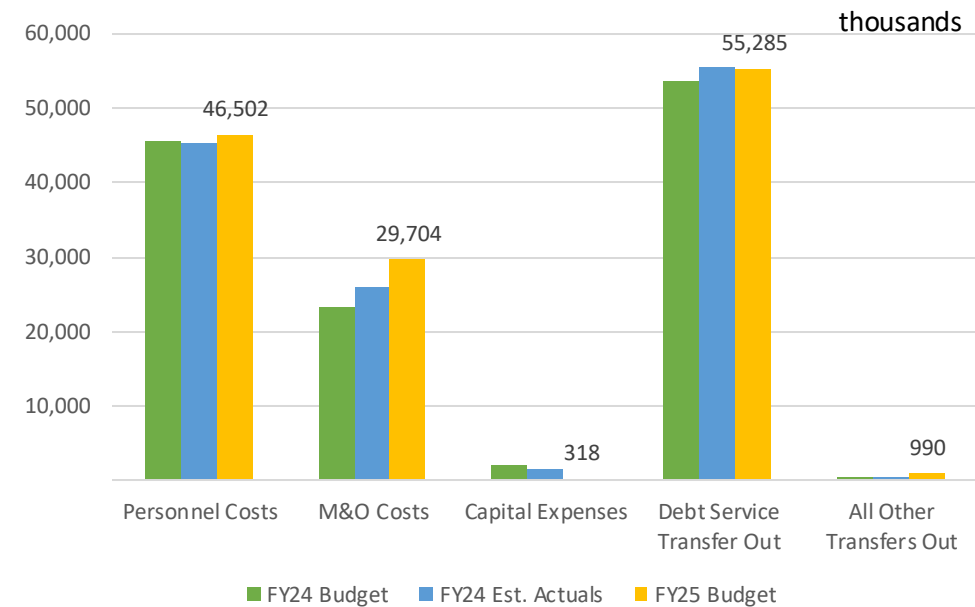
- Restore expenses related to **downtown buildings**
- Fund **3% compensation pool** to address market study and performance plan
- Increase **budgeted salary savings** from 2.5% to 5%
- Budget for **Chancellor's strategic priorities**
- Add **priority positions** in Academic Affairs, Payroll, and IT
- Increase contracts, subscriptions, and other recurring costs due to **inflation**

# Budget Overview

REVENUES & TRANSFERS IN



EXPENSES & TRANSFERS OUT



**Net Impact to Fund Balance**  
FY24 Budget \$0.9m, FY24 Estimated Actuals \$1.9m, FY25 Budget -\$1.6m

# Revenues and Transfers In

- P-card revenue of \$900k
- Rental and lease revenue of \$3.2m
- Increased investment income by \$300,000

	FY2024 Budget	FY2024 Est Actuals	FY2025 Budget	FY24 Actuals vs. FY25 Budget	
				\$000's	%
<b>REVENUES AND TRANSFERS IN</b>					
Net Tuition and Fees					
Sales of Goods and Services	\$ 577,144	\$ 3,703,969	\$ 3,712,328	\$ 8,359	0%
Grants and Contracts					
State Appropriations	\$ 7,907,055	\$ 7,907,055	\$ 7,948,146	\$ 41,091	1%
Capital Appropriations (HEF)					
All Other Revenue	\$ 716,040	\$ 971,396	\$ 1,000,000	\$ 28,604	3%
System Services Allocations In	\$ 56,067,268	\$ 56,067,268	\$ 56,185,649	\$ 118,381	0%
<b>Revenues Total</b>	<b>\$ 65,267,507</b>	<b>\$ 68,649,688</b>	<b>\$ 68,846,123</b>	<b>\$ 196,435</b>	<b>0%</b>
All Other Transfers In	\$ 61,097,781	\$ 61,564,531	\$ 62,362,724	\$ 798,193	1%
<b>Transfers Total</b>	<b>\$ 61,097,781</b>	<b>\$ 61,564,531</b>	<b>\$ 62,362,724</b>	<b>\$ 798,193</b>	<b>1%</b>
<b>Total Revenues and Transfers In</b>	<b>\$ 126,365,288</b>	<b>\$ 130,214,219</b>	<b>\$ 131,208,847</b>	<b>\$ 994,628</b>	<b>1%</b>

# Expenditures and Transfers Out

## Key Drivers, Trends, & Initiatives

### Restored/Explicitly Budgeted Expenses

Full year for downtown buildings offset by removal of Pegasus Park debt

- \$2.1m – operating costs
- \$ .4m – planned capital maintenance
- \$1.7m – debt service (net)
- Formalizes budgeting for strategic priorities in the Chancellor’s Office (\$800,000 net)

### New Expenses

- Funds a 3% compensation pool to address market study and performance plans - \$1.1m
- Priority positions in Academic Affairs, Payroll, and IT
- IT operating budget for staff and contract increases - \$1.2m

	FY2024 Budget	FY2024 Est Actuals	FY2025 Budget	FY24 Actuals vs. FY25 Budget	
				\$000's	%
<b>EXPENSES AND TRANSFERS OUT</b>					
Personnel Costs	\$ 45,630,728	\$ 45,205,570	\$ 46,502,405	\$ 1,296,835	3%
Maintenance & Operation Costs	\$ 23,304,263	\$ 26,082,226	\$ 29,703,941	\$ 3,621,715	14%
Capital Expenses	\$ 2,217,513	\$ 1,538,231	\$ 318,358	\$ (1,219,873)	-79%
Scholarships & Financial Aid					
All Other Expenses					
<b>Expenses Total</b>	<b>\$ 71,152,505</b>	<b>\$ 72,826,027</b>	<b>\$ 76,524,704</b>	<b>\$ 3,698,676</b>	<b>5%</b>
Debt Service Transfer Out	\$ 53,699,003	\$ 55,612,996	\$ 55,284,736	\$ (328,260)	-1%
System Service Allocations Out					
All Other Transfers Out	\$ 584,932	\$ 584,932	\$ 989,569	\$ 404,637	69%
<b>Transfers Total</b>	<b>\$ 54,283,935</b>	<b>\$ 56,197,928</b>	<b>\$ 56,274,305</b>	<b>\$ 76,377</b>	<b>0%</b>
<b>Total Expenses and Transfers Out</b>	<b>\$ 125,436,440</b>	<b>\$ 129,023,955</b>	<b>\$ 132,799,009</b>	<b>\$ 3,775,053</b>	<b>3%</b>
<b>Estimated Budgeted Impact on Fund Balances</b>	<b>\$ 928,848</b>	<b>\$ 1,190,264</b>	<b>\$ (1,590,162)</b>	<b>\$ (2,780,426)</b>	<b>-234%</b>



# Reserves and Estimated Budget Impact on Fund Balance

*Highlights:*

- Planned use of reserves - \$1.6m for priority one-time items in IT
- Maintains System reserves at approximately 10% of annual operating expenses

FY2023 Ending Reserves	FY2024 Projected Ending Reserves	FY2025 Estimated Ending Reserves	FY2024 vs. FY2025	
			\$000's	%
7.4	9.7	8.1	-1.6	-16.5%

Note: All dollars in thousands

# Campus Allocations

FY25 allocations represent a 1.7% increase

	<b>FY23 Adjusted Revenue</b>	<b>FY24</b>	<b>FY25 (Proposed)</b>	<b>Variance</b>
UNT	73.73%	\$15,577,799	\$16,861,320	\$1,283,521
HSC	19.98%	\$5,061,459	\$4,569,969	\$(491,490)
DAL	6.28%	\$1,455,953	\$1,437,254	\$(18,698)
<b>*Central</b>	<b>100.00%</b>	<b>\$22,095,210</b>	<b>\$22,868,543</b>	<b>\$773,332</b>

	<b>FY24</b>	<b>FY25 (Proposed)</b>	<b>Variance</b>
UNT	\$35,061,402	\$35,511,378	\$449,976
HSC	\$7,602,494	\$7,346,641	\$(255,853)
DAL	\$3,191,915	\$3,349,638	\$157,723
<b>Shared</b>	<b>\$45,855,811</b>	<b>\$46,207,657</b>	<b>\$351,846</b>

# UNT System Board of Regents – Finance Committee FY 2025 Investment Policy Updates

Maleia Torres, Associate Vice Chancellor for Treasury  
July 10, 2024

# Purpose of Today's Presentation

Review history of Long Term Pool and Outsourced Chief Investment Officer structure

Discuss proposed changes to Regents Rule and Investment Regulation

Take Committee action on proposed changes to be considered by full Board in August

# Long Term Pool Background

- Noncurrent portion of operating funds generate steady earnings to support operations over time
- NOT a permanent endowment
- Initial **FY2017** investment of \$22.5m has grown to \$416m as of July 1<sup>st</sup>

## 2016

- Consultant recommended **long-term investment strategy** to generate higher returns

## 2018

- **LTP & Investment Advisory Committee** established
- Outsourced Chief Investment Officer (OCIO) to **DiMeo Schneider**

## 2021

- **Goldman Sachs** replaced as OCIO
- IAC approved **LTP Investment Strategy**

## Fall 2024

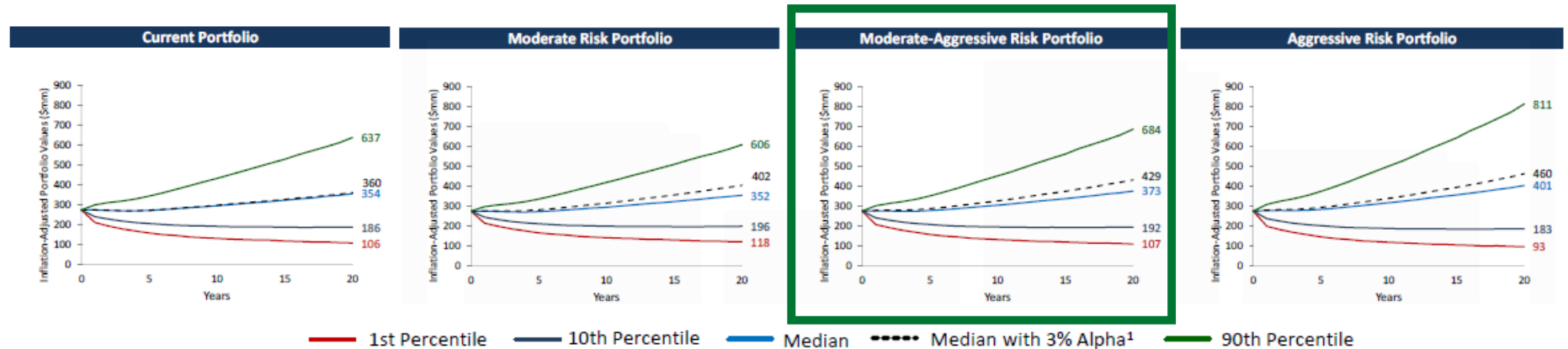
- Goldman Sachs to lead **risk tolerance assessment and review of performance model** at Board of Regents Retreat

# Investment Risk & Horizon: Long Term Pool

## LTP Strategic Asset Allocation using a Value at Risk (VaR) Review



Note: Average Annual Investment Return: +7.5% requires Value at Risk Level of 25%



# Regents Rule 10.100 – Investments

---

## Recommended Revisions

- Set policy review biannually
- Update title for *Deputy Chancellor*
- Omit *Texas Public Funds Investment Act* references; investing under Prudent Person Standard.



# System Regulation 08.2000 Investment of System Funds

## Key Recommended Revisions

---

### Incorporate investment risk themes

- Short Term Pool: *Custodial, Interest Rate, Credit, Inflation, Reinvestment, Market*
- Long Term Pool: Defined Risk Tolerance

### Adjust Investment Advisory Committee Responsibilities

- Continued composition: CFO's, Treasurer, and up to four external appointees
- External members should have **varied backgrounds and expertise** in investment management, risk assessment, and financial oversight.
- IAC to **recommend defined risk tolerance** for Board of Regents approval, considering financial stability, liquidity needs, and long-term goals.



