UNIVERSITY OF ILLINOIS
Investment Policy
March 12, 2015

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PURPOSE

The Investment Policy provides the guiding principles for the University of Illinois (the “University”) to effectively supervise, monitor, and evaluate the investment of its financial assets to optimize returns within appropriate risk parameters. The Board of Trustees (the “Board”) and its delegates intend to invest all available University funds in one of the University investment programs. The objective and time horizon of a fund will generally determine the appropriate investment program. The University attempts to pool assets whenever possible in order to provide efficient administration and investment flexibility.

DESCRIPTION OF THE ASSETS

Endowment Pool:
These are gifts that have been donated to the University to support research, academic, or capital programs. Some may be restricted to a specific purpose whereas others may be entirely unrestricted. The management of these funds on a consolidated basis permits a pooled total return investment approach with a long term investment horizon.
Endowment funds are defined as institutional funds and under the terms of the gift instrument, are not wholly expendable by the institution on a current basis. Quasi-endowments established by the Comptroller may be invested in the commingled endowment pool. Endowment funds are invested in the commingled Endowment Pool whenever feasible.

Operating Pool:
The Operating Pool of the University represents operating and gift funds available for current use in support of the University’s academic programs and support functions. These operating assets are budgeted to designated operations within the University. The consolidated management of these funds allows robust tracking and investment performance reporting, plus a larger base from which to meet demands for liquidity. All liquidity needs of the University will be met from these funds. This category includes student loan funds, agency funds, self-insurance reserves, and auxiliary operating funds. Operating funds are pooled to provide the University continuity, investment flexibility, and efficient administration.

Separately Invested Funds:
Funds are separately invested by the University either because of specific donor or legal restrictions, the funds belong to another agency or entity, or because it is in the best interest of the University not to commingle the funds. Separately invested funds hold investments which are specifically selected consistent with the fund’s objective and duration. All revenue earned by these investments is separately maintained for expenditure in accordance with policy.

Farmland:
Farmland includes real estate comprised of agricultural land and related buildings acquired by the University of Illinois through the generous gifts of donors. This policy does not apply to farms utilized by the College of Agricultural, Consumer and Environmental Sciences for research purposes.

Each of the fund types defined above including the Endowment Pool, Operating Pool, Separately Invested Funds, and Farmland are hereinafter collectively referred to as the University’s “Invested Assets”.

ROLES AND RESPONSIBILITIES

The Board of Trustees

The Board develops University policy on Invested Assets and delegates the execution of those policies to its administrative agents, who act under the Board's general supervision and are required to be guided by the Board's policies and report to the Board. The Board delegates the authority to the Comptroller for the establishment of financial relationships for the holding or management of the University's Invested Assets including banking relationships, money market funds, marketable and non-marketable investment managers, investment consultants, custodians, and other vendors directly related to the provision of investment management services. This delegation enables the Comptroller, at his or her discretion, to hire and fire investment managers to meet the board's asset allocation policies established herein.

- The Board has fiduciary responsibility for the University's Invested Assets.
- The Board is responsible for establishing the University's investment policy including approval of endowment and operating pool asset allocation ranges.

Audit, Budget, Finance, and Facilities Committee

- Set forth recommendations to the Board regarding investment policy.
- Review the University's investment policy on a periodic basis.
- Review asset allocation, portfolio and manager performance on a quarterly basis.

Vice President/Chief Financial Officer and Comptroller

- Authorized to manage University investments at his/her discretion consistent with the Board's Investment policy or with investment managers approved by the Board.
- Regularly communicate with the Audit, Budget, Finance, and Facilities Committee and the University President on the University's investment activities, including reporting on performance relative to benchmarks, and the University's investment managers.
- The Comptroller, upon recommendation from the Investment Consultant or the Associate Vice President for Treasury Operations or the Director of University Investments, approves investment manager hiring and termination.
- The Comptroller shall have delegated authority to buy or sell endowment real estate including farmland.
- Informs the Audit, Budget, Finance and Facilities Committee on material events affecting the University's Invested Assets.