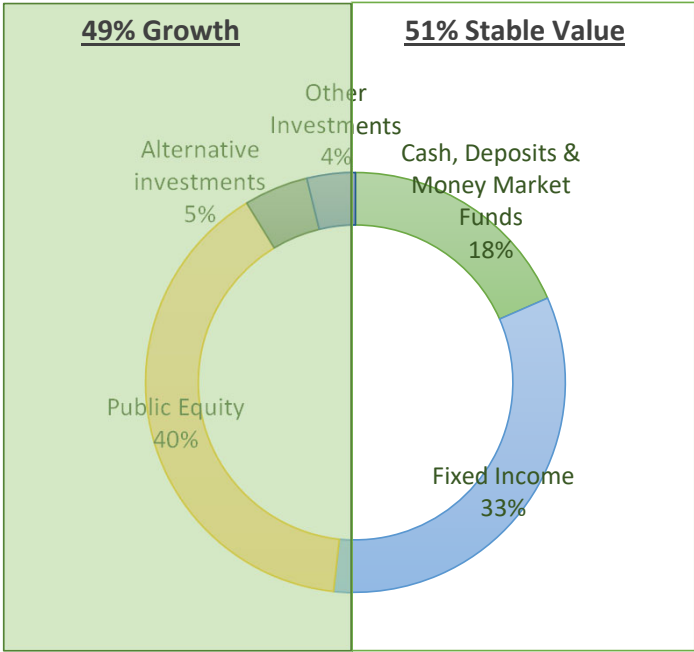
# System Regulation 08.2000 Investment of System Funds

## Key Recommended Revisions, cont.

**Asset Allocation Adjustment:** LTP target parameter changes to provide Goldman Sachs greater flexibility in taking advantage of market opportunities

LTP Target Allocation Parameters		
Asset Class	Lower Limit	Upper Limit
Cash or Cash Equivalents	0%	10%
Global Public Fixed Income	5%	50%
Global Public Equities	20%	<del>65%</del> 75%
Alternative Investments	<del>15%</del> 0%	35%

Review of Combined  
LTP and STP Operating Funds  
Asset Allocation as of April 30, 2024



# System Regulation 08.2000 Investment of System Funds

## Key Recommended Revisions, cont.

---

### LTP Distribution Policy

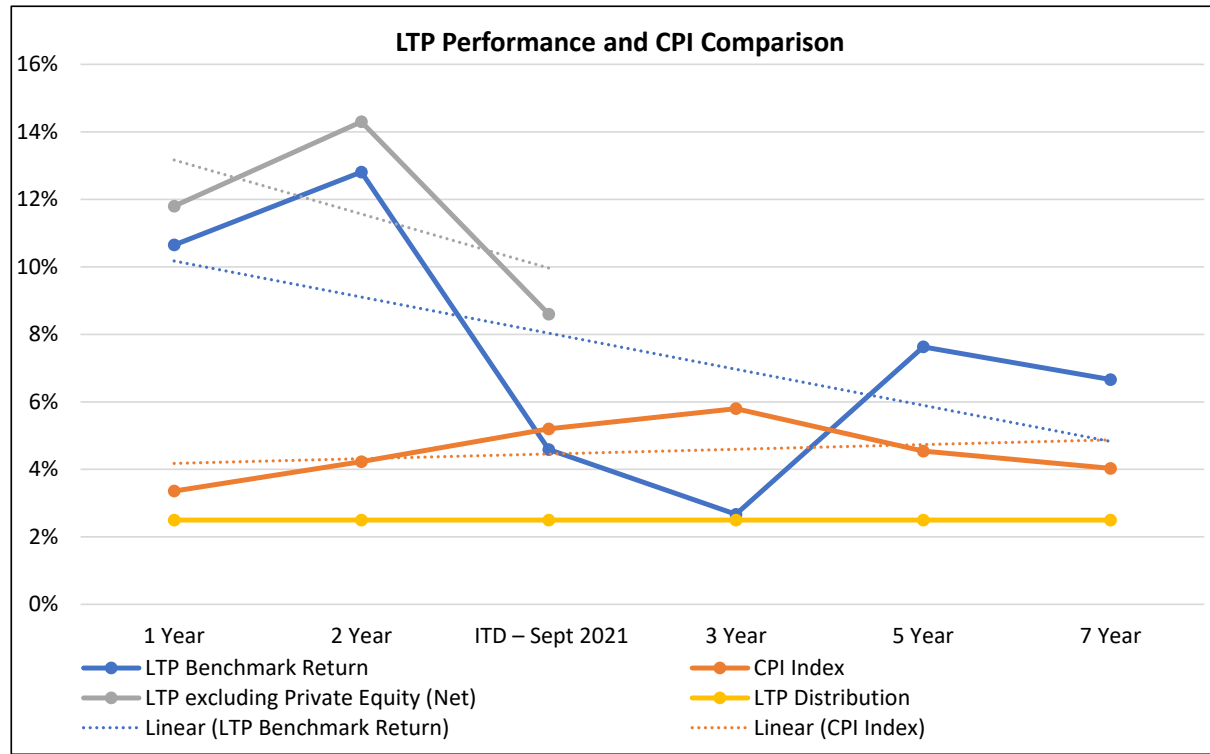
#### Current:

- Fixed annual distribution of 2.5% of rolling 16-quarter Market Value
- Required Quarterly Distribution

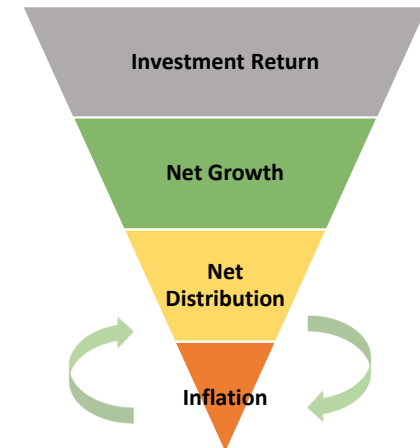
#### Recommended:

- Grant authority to **IAC to set annual distribution rate** in context of other health metrics; reflect in annual budget to be approved by the BOR
- Institutions opt-in/out of receiving distributions

# Historical Performance as of FY2024 Q2

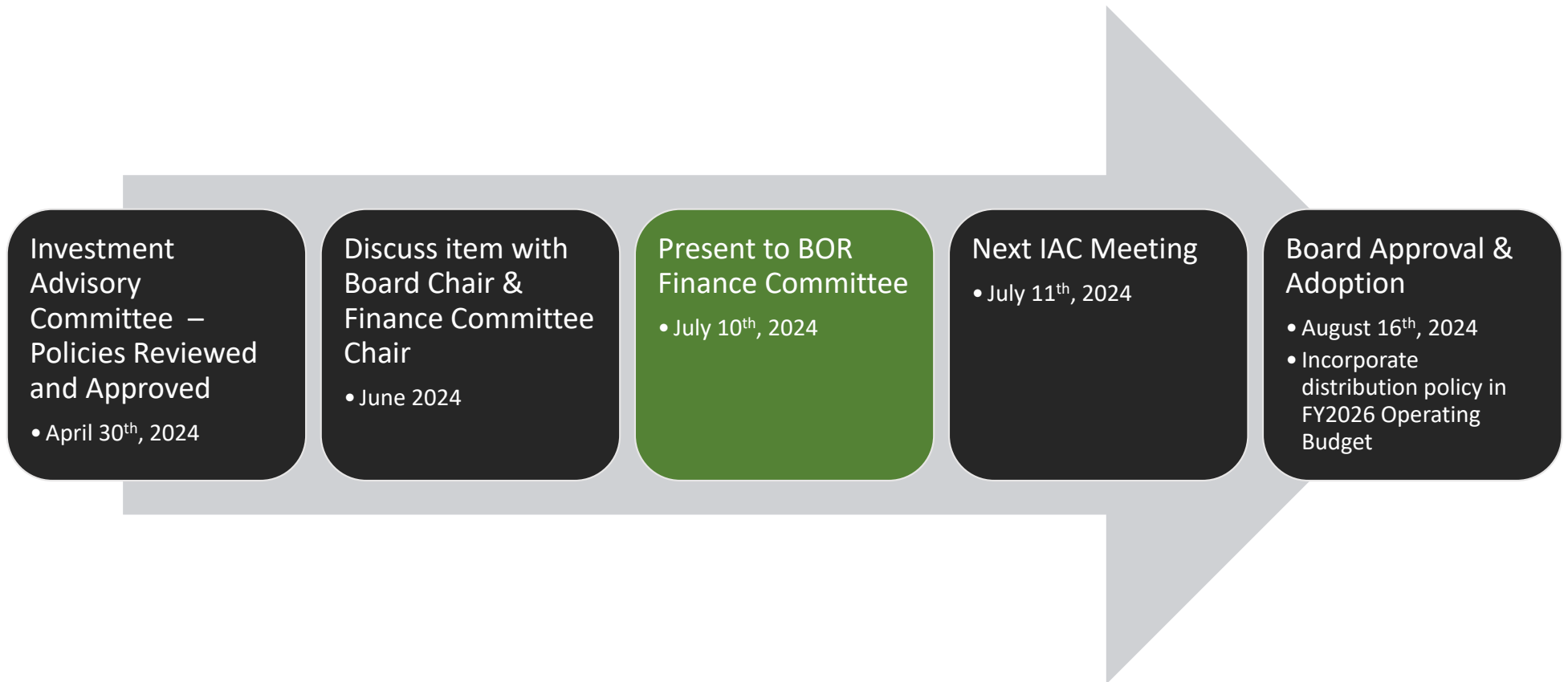


## Standard Investment Distribution



Note: Actual Mandated Distribution about 2% below inflation

## Next Steps : Policy Approval Action Schedule



# Questions?

---



## Board Briefing

---

**Committee:** Finance

**Submission Date:** July 10, 2024

**Title:** Amendments to Regents Rule 10.100, *Investments*

---

### **BACKGROUND SUMMARY:**

Texas Education Code § 51.0032 requires the UNT System Board of Regents to adopt a written investment policy for the investment of institutional funds. Regents Rules 10.100, *Investments*, sets forth the requirement that the System adopt and maintain investment policies for UNT System and its component institutions, and that investment policies are subject to Board of Regents approval.

### **PURPOSE:**

The UNT System Board of Regents meets an exemption provided by Texas Education Code § 51.0031, is therefore exempt from the investment limitations and requirements of the Public Funds Investment Act (PFIA), and may invest funds under prudent person standards.

Amendments are proposed as follows:

- Require that investment policies be reviewed and approved at least every two years (under the PFIA, investment policies must be reviewed and approved annually).
- Delete reference to Texas Government Code § 2256.023 (the PFIA section on reporting which is no longer applicable).
- Correct the current title of Deputy Chancellor.

### **ASSESSMENT:**

The proposed amendments bring Regents Rule 10.100 into compliance with current legal requirements and recommendations for meeting prudent person standards.

### **FINANCIAL IMPLICATIONS/TIMELINE:**

No financial cost impact is identified in the proposed amendments.

Attested By:

A handwritten signature in blue ink that reads "Susan Alanis".

Susan Alanis (Jul 3, 2024 11:22 CDT)

Susan Alanis  
Deputy Chancellor,  
Finance and Operations

### **PROPOSED BOARD ACTION:**

It is recommended that the Board of Regents approve amendments to the University of North Texas System Regents Rule 10.100, *Investments*.

Attachments Filed Electronically:

1. Regents Rules 10.100 Investments (redline and clean versions)
-

---

**Legal Approval:**

*Alan Stucky*

Alan Stucky  
General Counsel

**Recommendation for Approval:**

*Susan Alanis*

Susan Alanis (Jul 3, 2024 11:22 CDT)

Susan Alanis  
Deputy Chancellor,  
Finance and Operations

*Michael R. Williams*

Michael R. Williams  
Chancellor



## Board Order 2024-

---

**Title:** Amendments to Regents Rule 10.100, *Investments*

---

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on August 15-16, 2024, pursuant to a motion made by Regent \_\_\_\_\_ and seconded by Regent \_\_\_\_\_, the Board approved the motion presented below:

Whereas, the Board has the authority to adopt and revise the Regents Rules under the Texas Education Code 105.101, which grants the Board the power to adopt rules and policies for the administration of the Board's powers and duties; and

Whereas, it is recommended that Regents Rule 10.100 be amended to remove references to the Public Funds Investment Act and require review of the Investment Policy at least bi-annually; and

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Amendment of Regents Rule 10.100, *Investments*, as set forth in the attachment to this item.
- 

**Board Action:**

VOTE: \_\_\_\_\_ ayes \_\_\_\_\_ nays \_\_\_\_\_ abstentions

Attested By:

Approved By:

---

Rachel Barone, Secretary  
Board of Regents

---

Laura Wright, Chair  
Board of Regents



10.100 Investments

10.101 Investment Policy. The System shall adopt and maintain investment policies and strategies for the investment of funds. System Administration and each Institution shall adhere to the System investment policies and strategies. The investment policies and strategies of the System are subject to Board approval. Any deviation from a Board- approved policy or strategy will require Board approval. Policies shall be reviewed and approved at least every two years.

10.102 Reporting Transactions. Not less than quarterly, the chief investment officer for the System shall prepare and submit to the Board a written report of System investment transactions for the preceding reporting period that meets the requirements of Texas Education Code § 51.0032 ~~and Texas Government Code § 2256.023.~~

10.103 Investment Officers. The chief investment officer for the System is the ~~Vice-Chancellor for Finance~~Deputy Chancellor and his or her designee.

Adopted: November 15, 2007  
Effective: November 15, 2007  
Revised: June 27, 2011, August 16, 2012, November 15, 2019

10.100 Investments

- 10.101 Investment Policy. The System shall adopt and maintain investment policies and strategies for the investment of funds. System Administration and each Institution shall adhere to the System investment policies and strategies. The investment policies and strategies of the System are subject to Board approval. Any deviation from a Board- approved policy or strategy will require Board approval. Policies shall be reviewed and approved at least every two years.
- 10.102 Reporting Transactions. Not less than quarterly, the chief investment officer for the System shall prepare and submit to the Board a written report of System investment transactions for the preceding reporting period that meets the requirements of Texas Education Code § 51.0032.
- 10.103 Investment Officers. The chief investment officer for the System is the Deputy Chancellor and his or her designee.

Adopted: November 15, 2007  
Effective: November 15, 2007  
Revised: June 27, 2011, August 16, 2012, November 15, 2019



## Board Briefing

---

**Committee:** Finance

**Submission Date:** July 10, 2024

**Title:** Amendments to UNT System Regulation 08.2000, *Investment of System Funds*

---

### **BACKGROUND SUMMARY:**

UNT System Regulation 08.2000, *Investment of System Funds*, sets forth the Board of Regents adopted written investment policy for UNT System and its component institutions.

In 2018, the Board of Regents engaged an outsourced chief investment officer with the intent to improve investment earnings over time.

### **PURPOSE:**

The UNT System Board of Regents may invest funds subject to its control under “prudent person standards” which means that standard of judgment and care that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Texas Education Code § 51.0032 requires the UNT System Board of Regents to adopt a written investment policy for the investment of institutional funds. The proposed amendments to UNT System Regulation 08.2000, *Investment of System Funds*, will modify the investment policy and upon approval become the adopted investment policy for UNT System and its component institutions.

Amendments are proposed as follows:

- Replace the term "meeting or exceeding" in relation to the benchmark with "trending with" for the Short Term Pool (STP) in response to a recent internal audit report. This acknowledges inclusion of STP depository balances with inherently lower performance combined with a buy-and-hold portfolio approach compared to the benchmark's shorter duration and active management. The STP's operational framework allows for liquidity management, facilitates access to funds for large bi-annual debt payments, and streamlines administration processes. The Advisor affirms that the current benchmark is well-suited to track alongside the STP portfolio.
- Reduce the lower limit on alternatives from 15% to 0% and increase the upper limit of global equities from 65% to 75% to allow for total divestiture of alternatives and investment in equities when such opportunities arise.
- Add investment risk themes to the mitigating constraints formerly set in policy.
- Delegate to an Investment Advisory Committee (IAC) the responsibility to establish a distribution policy for the Long-Term Pool (LTP) to adapt with returns, inflation, and financial strategies of the Institutions. The IAC is composed of the Deputy Chancellor, the Associate Vice Chancellor for Treasury, and the chief financial officers from each UNT Institution and up to four members appointed by the Deputy Chancellor for up to two three-year terms. The distribution level will be reviewed by the Board of Regents annually.
- Establish qualifications for IAC representatives to be from diverse backgrounds with relevant expertise in investment management, risk assessment, and financial oversight.
- Formalize responsibility of the IAC to recommend a risk tolerance level to the Board of Regents.
- Provide for separate accounts outside of the investment pools and endowments.

**ASSESSMENT:**

The proposed amendments strengthen the investment policy in outlining key investment risks, mitigation of the risks, and enhance oversight and nimbleness.

**FINANCIAL IMPLICATIONS/TIMELINE:**

No financial cost impact is identified in the proposed amendments. The proposed modification to the Long-Term Pool (LTP) distribution policy and its delegation to the Investment Advisory Committee (IAC) can serve to augment income streams amid inflationary market conditions.

Attested By:



Susan Alanis (Jul 3, 2024 11:23 CDT)

Susan Alanis  
Deputy Chancellor,  
Finance and Operations

**PROPOSED BOARD ACTION:**

It is recommended that the Board of Regents approve amendments to the University of North Texas System Regulation 08.2000, *Investment of System Funds*.

Attachments Filed Electronically:

1. System Regulation 08.2000, *Investment of System Funds* (redline and clean versions)

---

**Legal Approval:**

Alan Stucky  
General Counsel

**Recommendation for Approval:**

Susan Alanis (Jul 3, 2024 11:23 CDT)

Susan Alanis  
Deputy Chancellor,  
Finance and Operations



Michael R. Williams  
Chancellor



## Board Order 2024-

**Title:** Amendments to UNT System Regulation 08.2000, *Investment of System Funds*

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on August 15-16, 2024, pursuant to a motion made by Regent \_\_\_\_\_ and seconded by Regent \_\_\_\_\_, the Board approved the motion presented below:

Whereas, the Board has the authority to adopt and revise the Regents Rules under the Texas Education Code 105.101, which grants the Board the power to adopt rules and policies for the administration of the Board's powers and duties; and

Whereas, it is recommended that amendments be made to the UNT System Regulation 08.2000, Investment of System Funds to identify financial risks and mitigations; to allow separate accounts; to revise target asset allocations; to amend responsibilities of the Investment Advisory Committee to include determination of annual spending policy and to make recommendations to the Board of Regents regarding risk tolerance; and to implement other minor staff recommendations. [08]

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Amendment of UNT System Regulation 08.2000, *Investment of System Funds*, as set forth in the attachment to this item.

### Board Action:

VOTE: \_\_\_\_\_ ayes \_\_\_\_\_ nays \_\_\_\_\_ abstentions

Attested By:

Approved By:

\_\_\_\_\_  
Rachel Barone, Secretary  
Board of Regents

\_\_\_\_\_  
Laura Wright, Chair  
Board of Regents

Regulations of the University of North Texas System	Chapter 08 Fiscal Management
<b>08.2000 Investment of System Funds</b>	

**08.2001**      **Regulation Statement.** This Regulation sets forth the rules for the investment of all System funds and funds held by the System in trust for others. All investments by the System will be made in accordance with Rule 10.100 of the Rules of the Board of Regents of the University of North Texas System and this System Regulation.

**08.2002**      **Application of Regulation.** This Regulation applies to the UNT System Administration and to all UNT System Institutions.

**08.2003**      **Definitions.**

1. **Authorized Broker/Dealers.** “Authorized Broker/Dealers” means those entities that have been approved as provided herein.
2. **Funds.** “Funds” is defined by Government Code § 2256.002 and means public funds in the custody of a state agency or local government that:
  - a. are not required by law to be deposited in the state treasury; and
  - b. the investing entity has authority to invest.
3. **Funds Subject to Board of Regents Control.** “Funds Subject to Board of Regents Control” is defined by Texas Education Code § 51.002 and means:
  - a. student fees of all kinds;
  - b. charges for use of rooms and dormitories;
  - c. receipts from meals, cafes, and cafeterias;
  - d. fees on deposit refundable to students under certain conditions;
  - e. receipts from school athletic activities;
  - f. income from student publications and other student activities;
  - g. receipts from the sale of publication products and miscellaneous supplies and equipment;

- h. students' voluntary deposits of money for safekeeping;
  - i. all other fees and local or institutional funds arising out of and by virtue of the educational activities, research, or demonstrations carried on by the institution; and
  - j. donations and gifts to the institution.
4. Investment Officer. "Investment Officer" means the person(s) appointed by the Board pursuant to the Regents Rules, and any authorized designee.
  5. Managing Entity. "Managing Entity" means the entity holding and managing the investment of funds, and may include UNT System Administration, a UNT System Institution, the University of North Texas Foundation, Inc. ("UNT Foundation"), the UNTHSC Foundation ("UNTHSC Foundation"), the University of North Texas at Dallas Foundation ("UNT at Dallas Foundation"), an external asset management firm, or Authorized Broker/Dealers.
  6. Prudent Person Standard. "Prudent Person Standard" is defined by Texas Education Code § 51.0031(d) and described in Article VII, Section 11b of the Texas Constitution, and means that standard of judgment and care that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.
  7. System. "System" means, collectively, the University of North Texas System, University of North Texas System Administration, and UNT System Institutions.
  8. UNT System Institutions. "UNT System Institutions" means University of North Texas, University of North Texas Health Science Center at Fort Worth, and University of North Texas at Dallas.

#### **08.2004      Authority and Governing Statutes.**

The System's authority to invest funds is established in the Public Funds Investment Act (Texas Government Code, Chapter 2256), Section 51.0031 of the Texas Education Code, and Rule 10.100 of the Rules of the Board of Regents of the University of North Texas System. This Regulation is promulgated in accordance with Section 51.0032 of the Texas Education Code, the Uniform Prudent Investor Act (Texas Property Code, Chapter 117), the Uniform Prudent Management of Institutional Funds Act (Texas Property Code, Chapter 163), and the Public Funds Collateral Act (Texas Government Code, Chapter 2257). The Public Funds Collateral Act sets the standards for collateralization of public funds in Texas.

Investment of System Funds.

1. Purpose. The purpose of the Investment Regulation is to outline the follow general provisions affecting the Pools by:
  - a. Assisting the Investment Advisory Committee (“Committee”) and Regents to fulfill their fiduciary responsibilities.
  - b. Conveying the Pools’ purpose, investment objective, investment strategy, risks, and mitigation constraints.
  - c. Setting forth the role and responsibilities of the Committee, Regents, Discretionary Investment Advisor (“Advisor”) and other relevant parties.
2. Investment Strategy. The investment management objective for the System is to retain appropriate liquidity to meet daily operating demands while seeking a higher yield on cash and risk-adjusted returns on investment reserves through an appropriately diversified investment portfolio. All System Funds Subject to Board of Regents control shall be invested pursuant to a Prudent Person Standard. All System endowment funds shall be invested pursuant to a Prudent Person Standard.
3. Short Term Pool. Short-term working capital funds needed for daily liquidity requirements shall be held in the Short Term Pool “STP”. The purpose and objective of the STP is to provide daily liquidity while trending with meeting or exceeding the results of the Bloomberg Barclays US 1-3 Month T-bill index. Priority is given to the safety of principal and maintaining high liquidity levels to meet immediate financial obligations effectively. Additionally, prudent risk management practices are emphasized to safeguard the integrity of the STP's assets while pursuing competitive returns within the confines of its short-term investment horizon. Emphasis should be placed on safety of principal and liquidity.
  - a. Short Term Pool risks and mitigation Constraintsconstraints.
    - i. Custodial Risk: Risk associated with the entity or institution responsible for holding and safeguarding the assets of investors or clients. While custodians are typically trusted financial institutions such as banks, brokerage firms, or specialized custodial services, there are still potential risks involved such as fraud and theft, operational failures, bankruptcy or insolvency, cybersecurity threats, regulatory non-compliance.



**Mitigation:** All bank deposit balances of the System funds deposited in a bank authorized by Public Funds Collateral Act, shall be secured by pledged collateral with a market value equal to no less than 102% of the deposits plus accrued interest less an amount insured by the FDIC. Evidence of the pledged collateral shall be monitored daily and maintained by the Associate Vice Chancellor for Treasury. A depository shall pay interest on the deposits at a rate agreed upon contractually. Repurchase agreements shall be documented by the Master Repurchase Agreement approved by The Bond Market (TBMA), or any other entity approved by the Finance Committee of the Board of Regents, noting the collateral pledged in each agreement. The use of a letter of credit issued to the System by the Federal Home Loan Bank may be considered by the System to meet the required bank depository collateral requirements. Collateral shall be reviewed monthly to assure the market value of the securities pledged equals or exceeds the related bank balances.

- ii. **Interest Rate Risk:** Changes in interest rates can affect the value of fixed-income securities, such as bonds and Treasury bills. When interest rates rise, the value of existing fixed-income securities may decrease, leading to capital losses if sold before maturity.

**Mitigation:** All investments or investment vehicles must either provide daily liquidity, offer diversification, or reduce interest rate risk. All bond positions or vehicles are generally purchased as hold till maturity-must have maturities of within three (3) years or less at the time of investment-The STP and must maintain a pool a-weighted-average maturity of less than 270 days.

- iii. **Credit Risk:** Short-term investments in corporate bonds, commercial paper, or other debt instruments carry the risk of default by the issuer. If the issuer fails to meet its financial obligations, investors may incur losses or receive lower-than-expected returns.

**Mitigation:** No individual security may have a credit quality of less than A- or A3 at the time of investment unless it is insured by the FDIC or otherwise guaranteed by the US Government or an agency or instrumentality of the US Government.