Treasury Operations/Investment Staff

- Manage University's Invested assets consistent with the Investment Policy approved by the Board under direction of the Comptroller.
- Direct and manage day-to-day transactions with external investment managers.
- Work in conjunction with the Investment Consultant to select and recommend hiring and termination of external investment managers.
- Work in conjunction with the Investment Consultant on the preparation of presentations and reporting materials for the Board's Audit, Budget, Finance, and Facilities Committee.
- Meet with the investment managers on a periodic basis to perform due-diligence including a review of investment performance, their investment process, risk controls and market outlook. Meetings may be by teleconference.

- Inform the Comptroller of any material events that are discovered or reported during the ongoing due diligence process.
- Review the investment policy statement periodically to ensure it is in keeping with current circumstances and best practices. Recommendations for change will be brought to the Board's Audit, Budget, Finance, and Facilities Committee.

Investment Consultant

An objective, third-party Consultant may be retained to assist the Comptroller, Board, and University investment staff, in managing the overall investment process for the University's Invested Assets. The Investment Consultant shall:

- Serve as an extension of University investment staff.
- Recommend changes to asset allocation and the Investment Policy Statement.
- Maintain a direct relationship with the underlying managers used by the University and conduct appropriate due diligence on the managers on an ongoing basis. Communicate regarding any important developments and any recommendations for changes in assignments when appropriate.
- Provide quarterly reports summarizing the investment performance of the total funds and individual investment managers for the University.
- Perform investment manager searches, as needed, including any associated due diligence and fee negotiations.
- In consultation with Treasury Operations/Investment staff, interview investment managers and present finalists candidates.

The Consultant shall be responsible for performing thorough due diligence on investment managers under consideration for assignments.

Investment Manager

Any investment manager retained by the University shall manage the University's Invested Assets in accordance with their respective stated guidelines. The investment managers shall:

- Manage the assets under their supervision in accordance with the guidelines and objectives outlined in their respective Service Agreements, Prospectus, Trust Agreement, etc.
- Exercise full investment discretion with regard to buying, managing, and selling assets held in the portfolios.
- Use the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity would in the management of their own affairs, not in regard to speculation, but in regard to the stewardship of their funds, considering the probable income, risk, as well as the probable safety of capital.
- Investment managers shall provide regular statements to the University and its investment Custodian on fund holdings and performance.

Custodian

- Provide monthly portfolio transaction reports and monthly asset reports no later than the tenth business day following month end.
- Provide the University, its investment managers, and investment consultant special reports as reasonably requested.

- Communicate immediately any concerns regarding portfolio transactions, valuation, or material changes in trustee personnel or procedures.

INVESTMENT MANAGER SELECTION AND RETENTION

Investment managers will be selected by Treasury Operations staff or the University's Investment Consultant and recommended to the Comptroller for hiring approval.

Criteria used to evaluate investment managers during the search process will include, but are not limited, to the following:

1. Registration with the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940.
2. Experience of the firm in the management of institutional portfolios operated under prudent person standards, as well as related investment management experience.
3. Qualifications and/or depth of the professional staff.
4. Soundness of the firm's investment philosophy and process.
5. The investment record of the firm and/or the firm's principals in former associations where that record is verifiable.
6. The adequacy of the firm's trading, back office, accounting and reporting, and client service capabilities.
7. Investment management fees.

Regarding performance, the primary measurement will be the manager's returns (net of fees) versus the relevant and agreed upon benchmark. Failure of a manager to generate excess returns in a short period of time does not require that the contract with the firm be terminated. However, the firm's returns must be within an acceptable range. A secondary performance measure is the manager's returns versus the return of a universe of manager returns whose styles are similar.