No investment vehicle may have an average credit quality of no less than AA-/Aa3 at the time of investment unless it is insured by the FDIC or otherwise guaranteed by the US Government or an agency or instrumentality of the US Government.

iv. **Liquidity Risk:** Short-term investments may become illiquid if there is a lack of buyers or sellers in the market. This can make it difficult to sell assets quickly at fair market prices, especially during periods of market volatility or economic uncertainty.  
**Mitigation:** Treasury determines operating liquidity annually and STP balances are monitored by Treasury weekly against the short term investment allocation. Divestments are made to ensure operating liquidity is maintained.

v. **Inflation Risk:** Inflation erodes the purchasing power of money over time. Short-term investments that fail to keep pace with inflation may result in negative real returns, reducing the investor's ability to maintain the value of their investment.  
**Mitigation:** Treasury will seek returns within the STP after primary objectives of capital preservation and liquidity are met. Treasury will perform semi-annual reviews of excess STP funds eligible for LTP deployment.

vi. **Reinvestment Risk:** When short-term investments mature or generate cash flows, investors may face reinvestment risk if prevailing interest rates are lower than the rate at which the original investment was made. This can result in lower returns on reinvested funds.  
**Mitigation:** Treasury will hedge for future low rates by investing in a 3-year maturing securities ladder. This will aid in lessening return unpredictability.

vii. **Market Risk:** Short-term investments in equity securities or equity-related instruments are subject to market fluctuations and volatility. Changes in stock prices can affect the value of these investments, leading to potential capital losses.  
**Mitigation:** STP will not be invested in equities.

viii. **Regulatory Risk:** Changes in regulations or government policies can impact the value and performance of short-term investments, particularly in sectors or industries subject to regulatory oversight.

**Mitigation:** Treasury will perform due diligence and stay abreast of regulatory changes through offered trainings and advisory guidance.

- ~~b. All investments or investment vehicles must either provide daily liquidity, offer diversification, or reduce interest rate risk. All positions or vehicles must have maturities of three (3) years or less at the time of \_\_\_\_\_ investment.~~
- ~~c. Short Term Pool Broker/Dealer No individual security may have a credit quality of less than A- or A3 at the time of investment unless it is insured by the FDIC or otherwise guaranteed by the US Government or an agency or instrumentality of the US Government.~~
- ~~d. No investment vehicle may have an average credit quality of no less than AA-/Aa3 at the time of investment unless it is insured by the FDIC or otherwise guaranteed by the US Government or an agency or instrumentality \_\_\_\_\_ of \_\_\_\_\_ the \_\_\_\_\_ US \_\_\_\_\_ Government.~~
- ~~e. The STP must maintain a weighted average maturity of less than 270 days.~~
- ~~f. All bank deposits of System funds shall be secured by pledged collateral with a market value equal to no less than 102% of the deposits plus accrued interest less an amount insured by the FDIC. Evidence of the pledged collateral shall be maintained by the Associate Vice Chancellor for Treasury. Eligible collateral must meet the requirements of the Public Funds Collateral Act or securities authorized by the Public Funds Investment Act. Repurchase agreements shall be documented by the Master Repurchase Agreement approved by The Bond Market (TBMA), or any other entity approved by the Finance Committee of the Board of Regents, noting the collateral pledged in each agreement. The use of a letter of credit issued to the System by the Federal Home Loan Bank may be considered by the System to meet the required bank depository collateral requirements. Collateral shall be reviewed monthly to assure the market value of the securities pledged equals or exceeds \_\_\_\_\_ the \_\_\_\_\_ related \_\_\_\_\_ bank \_\_\_\_\_ balances.~~

Selection

- ~~g.~~ b. The Associate Vice Chancellor for Treasury and Treasury staff shall engage with vetted broker/dealers or asset managers for anticipated security purchases. The Deputy Chancellor for Finance and Operations will review and adopt a list of broker/dealers qualified and authorized

to engage in investment transactions with and for the System annually or as needed. All Authorized Broker/Dealers and investment management firms must supply a certification of having read and understood the investment rules, regulations, and policies applicable to the System and acknowledge that the business has implemented reasonable procedures and controls ~~in an effort~~ to comply.

~~A.b.~~ Where applicable, transactions should settle as Delivery Versus Payment (DVP).

4. Debt Proceeds. As funds borrowed for the purpose of ~~covering anticipated capital outlay spending needs~~, these funds should be available for daily liquidity and invested in a manner consistent with the applicable Bond Covenants. ~~Emphasis should be placed on safety of principal and liquidity. Longer termed investment strategies can be deployed to match anticipated postponed outlay.~~
5. Long Term Pool. The LTP's objective is to preserve the long-term purchasing power of assets when accounting for inflation and spending. The LTP's purpose is to benefit ~~the each~~ Institution's long-term mission while prudently diversifying its assets.
6. Spending Policy. ~~For the LTP, the Regents have established an annual spending policy equal to 2.5% of the LTP's rolling twenty quarter asset balance. Management reserves the right to request additional distributions from the LTP if doing so is in the best long term interests of the Institution.~~
  - a. Investment Strategy. The Long-Term Pool is invested among various asset classes, investment strategies, and investment managers in order to pursue the Pools' investment objective(s) while complying with applicable constraints.
    - i. In addition to achieving the investment objectives outlined in this regulation, the goal of the overall investment strategy is to meet or exceed ~~(a risk-appropriate)~~ benchmark over full market cycles. The benchmarks will constitute underlying market indices appropriate for each strategy, and its components will be illustrated in the periodic performance report provided by the Advisor. The Advisor may also use additional performance benchmarks including, but not limited to, broader and/or more specific benchmarks made up of multiple underlying indices, peer group comparisons to similar funds, inflation-adjusted absolute return benchmarks, or any other benchmark the

Advisor, Committee or Regents believe will further the evaluation of the Pools' effectiveness.

- ii. The Advisor will periodically review the performance of underlying investment managers. Investment manager performance will be evaluated against proper indices, peer group comparisons, and risk-adjusted performance metrics. Managers will also be evaluated against other metrics that may include but are not limited to expenses, consistency of strategy or style, or other qualitative factors.

b. Long -Term Pool Constraints. There are no explicit prohibitions against investing a portion of the Pools' assets in any asset class, investment strategy or investment manager structures, so long as the investment is:

- i. For the sole purpose of advancing the objective of the Pools;
- ii. Appropriate given the Pool's investment strategy;
- iii. Not in violation any of the Pool's liquidity constraints;
- iv. Intended to improve the Pool's aggregate investment strategy's expected risk-adjusted performance.

c. Long-Term Pool (LTP) Asset Allocation Ranges: These ranges should reflect the risk tolerance and investment objectives of the organization. The asset allocation ranges will be periodically reviewed and updated to ensure it remains relevant and effective in achieving the organization's investment objectives.

LTP Parameters:	Lower Limit	Upper Limit
Cash or Cash Equivalents	0%	10%
Global Public Fixed Income Securities	5%	50%
Global Public Equity Securities	20%	<del>65%</del> 75%
Alternative Investments <sup>1</sup>	<del>15%</del> 0%	35%

<sup>1</sup>*Alternative Investments* include hedge funds, private markets asset classes and other investments that do not fall inside traditional categories.

d. Asset Allocation Monitoring Process. At minimum quarterly reviews by IAC or the use of automated monitoring tools.

e. Rebalancing Procedures. Advisor is to provide the IAC an explicit plan for rebalancing the portfolio back to its asset allocation ranges. This shall include criteria for determining which assets to buy or sell, the frequency of rebalancing, and any constraints or considerations.

7. Endowment Funds. The objective of endowment investment is to meet the donor intent having a long-term horizon, unless otherwise specified. The long-term objective is to achieve a total annual return which covers the spend rate plus inflation, administrative costs, and investment management fees. The endowment corpus shall be invested in a diversified portfolio using reasonable care to provide on-going and dependable cash payout, while mitigating the impact of inflation.

a. Authorized Investments. The System has identified four options for investing endowed funds:

i. The UNT System Long Term Pool

ii. The UNT Foundation Endowment

iii. The UNTHSC Foundation Endowment

iv. The UNT at Dallas Foundation Endowment

b. Endowment Policies. Each UNT System Institution and the UNT System Administration shall adopt an Endowment Policy consistent with this Regulation and subject to Board approval that governs the type of endowments, acceptance of gifts, purpose and use of endowments, and distribution requirements of endowed funds.

c. Asset Allocation. Each UNT System Institution and the UNT System Administration shall select the investment portfolio option. The asset allocation and selection of the underlying assets within each portfolio shall be at the discretion of the Managing Entity; provided, however, that investment of any endowment funds must be pursuant to the Prudent Person Standard and within the guidelines established in this Regulation, Regents Rules 09.500 Affiliated Entities, the applicable UNT

System Institution Endowment Policy, and the Investment Management Agreement.

d. Investment Objectives.

- i. Appreciation
- ii. Current Income
- iii. Safety of Principal
- iv. Diversification
- v. Liquidity

8. Medical Professional Liability Self-Insurance Funds. The total amount of reserve funds required for medical professional liability self-insurance shall be actuarially determined annually. These funds may be invested in any combination of the UNT System LTP, the UNT Health Science Center Foundation, or the UNT System Short Term Pool at the discretion of the UNT Health Science Center. In the event all or a portion of the self-insurance fund is converted to a quasi-endowment – subject to liquidation resulting from claims – the quasi-endowment may be invested in accordance with Endowed Funds (above).

9. Separate Accounts. Per Texas Education Code Chapter 51 Section 51.004, ~~Separate accounts shall be kept on the books of the Institution showing the sources of all sums collected and the purposes for which disbursements are made.~~

a. All trust funds, including gifts, grants, and bequests received, establishing, or adding to endowment funds, loan and scholarship funds, and funds for other current restricted purposes, shall be credited to separate accounts and shall not be commingled with other local or institutional funds.

b. If the governing board so elects, deposits of all funds not specifically required to be deposited to special accounts may be deposited in a single bank (or custodial) account if the records of the institution clearly reflect the balances attributable to general funds and various categories of trust funds.

e-c. Interest received from depository banks for funds on deposit may be credited to an appropriate account in either general funds or trust funds in relation to the sources of temporary investments in time deposits, if the disposition of the earnings was not specified by the

grantor. Interest received from the trust funds time deposits shall be available for loans, scholarships, fellowships, institutional research, faculty aid, and other lawful purposes.

08.2006

**UNT System Investment Advisory Committee.**

1. Investment Advisory Committee Membership. Members of the UNT System Investment Advisory Committee “IAC” shall be the Deputy Chancellor for Finance and Operations, the Associate Vice Chancellor for Treasury, and the chief financial officers from each UNT System Institution and up to four members appointed by the Deputy Chancellor for Finance and Operations. Members appointed at the discretion of the Deputy Chancellor for Finance and Operations shall serve up to two (2) three-year terms. Qualifications of appointed members are to include representatives from diverse backgrounds with relevant expertise in investment management, risk assessment, and financial oversight.
2. Responsibility. The UNT System Investment Advisory Committee shall have oversight of investments in the UNTS LTP and maintain an active role in advising Managing Entities. —The committee's decisions impact the organization's overall financial health and long-term goals. All members should understand the importance of the role and active participation is encouraged. The Deputy Chancellor for Finance and Operations or the Associate Vice Chancellor for Treasury shall represent the System Investment Advisory Committee for all approvals needed by a Managing Entity regarding the LTP. In exercising oversight of investments, the Investment Advisory Committee shall, without limitation, take into account the following:
  - a. Governance and Policy Setting:
    - i. Recommend the investment policy to the Board of Regents.
    - ii. Review and update asset allocation targets to reflect current market conditions, investment trends, and strategic priorities of the institution.
  - b. Risk Tolerance:
    - i. Recommend a defined risk tolerance for approval by the Board of Regents, explicitly considering factors such as the institution's financial stability, liquidity needs, and long-term goals.
    - ii. Specify acceptable levels of risk for different segments of the investment portfolio, taking into account factors such as asset class volatility, credit risk, and market fluctuations.



iii. Establish clear risk management protocols and procedures for assessing, monitoring, and mitigating investment risks to ensure they remain within acceptable bounds.

c. Investment Performance Monitoring:

i. Regularly track and evaluate the performance of the investment portfolio against predetermined benchmarks, targets, and peer comparisons.

ii. Analyze key performance metrics such as returns, volatility, and risk-adjusted measures to assess the effectiveness of the investment strategy.

iii. Conduct periodic reviews and performance attribution analysis to identify drivers of portfolio performance and opportunities for improvement.

d. Distribution Policy: For the LTP, the Regents delegate the establishment of an annual distribution policy to the Investment Advisory Committee, reporting to the Board no less than annually.

e. Compliance with Regulations:

i. Stay abreast of relevant regulatory requirements, laws, and industry standards governing the management and investment of institutional funds.

ii. Establish internal controls and procedures to ensure adherence to regulatory guidelines, including reporting obligations, fiduciary duties, and investment restrictions.

iii. Conduct periodic audits and assessments to verify compliance with applicable regulations and address any identified deficiencies promptly.

iv. Should any Investment Officer have a personal business relationship with a business organization offering to engage in an investment transaction with the System, a statement shall be filed disclosing that personal business interest. This statement must be filed with the Texas Ethics Commission and the Board of Regents. A "personal business relationship" is defined in Chapter 2256.005(i) of the Public Funds Investment Act. In addition, annually each Investment Officer must confirm that no improper personal business relationships, as defined above, exist. The Deputy Chancellor for Finance and Operations is responsible for collecting these confirmations and providing them to the Office of General Counsel for reporting to the Board.

f. Alignment with the Institution's Mission:

- i. Align investment decisions and strategies with the overarching mission, values, and priorities of the institution.
- ii. Engage stakeholders, including board members, senior leadership, and investment advisors, in discussions to ensure that investment practices support the institution's mission and strategic objectives.
- iii. Integrate mission-related goals and impact considerations into the investment policy framework, asset allocation decisions, and manager selection processes.

g. Vendor Management

- i. Select Advisor, custodians, and any other vendors required to administer the Pools.
- ii. Evaluate and select Vendor Service Providers. In carrying out the policies of this IPS, the Committee may rely on various vendor service providers including, but not limited to, the Advisor, custodian, administrative services provider(s), and investment managers. Such service providers generally shall be evaluated and selected based on the following:

(a) Furthering the Purpose of the Pools in Cost-Effective Manner. Each service provider is intended to advance the purpose of the Pools, which is to meet the objectives previously stated in this IPS. The service providers shall be expected to deliver administratively efficient services and charge fees that are reasonable given the service(s) provided.

(b) Core Business Commitment and Expertise. Each service provider is intended to have a history of providing services to other similar portfolios and demonstrate an ongoing commitment to such business. Its employees should have a reputation among its clients for the quality of its services. The firm should show an appropriate knowledge of other applicable statutes and regulation.

(c) Fiduciary Status and Conflicts of Interest. To the extent required based on the services being provided to the Pools, the service provider shall

acknowledge its role as a fiduciary to the Pools. Service providers are expected to disclose any potential conflicts of interest to the Advisor and Committee annually for services during a calendar year. A “personal business relationship” is defined in Chapter 2256.005(i) of the Public Funds Investment Act. In addition, annually each Investment Officer must confirm that no improper personal business relationships, as defined above, exist. The Deputy Chancellor for Finance and Operations or Associate Vice Treasurer is responsible for collecting these confirmations and providing them to the Office of General Counsel for reporting to the Board.

(d) Investment management services provided by a Managing Entity (other than UNT System Administration or a UNT System Institution) shall be administered only through a contractual agreement (“Investment Management Agreement”) with the System or an Institution. Authority to approve and sign Investment Management Agreements is delegated as follows: (i) on behalf of the Board, to the Chancellor; (ii) on behalf of the System, to the Chancellor or his/her designee; (iii) on behalf of a UNT System Institution, to the Institution’s President or his/her designee.

~~Oversee the management of assets including the distribution of funds and the movement of funds between Pools.~~

~~Act solely in the best interest of the Pools and its objectives.~~

~~Determine investment objectives and constraints. Immediately communicate any revision in objectives or constraints to the Advisor.~~

~~Set and revise the investment policy and receive approval from Regents.~~

~~Select Advisor, custodians, and any other vendors required to administer the Pools.~~

~~Review and evaluate investment results with the assistance of the Advisor.~~

~~Should any Investment Officer have a personal business relationship with a business organization offering to engage in an investment transaction with the System, a statement shall be filed disclosing that personal business interest. This statement must be filed with the Texas Ethics Commission and the Board of Regents. A “personal business relationship” is defined in Chapter 2256.005(i) of the Public Funds Investment Act. In addition, annually each Investment Officer must confirm that no improper personal business relationships, as defined above, exist. The Deputy Chancellor for Finance and Operations is responsible for collecting these confirmations and providing them to the Office of General Counsel for reporting to the Board.~~

~~Evaluating and Selecting Service Providers. In carrying out the policies of this IPS, the Committee may rely on various service providers including, but not limited to, the Advisor, custodian, administrative services provider(s), and investment managers. Such service providers generally shall be evaluated and selected based on the following:~~

~~Furthering the Purpose of the Pools in Cost Effective Manner. Each service provider is intended to advance the purpose of the Pools, which is to meet the objectives previously stated in this IPS. The service providers shall be expected to deliver administratively efficient services and charge fees that are reasonable given the service(s) provided.~~

~~Core Business Commitment and Expertise. Each service provider is intended to have a history of providing services to other similar portfolios and demonstrate an ongoing commitment to such business. Its employees should have a reputation among its clients for the quality of its services. The firm should show an appropriate knowledge of other applicable statutes and regulation.~~

~~Fiduciary Status and Conflicts of Interest. To the extent required based on the services being provided to the Pools, the service provider shall acknowledge its role as a fiduciary to the Pools. Service providers are expected to disclose any potential conflicts of interest to the Advisor and Committee.~~

~~Investment management services provided by a Managing Entity (other than UNT System Administration or a UNT Institution) shall be administered only through a contractual agreement (“Investment Management Agreement”) with the System or an Institution. Authority to approve and sign Investment Management Agreements is delegated as follows: (i) on behalf of the Board, to the Chancellor; (ii) on behalf of the System, to the Chancellor or his/her designee; (iii) on behalf of a UNT Institution, to the Institution’s President or his/her designee.~~

## **08.2007      Investment Reporting.**

1. Investment management reports are to be prepared by System Treasury, to be posted to the System reports website and submitted to the Board quarterly. Reports will consist of the recent fiscal quarter-end fair value balances and performance returns if available.
2. When adopted each legislative session, the system is to carry out reporting requirements imposed by The Texas General Appropriations Act, Article III, Section 6, Rider 5-Investment Reports, as a higher education institution.
  - a. Post on the System website by December 31 each year
    - i. the Annual Investment Report including deposits on a template provided the by State Auditor's Office
    - ii. responses to three investment questions, and
    - iii. the most current version of its investment policy/ies
  - b. Submit to the State Auditor's Office by December 31 each year, an annual tracking report for investment reporting by higher education institutions.
3. The reports prepared shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

**References and Cross-references:**

Texas Education Code, Chapter 51, Subchapter A (Section 51.001, et. seq.)

University of North Texas System Board of Regents Rule 10.100

Uniform Prudent Investor Act (Texas Property Code, Chapter 117)

Uniform Prudent Management of Institutional Funds Act (Texas Property Code, Chapter 163)

Public Funds Collateral Act (Texas Government Code, Chapter 2257)

Approved: August 16, 2012

Effective: August 16, 2012

Revised: May 16, 2013, August 15, 2013, December 5, 2013, August 21, 2014, October 16, 2014, November 20, 2015, November 18, 2016, May 19, 2017, \*Reapproved with no change August 10, 2018, February 15, 2019, August 14, 2020, August 13, 2021, August 11, 2022

Regulations of the University of North Texas System	Chapter 08 Fiscal Management
<b>08.2000 Investment of System Funds</b>	

**08.2001**      **Regulation Statement.** This Regulation sets forth the rules for the investment of all System funds and funds held by the System in trust for others. All investments by the System will be made in accordance with Rule 10.100 of the Rules of the Board of Regents of the University of North Texas System and this System Regulation.

**08.2002**      **Application of Regulation.** This Regulation applies to the UNT System Administration and to all UNT System Institutions.

**08.2003**      **Definitions.**

1. **Authorized Broker/Dealers.** “Authorized Broker/Dealers” means those entities that have been approved as provided herein.
2. **Funds.** “Funds” is defined by Government Code § 2256.002 and means public funds in the custody of a state agency or local government that:
  - a. are not required by law to be deposited in the state treasury; and
  - b. the investing entity has authority to invest.
3. **Funds Subject to Board of Regents Control.** “Funds Subject to Board of Regents Control” is defined by Texas Education Code § 51.002 and means:
  - a. student fees of all kinds;
  - b. charges for use of rooms and dormitories;
  - c. receipts from meals, cafes, and cafeterias;
  - d. fees on deposit refundable to students under certain conditions;
  - e. receipts from school athletic activities;
  - f. income from student publications and other student activities;
  - g. receipts from the sale of publication products and miscellaneous supplies and equipment;

- h. students' voluntary deposits of money for safekeeping;
  - i. all other fees and local or institutional funds arising out of and by virtue of the educational activities, research, or demonstrations carried on by the institution; and
  - j. donations and gifts to the institution.
4. Investment Officer. "Investment Officer" means the person(s) appointed by the Board pursuant to the Regents Rules, and any authorized designee.
  5. Managing Entity. "Managing Entity" means the entity holding and managing the investment of funds, and may include UNT System Administration, a UNT System Institution, the University of North Texas Foundation, Inc. ("UNT Foundation"), the UNTHSC Foundation ("UNTHSC Foundation"), the University of North Texas at Dallas Foundation ("UNT at Dallas Foundation"), an external asset management firm, or Authorized Broker/Dealers.
  6. Prudent Person Standard. "Prudent Person Standard" is defined by Texas Education Code § 51.0031(d) and described in Article VII, Section 11b of the Texas Constitution, and means that standard of judgment and care that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.
  7. System. "System" means, collectively, the University of North Texas System, University of North Texas System Administration, and UNT System Institutions.
  8. UNT System Institutions. "UNT System Institutions" means University of North Texas, University of North Texas Health Science Center at Fort Worth, and University of North Texas at Dallas.

#### **08.2004      Authority and Governing Statutes.**

The System's authority to invest funds is established in the Public Funds Investment Act (Texas Government Code, Chapter 2256), Section 51.0031 of the Texas Education Code, and Rule 10.100 of the Rules of the Board of Regents of the University of North Texas System. This Regulation is promulgated in accordance with Section 51.0032 of the Texas Education Code, the Uniform Prudent Investor Act (Texas Property Code, Chapter 117), the Uniform Prudent Management of Institutional Funds Act (Texas Property Code, Chapter 163), and the Public Funds Collateral Act (Texas Government Code, Chapter 2257). The Public Funds Collateral Act sets the standards for collateralization of public funds in Texas.

**Investment of System Funds.**

1. **Purpose.** The purpose of the Investment Regulation is to outline the follow general provisions affecting the Pools by:
  - a. Assisting the Investment Advisory Committee (“Committee”) and Regents to fulfill their fiduciary responsibilities.
  - b. Conveying the Pools’ purpose, investment objective, investment strategy, risks, and mitigation constraints.
  - c. Setting forth the role and responsibilities of the Committee, Regents, Discretionary Investment Advisor (“Advisor”) and other relevant parties.
2. **Investment Strategy.** The investment management objective for the System is to retain appropriate liquidity to meet daily operating demands while seeking a higher yield on cash and risk-adjusted returns on investment reserves through an appropriately diversified investment portfolio. All System Funds Subject to Board of Regents control shall be invested pursuant to a Prudent Person Standard. All System endowment funds shall be invested pursuant to a Prudent Person Standard.
3. **Short Term Pool.** Short-term working capital funds needed for daily liquidity requirements shall be held in the Short Term Pool “STP”. The purpose and objective of the STP is to provide daily liquidity while trending with the results of the Bloomberg Barclays US 1-3 Month T-bill index. Priority is given to the safety of principal and maintaining high liquidity levels to meet immediate financial obligations effectively. Additionally, prudent risk management practices are emphasized to safeguard the integrity of the STP's assets while pursuing competitive returns within the confines of its short-term investment horizon.
  - a. **Short Term Pool risks and mitigation constraints.**
    - i. **Custodial Risk:** Risk associated with the entity or institution responsible for holding and safeguarding the assets of investors or clients. While custodians are typically trusted financial institutions such as banks, brokerage firms, or specialized custodial services, there are still potential risks involved such as fraud and theft, operational failures, bankruptcy or insolvency, cybersecurity threats, regulatory non-compliance.



**Mitigation:** All bank deposit balances of the System deposited in a bank authorized by Public Funds Collateral Act, shall be secured by pledged collateral with a market value equal to no less than 102% of the deposits plus accrued interest less an amount insured by the FDIC. Evidence of the pledged collateral shall be monitored daily and maintained by Treasury. A depository shall pay interest on the deposits at a rate agreed upon contractually. Repurchase agreements shall be documented by the Master Repurchase Agreement approved by The Bond Market (TBMA). The use of a letter of credit issued to the System by the Federal Home Loan Bank may be considered by the System to meet the required bank depository collateral requirements. Collateral shall be reviewed monthly to assure the market value of the securities pledged equals or exceeds the related bank balances.