Reasons for investment manager termination include: Changes in investment style and discipline, changes in the firm (personnel, structure, or organizational form) which may detract from future performance, changes in the University's Investment policy which eliminate the need for the manager, loss of confidence that the firm will add value.

DERIVATIVE SECURITIES

For the purposes of this policy, a derivative instrument is defined as any contract or investment instrument whose performance, risk characteristics or value is based on any asset, interest rate or index value.

Derivatives are permitted to be used for the following purposes:

1. To gain broad stock or bond market exposure in a manner that does not create the effect of leverage in the overall portfolio.

2. To convert financial exposure in a given currency to that of another currency (e.g., to hedge Japanese Yen exposure back to the U.S. dollar).

3. To adjust the duration of a bond portfolio in a manner that is consistent with the accepted approach of the manager and other policies and guidelines provided to the manager.

4. To make other portfolio adjustments that are consistent with other elements of the University's investment policies and guidelines and that, when viewed from a total portfolio standpoint, do not increase risk or expected volatility of rate-of-return in the portfolio.

With the exception of investment managers (e.g., hedge funds, real estate, etc.) so authorized, derivatives will not be used to leverage portfolios, and derivative-based investment strategies will not expose the portfolios to greater risk than would be typical under a strategy utilizing only cash securities. All other uses of derivatives are prohibited unless specifically approved by the University's Board.

Investment managers are expected to have internal risk management programs in place to ensure that derivative-based strategies do not result in magnified risks to the portfolio.

STATUTORY AUTHORITY AND DELEGATION OF INVESTMENT FUNCTION

The Board of Trustees follows the State of Illinois Uniform Prudent Management of Institutional Funds Act, 760 ILCS 50/1-10, when managing the University's Invested Assets. The Board fulfills its fiduciary responsibility for the management of all Invested Assets, including endowment farm real estate, by adopting policies to maximize investment return with a prudent level of risk. The Board assigns the execution of such policies to the Comptroller of the University. Acting under the oversight of the Comptroller, the Office of Treasury Operations oversees the development and management of investment programs.

The Comptroller has delegated to the Associate Vice President for Treasury Operations the authority and responsibility to develop and disseminate guidelines and procedures regarding Invested Assets. The Associate Vice President for Treasury Operations is authorized to develop, install, and oversee the operations of suitable business systems and staffing to accomplish this function. Requests for exceptions to approved investment policies are to be addressed to the Comptroller.

COMPLIANCE, ETHICS AND CONFLICTS OF INTEREST

Each person acting on behalf of the University shall comply with all applicable State of Illinois statutes, as well as University statutes, General Rules, Bylaws and policies. This includes, but is not limited to, the above cited State of Illinois Uniform Prudent Management Institutional Funds Act as well as the Illinois Governmental Ethics Act 5 ILCS 420 and the State Officials and Employees Ethics Act 5 ILCS 430 which set forth guidelines for professional conduct by those acting on behalf of the University.

In addition, no person involved in the investment process shall make any investment decision based upon personal or political gain or consequence.

ENDOWMENT POOL

Investment Objective

To ensure intergenerational equity, the investment objective is to preserve the real value, or purchasing power, of the endowment pool assets and the annual support provided by these assets for an infinite period. The endowment pool investment policy embraces the total return concept. The following formula summarizes the factors involved in the endowment pool investment program:

Real asset growth rate	**=**	Total investment return	**minus**	Rate of purchasing power loss	**minus**	Spending rate

The investment program attempts to balance current need and future support so that in the future an endowed University program will receive the same value of annual financial support as is currently provided.

Spending Policy

The purpose of the spending rate formula is to provide a stable income stream that keeps pace with inflation and does not degrade the real value of the corpus of the endowment over time.

The University endowment pool spending policy is based on a percentage of a moving average of market value of the unitized endowment pool. The spending formula and spending rate for the endowment will be determined by the Comptroller and reported to the President prior to the beginning of each fiscal year.

Asset Allocation

Asset allocation is believed to be the key driver of investment returns. The University invests in a diversified multi-asset class portfolio consisting of the major asset classes including U.S. equity, non-U.S. equity, global equity, fixed income, non-marketable investments (private equity, hedge funds) and real assets. Within each asset class, investments shall be diversified further among economic sector, industry, quality and size. The purpose of this diversification is to provide a reasonable assurance that no single security or class of securities will have a disproportionate impact – positive or negative – on the overall performance of the endowment portfolio. Liquidity needs were taken into consideration and the target asset allocation seeks to balance the need for liquidity with the ability to generate higher returns through less liquid investments.

The target asset allocation of the endowment pool is intended to ensure the investment objectives are met and that the portfolio is broadly diversified. The target asset allocation is bounded by allocation ranges, and provides guidance concerning whether individual asset classes are underweight or overweight relative to the target allocation.

The table below illustrates the target asset allocation deemed appropriate for the endowment pool by the Board.

Strategy	Asset Class	Target Allocation (%)	Allocation Ranges (%)
Growth Assets[1]	U.S. Equity	14.0%	11.0 - 17.0%
	Non-U.S. Equity	10.0%	7.0 - 13.0%
	Global Equity*	24.0%	21.0 - 27.0%
	Private Equity	8.0%	0.0 - 12.0%
	Hedge Funds	10.0%	6.0 - 14.0%
Total Growth Assets		**66.0%**	
Low Risk Assets[2]	Fixed Income	**20.0%**	**17.0 - 23.0%**
Real Assets[3]	Farmland	7.0%	0.0 - 15.0%
	Core Real Estate	7.0%	3.0 - 11.0%
Total Real Assets		**14.0%**	
Total Assets		100.0%	

* Global equity encompasses U.S., non-U.S. developed market and emerging market-domiciled public companies.

Pooled Funds

Investments in pooled funds (e.g., mutual funds, common trust funds, etc.) are permitted provided their investment guidelines do not violate the University's endowment investment policies and guidelines. For each such mutual or commingled fund, the prospectus, offering memorandum or Declaration of Trust documents of the respective fund will govern the investment policies of the fund investments.

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[1] The growth asset strategy intent is to produce investment total return and provide investment diversification.

[2] The low risk strategy intent is to reduce portfolio volatility, offer downside risk protection and provide liquidity.

[3] The real assets strategy supports portfolio protection against unexpected inflation.

Rebalancing

The endowment portfolio will be rebalanced, where prudent, at least quarterly to keep asset classes within the allocation ranges. The purpose of rebalancing is to control risk and maintain the policy allocation within ranges approved by the Board. Nonmarketable investments, such as private equity and real estate, are not included in the portfolio's procedures for rebalancing because of the illiquid nature of these investments and the fact that the timing of capital flows into and out of these investments are determined by the investment manager. For traditional investments, new endowment inflows of cash may be utilized to implement rebalancing activities to minimize transaction costs.

Performance Evaluation

The endowment pool net-of-fees rate of return is compared with:

- A weighted-average benchmark of the returns of broad market indices representing the asset classes in the target allocation established by the Board,
- The returns of a universe of funds with similar policies and,
- A measure of relative purchasing power.

The weighted average benchmark referred to above is:

Index	Allocation Weight (%)
Dow Jones U.S. Total Stock Index	14%
MSCI All Country World IMI Index	24%
MSCI All Country World ex-U.S. IMI Index	10%
Barclays Capital Aggregate Bond Index	20%
HFR Fund Weighted Composite Index	10%
DJ U.S. Total Stock Index plus 300 basis points	8%
NCREIF ODCE Index	7%
NCREIF Corn Belt Index	7%

The weighted average benchmark may be adjusted to reflect times when the University is not fully invested in nontraditional investments (e.g., private equity, real estate, etc.).