- ii. **Interest Rate Risk:** Changes in interest rates can affect the value of fixed-income securities, such as bonds and Treasury bills. When interest rates rise, the value of existing fixed-income securities may decrease, leading to capital losses if sold before maturity.

**Mitigation:** All investments or investment vehicles must either provide daily liquidity, offer diversification, or reduce interest rate risk. All bond positions or vehicles are generally purchased as hold till maturity within three (3) years or less at the time of investment and must maintain a pool weighted-average maturity of less than 270 days.

- iii. **Credit Risk:** Short-term investments in corporate bonds, commercial paper, or other debt instruments carry the risk of default by the issuer. If the issuer fails to meet its financial obligations, investors may incur losses or receive lower-than-expected returns.

**Mitigation:** No individual security may have a credit quality of less than A- or A3 at the time of investment unless it is insured by the FDIC or otherwise guaranteed by the US Government or an agency or instrumentality of the US Government. No investment vehicle may have an average credit quality of no less than AA-/Aa3 at the time of investment unless it is insured by the FDIC or otherwise guaranteed by the US Government or an agency or instrumentality of the US Government.

- iv. **Liquidity Risk:** Short-term investments may become illiquid if there is a lack of buyers or sellers in the market. This can make it difficult to sell assets quickly at fair market prices, especially during periods of market volatility or economic uncertainty.  
**Mitigation:** Treasury determines operating liquidity annually and STP balances are monitored by Treasury weekly against the short term investment allocation. Divestments are made to ensure operating liquidity is maintained.
- v. **Inflation Risk:** Inflation erodes the purchasing power of money over time. Short-term investments that fail to keep pace with inflation may result in negative real returns, reducing the investor's ability to maintain the value of their investment.  
**Mitigation:** Treasury will seek returns within the STP after primary objectives of capital preservation and liquidity are met. Treasury will perform semi-annual reviews of excess STP funds eligible for LTP deployment.
- vi. **Reinvestment Risk:** When short-term investments mature or generate cash flows, investors may face reinvestment risk if prevailing interest rates are lower than the rate at which the original investment was made. This can result in lower returns on reinvested funds.  
**Mitigation:** Treasury will hedge for future low rates by investing in a 3-year maturing securities ladder. This will aid in lessening return unpredictability.
- vii. **Market Risk:** Short-term investments in equity securities or equity-related instruments are subject to market fluctuations and volatility. Changes in stock prices can affect the value of these investments, leading to potential capital losses.  
**Mitigation:** STP will not be invested in equities.
- viii. **Regulatory Risk:** Changes in regulations or government policies can impact the value and performance of short-term investments, particularly in sectors or industries subject to regulatory oversight.  
**Mitigation:** Treasury will perform due diligence and stay abreast of regulatory changes through offered trainings and advisory guidance.

b. Short Term Pool Broker/Dealer Selection

The Associate Vice Chancellor for Treasury and Treasury staff shall engage with vetted broker/dealers or asset managers for anticipated security purchases. The Deputy Chancellor for Finance and Operations will review and adopt a list of broker/dealers qualified and authorized to engage in investment transactions with and for the System annually or as needed. All Authorized Broker/Dealers and investment management firms must supply a certification of having read and understood the investment rules, regulations, and policies applicable to the System and acknowledge that the business has implemented reasonable procedures and controls to comply. Where applicable, transactions should settle as Delivery Versus Payment (DVP).

4. Debt Proceeds. As funds borrowed for the purpose of capital outlay, these funds should be available for daily liquidity and invested in a manner consistent with the applicable Bond Covenants. Emphasis should be placed on safety of principal and liquidity. Longer termed investment strategies can be deployed to match anticipated postponed outlay.
5. Long Term Pool. The LTP's objective is to preserve the long-term purchasing power of assets when accounting for inflation and spending. The LTP's purpose is to benefit each Institution's long-term mission while prudently diversifying its assets.
  - a. Investment Strategy. The Long-Term Pool is invested among various asset classes, investment strategies, and investment managers in order to pursue the Pools' investment objective(s) while complying with applicable constraints.
    - i. In addition to achieving the investment objectives outlined in this regulation, the goal of the overall investment strategy is to meet or exceed a risk-appropriate benchmark over full market cycles. The benchmarks will constitute underlying market indices appropriate for each strategy, and its components will be illustrated in the periodic performance report provided by the Advisor. The Advisor may also use additional performance benchmarks including, but not limited to, broader and/or more specific benchmarks made up of multiple underlying indices, peer group comparisons to similar funds, inflation-adjusted absolute return benchmarks, or any other benchmark the

Advisor, Committee or Regents believe will further the evaluation of the Pools' effectiveness.

- ii. The Advisor will periodically review the performance of underlying investment managers. Investment manager performance will be evaluated against proper indices, peer group comparisons, and risk-adjusted performance metrics. Managers will also be evaluated against other metrics that may include but are not limited to expenses, consistency of strategy or style, or other qualitative factors.

b. Long Term Pool Constraints. There are no explicit prohibitions against investing a portion of the Pools' assets in any asset class, investment strategy or investment manager structures, so long as the investment is:

- i. For the sole purpose of advancing the objective of the Pool;
- ii. Appropriate given the Pool's investment strategy;
- iii. Not in violation any of the Pool's liquidity constraints;
- iv. Intended to improve the Pool's aggregate investment strategy's expected risk-adjusted performance.

c. Long-Term Pool (LTP) Asset Allocation Ranges: These ranges should reflect the risk tolerance and investment objectives of the organization. The asset allocation ranges will be periodically reviewed and updated to ensure it remains relevant and effective in achieving the organization's investment objectives.

<b>LTP Parameters:</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Cash or Cash Equivalents	0%	10%
Global Public Fixed Income Securities	5%	50%
Global Public Equity Securities	20%	75%
Alternative Investments <sup>1</sup>	0%	35%

<sup>1</sup>*Alternative Investments* include hedge funds, private markets asset classes and other investments that do not fall inside traditional categories.

- d. Asset Allocation Monitoring Process. At minimum quarterly reviews by IAC or the use of automated monitoring tools.
  - e. Rebalancing Procedures. Advisor is to provide the IAC an explicit plan for rebalancing the portfolio back to its asset allocation ranges. This shall include criteria for determining which assets to buy or sell, the frequency of rebalancing, and any constraints or considerations.
6. Endowment Funds. The objective of endowment investment is to meet the donor intent having a long-term horizon, unless otherwise specified. The long-term objective is to achieve a total annual return which covers the spend rate plus inflation, administrative costs, and investment management fees. The endowment corpus shall be invested in a diversified portfolio using reasonable care to provide on-going and dependable cash payout, while mitigating the impact of inflation.
- a. Authorized Investments. The System has identified four options for investing endowed funds:
    - i. The UNT System Long Term Pool
    - ii. The UNT Foundation Endowment
    - iii. The UNTHSC Foundation Endowment
    - iv. The UNT at Dallas Foundation Endowment
  - b. Endowment Policies. Each UNT System Institution and the UNT System Administration shall adopt an Endowment Policy consistent with this Regulation and subject to Board approval that governs the type of endowments, acceptance of gifts, purpose and use of endowments, and distribution requirements of endowed funds.
  - c. Asset Allocation. Each UNT System Institution and the UNT System Administration shall select the investment portfolio option. The asset allocation and selection of the underlying assets within each portfolio shall be at the discretion of the Managing Entity; provided, however, that investment of any endowment funds must be pursuant to the Prudent Person Standard and within the guidelines established in this Regulation, Regents Rules 09.500 Affiliated Entities, the applicable UNT

System Institution Endowment Policy, and the Investment Management Agreement.

d. Investment Objectives.

- i. Appreciation
- ii. Current Income
- iii. Safety of Principal
- iv. Diversification
- v. Liquidity

7. Medical Professional Liability Self-Insurance Funds. The total amount of reserve funds required for medical professional liability self-insurance shall be actuarially determined annually. These funds may be invested in any combination of the UNT System LTP, the UNT Health Science Center Foundation, or the UNT System Short Term Pool at the discretion of the UNT Health Science Center. In the event all or a portion of the self-insurance fund is converted to a quasi-endowment – subject to liquidation resulting from claims – the quasi-endowment may be invested in accordance with Endowed Funds (above).
8. Separate Accounts. Per Texas Education Code Chapter 51 Section 51.004, separate accounts shall be kept on the books of the Institution showing the sources of all sums collected and the purposes for which disbursements are made.
- a. All trust funds, including gifts, grants, and bequests received, establishing, or adding to endowment funds, loan and scholarship funds, and funds for other current restricted purposes, shall be credited to separate accounts and shall not be commingled with other local or institutional funds.
  - b. If the governing board so elects, deposits of all funds not specifically required to be deposited to special accounts may be deposited in a single bank (or custodial) account if the records of the institution clearly reflect the balances attributable to general funds and various categories of trust funds.
  - c. Interest received from depository banks for funds on deposit may be credited to an appropriate account in either general funds or trust funds in relation to the sources of temporary investments in time deposits, if the disposition of the earnings was not specified by the

grantor. Interest received from the trust funds time deposits shall be available for loans, scholarships, fellowships, institutional research, faculty aid, and other lawful purposes.

08.2006

**UNT System Investment Advisory Committee.**

1. Investment Advisory Committee Membership. Members of the UNT System Investment Advisory Committee “IAC” shall be the Deputy Chancellor for Finance and Operations, the Associate Vice Chancellor for Treasury, and the chief financial officers from each UNT System Institution and up to four members appointed by the Deputy Chancellor for Finance and Operations. Members appointed at the discretion of the Deputy Chancellor for Finance and Operations shall serve up to two (2) three-year terms. Qualifications of appointed members are to include representatives from diverse backgrounds with relevant expertise in investment management, risk assessment, and financial oversight.
2. Responsibility. The UNT System Investment Advisory Committee shall have oversight of investments in the UNTS LTP and maintain an active role in advising Managing Entities. The committee's decisions impact the organization's overall financial health and long-term goals. All members should understand the importance of the role and active participation is encouraged. The Deputy Chancellor for Finance and Operations or the Associate Vice Chancellor for Treasury shall represent the System Investment Advisory Committee for all approvals needed by a Managing Entity regarding the LTP. In exercising oversight of investments, the Investment Advisory Committee shall, without limitation, take into account the following:
  - a. Governance and Policy Setting:
    - i. Recommend the investment policy to the Board of Regents.
    - ii. Review and update asset allocation targets to reflect current market conditions, investment trends, and strategic priorities of the institution.
  - b. Risk Tolerance:
    - i. Recommend a defined risk tolerance for approval by the Board of Regents, explicitly considering factors such as the institution's financial stability, liquidity needs, and long-term goals.
    - ii. Specify acceptable levels of risk for different segments of the investment portfolio, taking into account factors such as asset class volatility, credit risk, and market fluctuations.

- iii. Establish clear risk management protocols and procedures for assessing, monitoring, and mitigating investment risks to ensure they remain within acceptable bounds.
- c. Investment Performance Monitoring:
  - i. Regularly track and evaluate the performance of the investment portfolio against predetermined benchmarks, targets, and peer comparisons.
  - ii. Analyze key performance metrics such as returns, volatility, and risk-adjusted measures to assess the effectiveness of the investment strategy.
  - iii. Conduct periodic reviews and performance attribution analysis to identify drivers of portfolio performance and opportunities for improvement.
- d. Distribution Policy: For the LTP, the Regents delegate the establishment of an annual distribution policy to the Investment Advisory Committee, reporting to the Board no less than annually.
- e. Compliance with Regulations:
  - i. Stay abreast of relevant regulatory requirements, laws, and industry standards governing the management and investment of institutional funds.
  - ii. Establish internal controls and procedures to ensure adherence to regulatory guidelines, including reporting obligations, fiduciary duties, and investment restrictions.
  - iii. Conduct periodic audits and assessments to verify compliance with applicable regulations and address any identified deficiencies promptly.
  - iv. Should any Investment Officer have a personal business relationship with a business organization offering to engage in an investment transaction with the System, a statement shall be filed disclosing that personal business interest. This statement must be filed with the Texas Ethics Commission and the Board of Regents. A "personal business relationship" is defined in Chapter 2256.005(i) of the Public Funds Investment Act. In addition, annually each Investment Officer must confirm that no improper personal business relationships, as defined above, exist. The Deputy Chancellor for Finance and Operations is responsible for collecting these confirmations and providing them to the Office of General Counsel for reporting to the Board.