The investment consultant's universe consists of the returns of comparable endowments and foundations.

The primary inflation measure used to determine purchasing power is the Consumer Price Index.

Reporting and Review

The consultant and Office of Treasury Operations staff will prepare and deliver quarterly investment and performance reports on the Endowment Pool for review by the Comptroller and Board. The Comptroller or his or her designee shall deliver an investment presentation, at least annually, to the Audit, Budget, Finance, and Facilities Committee of the Board.

Quasi-Endowments

Quasi-endowment funds are established by the Comptroller to function like an endowment, with the investment typically in the commingled endowment pool. However, these funds may be removed from the endowment pool and expended at the discretion of the Comptroller.

OPERATING POOL

Investment Objective

Operating funds are invested to preserve the value and safety of the principal, maintain liquidity appropriate to the forecasted working capital requirements of the University, provide prudent diversification of investments and maximize the rate of return on investment. Funds expected to be used within one year are invested in the primary liquidity layer to ensure they are available for expenditure.

Permissible Investments

The University's primary liquidity, liquid core, and core layers shall be invested in fixed-income securities and short-term (e.g., money market, CDs, etc.) instruments. Fixed-income securities shall be rated "Baa3" or better by Moody's or Standard & Poor's or equivalent. Unrated securities are not allowed unless specifically permitted by an individual manager's guidelines.

The University's permanent core operating funds shall be invested in the University's endowment pool investment program.

The University Comptroller and investment managers shall not invest in any security which, in their opinion, entails a material probability of default.

Diversification

The total operating funds portfolio will be broadly diversified across securities in order to reduce the impact of losses in individual investments in a manner that is consistent with fiduciary standards of diversification. This diversification shall be achieved by employing multiple investment managers and by imposing a 5% maximum position limit with the exception of U.S. Treasury securities, U.S. government agency securities, Tri-party repurchase agreements and pooled investment products (e.g., money market funds, mutual funds, exchange traded funds).

Asset Allocation

The asset allocation strategy for the Operating Pool consists of investing funds within four liquidity layers. The decision to allocate funds across these layers involves a careful balance of fulfilling the Operating Pool Portfolio's investment objectives and, at the same time, understanding the University's ability and willingness to assume investment risk in the portfolio. The longer-time horizon investments, including core and permanent core, are expected to provide higher rates of return. These longer maturity investments will experience some variation in market value as capital market conditions change. This market value variation is acceptable since these investments are not expected to be utilized to meet immediate liquidity needs.

It is University policy to invest its operating funds in the approximate proportions as set forth in the table below identifying the Operating Pool's liquidity layers, benchmarks and policy allocation ranges.

Liquidity Layer	Role in Operating Portfolio	Investment Time Horizon	Relative Risk Tolerance	Benchmark	Target Policy Range
Primary Liquidity	Meet cash flow needs/downside protection	Immediate	Low	90-Day & 12-Month Treasury Bill Index	5% - 75%
Liquid Core	Earn yield/downside protection	1 – 3 years	Low	Barclays Capital One-to Three-Year Government/ Credit Index	10% - 40%
Core	Earn yield/Total return	3 – 5 years	Low-Moderate	Barclays Capital Intermediate Aggregate Bond Index (3-5 years)	10% - 40%
Permanent Core	Total Return	5+ years	Moderate-High	University Endowment Pool Benchmark	5% - 25%

Liquidity

The Assistant Vice President of Treasury Operations (Cash Management) and the Associate Director of Investments will be responsible for maintaining adequate cash balances for the liquidity needs of the University and will advise the external managers of any anticipated need for cash withdrawals as such needs become known. For ensuring smooth day-to-day operations, the Associate Director of Investments and Assistant Vice President of Treasury Operations may delegate communications with the managers on liquidity needs to appropriate Treasury and cash management personnel.