- f. Alignment with the Institution's Mission:
  - i. Align investment decisions and strategies with the overarching mission, values, and priorities of the institution.
  - ii. Engage stakeholders, including board members, senior leadership, and investment advisors, in discussions to ensure that investment practices support the institution's mission and strategic objectives.
  - iii. Integrate mission-related goals and impact considerations into the investment policy framework, asset allocation decisions, and manager selection processes.
- g. Vendor Management
  - i. Select Advisor, custodians, and any other vendors required to administer the Pools.
  - ii. Evaluate and select Vendor Service Providers. In carrying out the policies of this IPS, the Committee may rely on various vendor service providers including, but not limited to, the Advisor, custodian, administrative services provider(s), and investment managers. Such service providers generally shall be evaluated and selected based on the following:
    - (a) Furthering the Purpose of the Pools in Cost-Effective Manner. Each service provider is intended to advance the purpose of the Pools, which is to meet the objectives previously stated in this IPS. The service providers shall be expected to deliver administratively efficient services and charge fees that are reasonable given the service(s) provided.
    - (b) Core Business Commitment and Expertise. Each service provider is intended to have a history of providing services to other similar portfolios and demonstrate an ongoing commitment to such business. Its employees should have a reputation among its clients for the quality of its services. The firm should show an appropriate knowledge of other applicable statutes and regulation.
    - (c) Fiduciary Status and Conflicts of Interest. To the extent required based on the services being provided to the Pools, the service provider shall

acknowledge its role as a fiduciary to the Pools. Service providers are expected to disclose any potential conflicts of interest to the Advisor and Committee annually for services during a calendar year. A “personal business relationship” is defined in Chapter 2256.005(i) of the Public Funds Investment Act. In addition, annually each Investment Officer must confirm that no improper personal business relationships, as defined above, exist. The Deputy Chancellor for Finance and Operations or Associate Vice Treasurer is responsible for collecting these confirmations and providing them to the Office of General Counsel for reporting to the Board.

- (d) Investment management services provided by a Managing Entity (other than UNT System Administration or a UNT System Institution) shall be administered only through a contractual agreement (“Investment Management Agreement”) with the System or an Institution. Authority to approve and sign Investment Management Agreements is delegated as follows: (i) on behalf of the Board, to the Chancellor; (ii) on behalf of the System, to the Chancellor or his/her designee; (iii) on behalf of a UNT System Institution, to the Institution’s President or his/her designee.

**08.2007      Investment Reporting.**

1. Investment management reports are to be prepared by System Treasury, to be posted to the System reports website and submitted to the Board quarterly. Reports will consist of the recent fiscal quarter-end fair value balances and performance returns if available.
2. When adopted each legislative session, the system is to carry out reporting requirements imposed by The Texas General Appropriations Act, Article III, Section 6, Rider 5-Investment Reports, as a higher education institution.
  - a. Post on the System website by December 31 each year
    - i. the Annual Investment Report including deposits on a template provided the by State Auditor’s Office
    - ii. responses to three investment questions, and

- iii. the most current version of its investment policy/ies
  - b. Submit to the State Auditor's Office by December 31 each year, an annual tracking report for investment reporting by higher education institutions.
3. The reports prepared shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

**References and Cross-references:**

Texas Education Code, Chapter 51, Subchapter A (Section 51.001, et. seq.)

University of North Texas System Board of Regents Rule 10.100

Uniform Prudent Investor Act (Texas Property Code, Chapter 117)

Uniform Prudent Management of Institutional Funds Act (Texas Property Code, Chapter 163)

Public Funds Collateral Act (Texas Government Code, Chapter 2257)

Approved: August 16, 2012

Effective: August 16, 2012

Revised: May 16, 2013, August 15, 2013, December 5, 2013, August 21, 2014, October 16, 2014, November 20, 2015, November 18, 2016, May 19, 2017, \*Reapproved with no change August 10, 2018, February 15, 2019, August 14, 2020, August 13, 2021, August 11, 2022



## Board Briefing

---

**Committee:** Finance

**Submission Date:** July 10, 2024

**Title:** Amendments to Regents Rule 04.1000, *Retirement and Deferred Compensation Plans*

---

### BACKGROUND SUMMARY:

The SECURE 2.0 Act of 2022 (SECURE 2.0) is a federal law which provides both optional and mandatory changes for certain retirement savings plans. Some portions of SECURE 2.0 became effective in 2023 with little impact to UNTS retirement savings plans. However, earlier this year, additional final rulings were released by the Internal Revenue Service that provided guidance for Section 603 of SECURE 2.0 restricting catch-up contributions to Roth after-tax contributions for individuals earning more than \$145,000 in the previous calendar year. The 457(b) Deferred Compensation Plan (Texa\$aver) administered by the Employee Retirement System of Texas (ERS) currently provides a Roth contribution option.

State statutes do not allow after-tax contributions to any Texas 403(b) Optional Retirement Plan (ORP). Therefore, a Roth after-tax contribution for the UNTS 403(b) Voluntary Tax-Savings Annuity Plan (403(b) TSA) is needed for compliance. Failure to implement a Roth contribution option for the 403(b) TSA would prevent all plan participants from making any pre- or after-tax catch-up contributions to their 403(b) TSA accounts beginning January 1, 2026.

### PURPOSE:

It is recommended that Regents Rule 04.1000 Retirement and Deferred Compensation Plans be amended for the following purposes:

1. Authorize a Roth after-tax contribution option for the 403(b) TSA to comply with Section 603 of SECURE 2.0, to continue allowance of catch-up contributions to the 403(b) TSA;
2. Delete approval of establishing an "in-house" voluntary 457(b) deferred compensation plan, to continue the current 457(b) Deferred Compensation Plan (Texa\$aver) administered by ERS to take advantage of improved efficiencies and reduced administrative and plan participant costs;
3. Update the rule to correctly reference the title of Deputy Chancellor, and clarify certain responsibilities delegated to the Deputy Chancellor; and
4. Delete procedures related to the Retirement Plans Investment Committee because authority to establish those procedures is delegated to the Deputy Chancellor.


### ASSESSMENT:

The amendment of Regents Rule 04.1000 is necessary to comply with SECURE 2.0, and is recommended for the other reasons stated above. The Board has the authority to adopt and revise the Regents Rules under Texas Education Code 105.101, which grants the Board the power to adopt rules and policies for the administration of the Board's powers and duties.

**FINANCIAL IMPLICATIONS/TIMELINE:**

The adoption of the amended Regents Rule has no direct financial implication.

Attested By:

  
Susan Alanis (Jul 3, 2024 11:23 CDT)  
\_\_\_\_\_  
Susan Alanis  
Deputy Chancellor,  
Finance and Operations

**PROPOSED BOARD ACTION:**


It is recommended that the Board adopt the amendments to Regents Rule 04.1000, as set forth in the attachment.

Attachments Filed Electronically:


1. Proposed amendments to Regents Rule 04.1000 Retirement and Deferred Compensation Plans (redline)
2. Proposed amendments to Regents Rule 04.1000 Retirement and Deferred Compensation Plans (clean)


---

**Legal Approval:**

  
\_\_\_\_\_  
Alan Stucky  
General Counsel

**Recommendation for Approval:**

  
Susan Alanis (Jul 3, 2024 11:23 CDT)  
\_\_\_\_\_  
Susan Alanis  
Deputy Chancellor,  
Finance and Operations

  
\_\_\_\_\_  
Michael R. Williams  
Chancellor



## Board Order 2024-

---

**Title:** Amendments to Regents Rule 04.1000, *Retirement and Deferred Compensation Plans*

---

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on August 15-16, 2024, pursuant to a motion made by Regent \_\_\_\_\_ and seconded by Regent \_\_\_\_\_, the Board approved the motion presented below:

Whereas, the Board has the authority to adopt and revise the Regents Rules under Texas Education Code 105.101, which grants the Board the power to adopt rules and policies for the administration of the Board's powers and duties; and

Whereas, it is recommended that Regents Rule 04.1000, *Retirement and Deferred Compensation Plans*, be amended at this time to comply with SECURE 2.0 and meet other Staff recommendations.

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Amendment of Regents Rule 04.1000, *Retirement and Deferred Compensation Plans*, as set forth in the attachment to this item.
- 

### Board Action:

VOTE: \_\_\_\_\_ ayes \_\_\_\_\_ nays \_\_\_\_\_ abstentions

Attested By:

Approved By:

---

Rachel Barone, Secretary  
Board of Regents

---

Laura Wright, Chair  
Board of Regents

Board of Regents Rules

---

04.1000 Retirement and Deferred Compensation Plans

04.1001 Optional Retirement Program.

1. Optional Retirement Program. As authorized by Chapter 830 of the Texas Government Code and Section 403(b) of the Internal Revenue Code, the Optional Retirement Program is available for employees eligible to participate under chapter 830 and rules adopted by the Texas Higher Education Coordinating Board.
2. Plan Document. The System shall have a written plan document approved by the Board for the Optional Retirement Program in accordance with Section 403(b) of the Internal Revenue Code and consistent with Chapter 830 of the Texas Government Code.
3. Supplemental Employer Contribution Rate. The Board delegates to the Chancellor the authority to approve a supplemental employer contribution rate for the Optional Retirement Program in accordance with rules issued by the Texas Higher Education Coordinating Board, provided any approved supplemental employer contribution rate shall be uniform for all UNT System Administration and Institution Optional Retirement Program participants.

04.1002 Tax-Sheltered Annuities – Voluntary Section 403(b) Plan.

1. Establishment of Tax-Sheltered Annuity Program. As authorized by Texas Revised Civil Statutes Annotated Article 6228a-5, Sections 1 and 2, the Board has established a voluntary Tax-Sheltered Annuity Program pursuant to Section 403(b) of the Internal Revenue Code, for the benefit of all System employees; provided, however, an employee who is a student performing services described in Internal Revenue Code section 3121(b)(10) shall not be eligible to participate in the Plan.
- ~~1.2.~~ Designated 403(b) Pre-Tax and Roth Accounts – Pursuant to Section 403(b) of the Internal Revenue Code, the Tax-Sheltered Annuity Program may provide all eligible participants with the option of making contributions to either, or both, a designated Pre-Tax or Roth 403(b) accounts.
- ~~2.3.~~ Tax-Sheltered Annuity Program Plan Document. The System shall have a written plan document approved by the Board for the Tax-Sheltered Annuity Program in accordance with Section 403(b) of the Internal Revenue Code.

04.1003 457(b) Deferred Compensation Plan.

1. TexaSaver Deferred Compensation Plan. As authorized by Chapter 609 of the Texas Government Code and Section 457(b) of the Internal Revenue Code, any eligible System employee as defined by the Employee Retirement System of Texas (ERS) may participate in the TexaSaver Deferred Compensation Plan administered by ERS~~the Employees Retirement System of Texas.~~
2. ~~Establishment of 457(b) Deferred Compensation Plan.~~ As authorized by Chapter 609 of the Texas Government Code and Section 457(b) of the Internal Revenue Code, the Board approves the establishment of a voluntary 457(b) Deferred Compensation Plan for the benefit of all System employees; provided, however, an employee who is a student performing services described in Internal Revenue Code section 3121(b)(10) shall not be eligible to participate in the Plan.
3. ~~457(b) Deferred Compensation Plan Document.~~ The System shall have a written plan document approved by the Board for the Deferred Compensation Plan in accordance with Section 457(b) of the Internal Revenue Code.
4. ~~Transfer of TexaSaver Funds.~~ Upon approval by the Board of the plan document, in accordance with Chapter 609, Section 515 of the Texas Government Code, the Board authorizes the System to accept a transfer of all deferred amounts and investment income from the TexaSaver Deferred Compensation Plan to the 457(b) Deferred Compensation Plan established herein. The Board delegates to the Chancellor the authority to make the request for transfer to the TexaSaver board of trustees and to take all actions necessary to complete the transfer. After the transfer of all deferred amounts and investment income, the authorization to participate in the TexaSaver Deferred Compensation Plan shall terminate.