Performance Evaluation

The University will evaluate performance on a net-of-fee basis. The total operating funds portfolio rate of return will be compared with a weighted average of returns of broad indices representing the maturity structure of the investment policy allocation. The indices to be used in the weighted average and the ranges within which the weights will fall are displayed in the table above.

Operating Pool Income Distribution

Individual University funds which are combined to form the Operating pool have income distributed back to the source of funds based on participation in the pool. In general, net investment earnings are credited to the fund source used to generate the revenue. Applicable external investment management, trust, custody, bank, and internal fees reduce the amount of investment income returned to a given fund. University Accounting and Financial Reporting within the Office of Business and Financial Services ensures the proper recording of all investment income and related expenses and the allocation of net investment income to the appropriate fund groups.

Total accrued investment income earned on operating funds investments is adjusted for the following activities:

- Banking, investment, and trust service fees not allocated to a specific fund or entity
- The operating budget of selected functions within the Comptroller's organization

Net accrued investment income is allocated quarterly to campus units or entities with ownership of the funds. Deficit cash balances reduce the total cash balance for a given campus, fund group, or entity. Any campus, fund group, or entity in a total deficit position will not receive an income distribution, except to the extent required by federal, state, or University regulations or policies.

SEPARATELY INVESTED FUNDS

Separately invested funds include:

1. "Agency funds" invested for the benefit of University related organizations.
2. "Separately invested endowment funds" where a donor has directed that the endowment fund may not be commingled or the gift is non-marketable.
3. "Construction funds" represent proceeds from bond issues or appropriations for specific purposes which are being temporarily invested until needed to fund construction expenditures.
4. "Bond and interest sinking funds" and "debt service reserve funds" are those separately invested funds set aside to pay future debt service payments.
5. "Office of Technology Management Stocks" where the University retains stock holdings which represent licensing payments.
6. "Royalty Funds" generated from licensing revenues and invested into private equity funds, ventures, or other investments which foster economic development consistent with the University's mission.

Agency Funds

The University may invest funds for University related entities such as student organizations, clubs or academic consortia. The objective is to invest these funds to preserve the value and safety of the principal and maintain liquidity appropriate to the forecasted working capital requirements of the Agency.

Separately Invested Endowment Funds

The objective for separately invested endowment funds is to preserve the purchasing power of the funds and the associated income. Separately invested endowments follow, as nearly as possible, the endowment pool investment program adopted by the Board while adhering to any special restrictions prohibiting participation in the endowment pool program.

Investment returns on separately invested endowment funds will be compared with a weighted-average of the returns of broad market indices representing the asset classes established for the separately invested endowment funds.

Construction Funds

Plant funds earmarked for construction and construction funds generated through debt issues are separately invested in order to meet bond covenants and to foster project accountability. Investment of these funds will follow the Illinois Public Funds Investment Act, but the maturity structure will be guided by projected cash flows. Construction funds receive interest from the investment of these funds prior to expenditure.

Bond and Interest Sinking Funds and Debt Service Reserve Funds

Bond and interest sinking funds include the mandatory transfers from operating units for payment of principal and interest on the University's outstanding debt. Debt service reserve funds are normally held by the University, or its agent, as a requirement of bond covenants for outstanding University bond issues. The specific bond covenant determines the type of funds required to be held by the University and any limitations on the income earned on those funds. Debt service reserve funds are retained in the event the University defaults on a bond payment. All investment income earned on bond and interest sinking funds and debt service reserve funds must be used for debt payments.

Office of Technology Management Stocks

The Office of Technology Management's mission is to encourage innovation, enhance research and facilitate economic development through the transfer of intellectual property. The Office of Technology Management receives securities from companies representing payment in lieu of cash for certain technology licensing. Given the early stage of the companies licensing the technology, these securities are difficult to value. University Investment Staff have adopted a procedure for valuing these securities. Security values will be adjusted, at such time, if any, that they become marketable or trade over-the-counter or on an exchange.

Royalty Funds

The University earns Royalty Funds from the licensing of technology or intellectual property. Funds earned from licensing activities may be invested directly into private equity partnerships, private equity funds, or other direct investments that advance economic development consistent with the University's mission.

Farmland Investments

Gifts of Endowment Farm Real Estate

The Office of Treasury Operations and the Office of University Counsel process prospective gifts of real estate, including farm real estate. For prospective farm real estate gifts, professionals from these offices review the proposed gift before acceptance to:

- Gather a complete understanding of the intentions of the donor and any donor restrictions that may detract from the potential value of the gift to the University and to the unit in the University supported by the gift and that may in any way prohibit or restrict the University from achieving the purpose of the gift and thus fulfilling the intentions of the donor.
- Assure any environmental or related issues are completely understood and are adjudicated as part of the prosecution of the gift.
- Obtain a current estimate of the fair market value of the farm real estate property.

Evaluation of Endowment Farm Real Estate for Retention or Sale

Endowment farm real estate, where sale is not restricted by the donor, will be evaluated at the time of the gift and annually thereafter to determine if selling one or more parcels would be the most appropriate strategy. Factors considered in the evaluation will include, but not be limited to, 1) the asset allocation of the investment portfolio under prudent investment management practices both from the perspective of the entire University endowment and from the perspective of units supported by endowments that include farm real estate assets; and 2) total long-term return on farm real estate.

Proceeds from the sale of any and all endowment farm real estate will be invested in the diversified University endowment pool. As with all assets in the endowment pool, the annual payout from the earnings on the assets resulting from the endowment farm real estate sale will support the proscribed purposes and intentions of the respective donor(s).

Management and Oversight

When a gift of farm real estate is accepted and maintained as part of the endowment farm real estate under management, the management of such assets will include practices to:

- Adhere to donor interests and intentions as prescribed in gift documents.
- Maximize returns by employing current market-based industry-tested commercial management practices.

- Ensure the long-term productivity and thus value of farm real estate assets by closely monitoring soil fertility, assuring soil conservation and so forth.
- Assure the employ of environmentally safe farming practices and the compliance with all environmental protections rules and regulations.
- Apply the highest level of professional farm management including appropriate use of external management and agricultural expertise from industry and academia.
- Obtain an estimate of the current market value of all endowment farm real estate assets at least annually through professional appraisal-based valuations.

Farm Real Estate Operating Agreements

Endowment farm real estate will be rented by the University to operators under cash rent operating agreements unless dictated otherwise by the donor or exempted by the Comptroller.

Under the terms of cash rent operating agreements, farm operators are contractually entitled to 100 percent of the revenue from the sale of all crops in exchange for a dollar amount of rent paid per acre annually and a commitment to maintain the long-term productivity and thus value of the property. Operators, under the terms of cash rent operating agreements, are also the recipient of payments from the federal government associated with operating the University owned real estate for agricultural purposes under U.S. farm policies and associated programs. These and other details are codified annually in the terms of the farm operating agreement entered into by the operator and the University.

Selection of Operators for Endowment Farm Real Estate

Operators of endowment farm real estate will be selected through competitive processes, unless dictated otherwise by the donor, to assure market-based practices and terms. The competitive process shall be open to the public and shall involve advertising in publications of general circulation in the county or counties where the property is located. Operating agreements will reflect market practices for the operation of similar private sector farm real estate properties.

Reporting and Performance Evaluation

The Office of Treasury Operations will prepare a calendar year performance report on endowment farm real estate. Performance will be computed on a total return basis and compared with the NCREIF Corn Belt Index and the Chicago Federal Reserve Bank East-Central Illinois Farmland Index.

The report will also contain the current estimate of the market value of each parcel of farm real estate in the portfolio, details on any endowment farm real estate gifted to the University within the year and may also include the results of the evaluation determining which, if any, endowment farm real estate parcels will be sold in the coming year.