04.1004 Delegations of Authority.

1. Delegation of Authority to the Chancellor. The Board delegates to the Chancellor the authority, upon the recommendation of the Vice Deputy Chancellor~~for Finance~~, to select companies qualified to provide Retirement and Deferred Compensation investment products, and to sign agreements with selected companies for account management, remittance, and compliance services.
2. Delegation of Authority to the Vice Deputy Chancellor~~for Finance~~. The Board delegates to the Vice Deputy Chancellor~~for Finance~~ the authority to perform the following duties and responsibilities:



- (a) To act as the named fiduciary for the 403(b) Optional Retirement Program, and 403(b) Tax-Sheltered Annuity Program, ~~and 457(b) Deferred Compensation Plan~~ (collectively “Retirement Plans”);
- (b) To appoint ~~or replace additional~~ members of ~~the a~~ Retirement Plan ~~Advisory Investment~~ Committee to include, at a minimum, the Chief Financial Officers of each Institution and the System Treasurer;
- (c) Upon advice from the Retirement Plan ~~Advisory Investment~~ Committee, to adopt and amend a Retirement Plan Investment ~~Policy Regulation~~ establishing guidelines for designation of asset classes and selection of Retirement Plan investment options;
- (d) Upon advice from the Retirement Plan ~~Advisory Investment~~ Committee, to select Retirement Plan investment options available for participants, providing a core set of investment options with different risk and return characteristics and keeping fees reasonable;
- (e) With advice from the Retirement Plan ~~Advisory Investment~~ Committee, to monitor the performance of investment options, investment managers, investment advisors, trustees, and other investment fiduciaries according to the objectives described in the Retirement Plan Investment ~~Policy Regulation~~;
- (f) With advice from the Retirement Plan ~~Advisory Investment~~ Committee, to appoint, remove, or replace any investment manager, investment advisor, trustees, or any other fiduciary of the Retirement Plans in accordance with the plan documents;
- (g) To recommend to the Chancellor selected companies qualified to provide Retirement Plan investment products and account management, remittance, and compliance services;
- (h) To make such other decisions as are necessary and appropriate to manage prudently the Retirement Plan selection of investment options and investment-related services;
- (i) To perform, or cause to be performed, such record keeping functions as necessary or advisable to administer and maintain the Retirement Plans;
- (j) To maintain, through the UNT System Administration human resources department ~~each Institution’s human resources department~~, a listing of companies authorized to offer annuities or other investments under the Retirement Plans; and
- (k) To take all other actions and make all decisions and interpretations necessary or appropriate to administer and operate the Retirement Plans consistent with the plan documents and applicable law.

~~04.1005 Retirement Plan Advisory Committee.~~

- ~~1. The Retirement Plan Advisory Committee will be composed of five standing members and additional members as necessary or advisable. The standing members shall be the Vice Chancellor for Finance, the chief financial officer from each Institution, and the Associate Vice Chancellor for Treasury and Reporting. From time to time, the Vice Chancellor for Finance may appoint additional members to serve on the Retirement Plan Advisory Committee, may increase or reduce the number of additional members, and may remove and replace additional members.~~
- ~~2. A majority of the standing and then appointed additional members of the Retirement Plan Advisory Committee shall constitute a quorum. Attendance at meetings may be in person or by telephone or video conference. Any action by a majority of the members present at any meeting, or authorized by a majority of the member in writing without a meeting, shall constitute a recommendation of the Retirement Plan Advisory Committee.~~
- ~~3. The Retirement Plan Advisory Committee shall meet as often as deemed necessary or appropriate in the judgment of it or the Vice Chancellor for Finance, but not less than four times per fiscal year.~~
- ~~4. The Retirement Plan Advisory Committee shall keep written minutes of its meetings. Minutes and recommendations of the Retirement Plan Advisory Committee shall be maintained by the Office of the Vice Chancellor for Finance.~~
- ~~5. Unless a specific delegation of authority is given by the Board, the Retirement Plan Advisory Committee shall serve only in an advisory capacity.~~

~~04.1006 Investment Managers and Investment Advisors.~~

- ~~1. One or more investment managers may be appointed to manage all or a portion of the assets of a Retirement Plan in accordance with the terms of the Retirement Plan documents, the Retirement Plan Investment Policy, and applicable law and regulation.~~
- ~~2. An investment advisor, if employed, shall be charged with the responsibility of advising the Vice Chancellor for Finance and the Retirement Plan Advisory Committee on investment policy, designation of asset classes, selection of investment options, and selection of investment managers, and providing performance analysis and monitoring services. The Vice Chancellor for Finance may rely on the~~

~~investment advisor in carrying out fiduciary duties for the Retirement Plans.~~

04.100~~57~~ Indemnity. To the extent permitted by law, the System shall indemnify the ~~Vice Deputy~~ Chancellor ~~for Finance~~ and each member of the Retirement Plan ~~Advisory Investment~~ Committee, and any other employee of the System with duties under each Retirement Plan, against expenses (including claims paid) reasonably incurred in connection with any claims made by reason of conduct in the performance of duties under the Retirement Plan, except in relation to acts or omissions made fraudulently or in bad faith. This right of indemnification shall be in addition to any other right that exists as a matter of law or otherwise.

04.100~~68~~ 457(f) Deferred Compensation Plan.

1. Establishment of 457(f) Deferred Compensation Plan. As authorized by Texas Revised Civil Statutes Annotated Article 6228a-5, Section 3(a), the Board has established a non-qualified deferred compensation plan pursuant to Section 457(f) of the Internal Revenue Code.
2. Purpose of the Plan. Section 457(f) deferred compensation plans provide financial incentives in recruiting highly qualified candidates for employment and encouraging existing qualified employees to continue to devote their best efforts to the service of the System, System Administration, and Institutions. Such plans may be made available for the benefit of a select group of employees as determined solely by the Board. Each participant in the plan shall enter into a separate deferred compensation agreement with the Board.
3. 457(f) Plan Documents. The System shall have a master plan document approved by the Board for the 457(f) deferred compensation plan.
4. Delegation of Authority. The Board delegates to the Vice Chancellor for Finance the authority to take all actions and to make all decisions and interpretations that may be necessary or appropriate to administer and operate the 457(f) deferred compensation plan consistent with the plan documents. The Vice Chancellor for Finance will perform, or cause to be performed, such record keeping functions as necessary to administer and maintain such Plan in accordance with Sections 457(f) and 409A of the Internal Revenue Code, consistent with Texas Revised Civil Statutes Annotated Article 6228a-5, Section 3(a).
5. Not Eligible for Retirement Benefits. 457(f) deferred compensation is not part of an employee's base salary and shall be reported as a separate element of the employee's cash compensation. Deferred compensation

is not eligible for Teacher Retirement System or Optional Retirement Program retirement benefits or other retirement benefits.

04.100~~79~~ Adoption of Additional Plans. The adoption of any type of retirement benefit or deferred compensation plan not listed in this Rule or mandated by State law requires the approval of the Board.

Adopted: August 20, 2009

Effective: August 20, 2009

Revised: August 10, 2018

Board of Regents Rules

---

04.1000 Retirement and Deferred Compensation Plans

04.1001 Optional Retirement Program

1. Optional Retirement Program. As authorized by Chapter 830 of the Texas Government Code and Section 403(b) of the Internal Revenue Code, the Optional Retirement Program is available for employees eligible to participate under chapter 830 and rules adopted by the Texas Higher Education Coordinating Board.
2. Plan Document. The System shall have a written plan document approved by the Board for the Optional Retirement Program in accordance with Section 403(b) of the Internal Revenue Code and consistent with Chapter 830 of the Texas Government Code.
3. Supplemental Employer Contribution Rate. The Board delegates to the Chancellor the authority to approve a supplemental employer contribution rate for the Optional Retirement Program in accordance with rules issued by the Texas Higher Education Coordinating Board, provided any approved supplemental employer contribution rate shall be uniform for all UNT System Administration and Institution Optional Retirement Program participants.

04.1002 Tax-Sheltered Annuities – Voluntary Section 403(b) Plan.

1. Establishment of Tax-Sheltered Annuity Program. As authorized by Texas Revised Civil Statutes Annotated Article 6228a-5, Sections 1 and 2, the Board has established a voluntary Tax-Sheltered Annuity Program pursuant to Section 403(b) of the Internal Revenue Code, for the benefit of all System employees; provided, however, an employee who is a student performing services described in Internal Revenue Code section 3121(b)(10) shall not be eligible to participate in the Plan.
2. Designated 403(b) Pre-Tax and Roth Accounts – Pursuant to Section 403(b) of the Internal Revenue Code, the Tax-Sheltered Annuity Program may provide all eligible participants with the option of making contributions to either, or both, a designated Pre-Tax or Roth 403(b) account.

3. Tax-Sheltered Annuity Program Plan Document. The System shall have a written plan document approved by the Board for the Tax-Sheltered Annuity Program in accordance with Section 403(b) of the Internal Revenue Code.

04.1003 457(b) Deferred Compensation Plan.

1. Texa\$aver Deferred Compensation Plan. As authorized by Chapter 609 of the Texas Government Code and Section 457(b) of the Internal Revenue Code, any eligible System employee as defined by the Employee Retirement System of Texas (ERS) may participate in the Texa\$aver Deferred Compensation Plan administered by ERS.

04.1004 Delegations of Authority.

1. Delegation of Authority to the Chancellor. The Board delegates to the Chancellor the authority, upon the recommendation of the Deputy Chancellor, to select companies qualified to provide Retirement and Deferred Compensation investment products, and to sign agreements with selected companies for account management, remittance, and compliance services.
2. Delegation of Authority to the Deputy Chancellor. The Board delegates to the Deputy Chancellor the authority to perform the following duties and responsibilities:
  - (a) To act as the named fiduciary for the 403(b) Optional Retirement Program, and 403(b) Tax-Sheltered Annuity Program (collectively "Retirement Plans");
  - (b) To appoint members of a Retirement Plan Investment Committee to include, at a minimum, the Chief Financial Officers of each Institution and the System Treasurer;
  - (c) Upon advice from the Retirement Plan Investment Committee, to adopt and amend a Retirement Plan Investment Regulation establishing guidelines for designation of asset classes and selection of Retirement Plan investment options;
  - (d) Upon advice from the Retirement Plan Investment Committee, to select Retirement Plan investment options available for participants, providing a core set of investment options with different risk and return characteristics and keeping fees reasonable;
  - (e) With advice from the Retirement Plan Investment Committee, to monitor the performance of investment options, investment managers, investment advisors, trustees, and other investment

fiduciaries according to the objectives described in the Retirement Plan Investment Regulation;

- (f) With advice from the Retirement Plan Investment Committee, to appoint, remove, or replace any investment manager, investment advisor, trustees, or any other fiduciary of the Retirement Plans in accordance with the plan documents;
- (g) To recommend to the Chancellor selected companies qualified to provide Retirement Plan investment products and account management, remittance, and compliance services;
- (h) To make such other decisions as are necessary and appropriate to manage prudently the Retirement Plan selection of investment options and investment-related services;
- (i) To perform, or cause to be performed, such record keeping functions as necessary or advisable to administer and maintain the Retirement Plans;
- (j) To maintain, through the UNT System Administration human resources department , a listing of companies authorized to offer annuities or other investments under the Retirement Plans; and
- (k) To take all other actions and make all decisions and interpretations necessary or appropriate to administer and operate the Retirement Plans consistent with the plan documents and applicable law.

04.1005 Indemnity.

To the extent permitted by law, the System shall indemnify the Deputy Chancellor and each member of the Retirement Plan Investment Committee, and any other employee of the System with duties under each Retirement Plan, against expenses (including claims paid) reasonably incurred in connection with any claims made by reason of conduct in the performance of duties under the Retirement Plan, except in relation to acts or omissions made fraudulently or in bad faith. This right of indemnification shall be in addition to any other right that exists as a matter of law or otherwise.

04.1006 457(f) Deferred Compensation Plan.

1. Establishment of 457(f) Deferred Compensation Plan. As authorized by Texas Revised Civil Statutes Annotated Article 6228a-5, Section 3(a), the Board has established a non-qualified deferred compensation plan pursuant to Section 457(f) of the Internal Revenue Code.
2. Purpose of the Plan. Section 457(f) deferred compensation plans

provide financial incentives in recruiting highly qualified candidates for employment and encouraging existing qualified employees to continue to devote their best efforts to the service of the System, System Administration, and Institutions. Such plans may be made available for the benefit of a select group of employees as determined solely by the Board. Each participant in the plan shall enter into a separate deferred compensation agreement with the Board.

3. 457(f) Plan Documents. The System shall have a master plan document approved by the Board for the 457(f) deferred compensation plan.
4. Delegation of Authority. The Board delegates to the Vice Chancellor for Finance the authority to take all actions and to make all decisions and interpretations that may be necessary or appropriate to administer and operate the 457(f) deferred compensation plan consistent with the plan documents. The Vice Chancellor for Finance will perform, or cause to be performed, such record keeping functions as necessary to administer and maintain such Plan in accordance with Sections 457(f) and 409A of the Internal Revenue Code, consistent with Texas Revised Civil Statutes Annotated Article 6228a-5, Section 3(a).
5. Not Eligible for Retirement Benefits. 457(f) deferred compensation is not part of an employee's base salary and shall be reported as a separate element of the employee's cash compensation. Deferred compensation is not eligible for Teacher Retirement System or Optional Retirement Program retirement benefits or other retirement benefits.

04.1007 Adoption of Additional Plans.

The adoption of any type of retirement benefit or deferred compensation plan not listed in this Rule or mandated by State law requires the approval of the Board.

Adopted: August 20, 2009  
Effective: August 20, 2009  
Revised: August 10, 2018