SURS Investment Beliefs

The following Investment Beliefs were established in September 2018 to serve as a guide in the board?s decision making process and a reference point for future board and staff decisions. The beliefs will be periodically reviewed and updated.

SURS believes that an appropriately diversified strategic allocation policy is the primary policy tool for maximizing the investment program?s long-term return in light of its risk profile. The timing and magnitude of projected SURS?s employer contributions and future benefit payments (i.e., its funding policy) can have significant cash flow implications and thus should receive explicit consideration during SURS?s risk-framing and asset allocation decision-making process.

SURS believes that, in order to achieve its objectives, it must incur a certain amount of investment risk that is tied to economic performance. Exposure to economic growth comes about primarily through the equity risk premium which, while highly variable, produces a significantly positive long-term return.

SURS believes that diversification within strategic classes helps to mitigate the risks of the class. Appropriate manager diversification helps to maximize the breadth of capturing alpha after accounting for the major biases in a portfolio. As a result, added value consistency should improve.

SURS believes disciplined allocation of capital is necessary to manage the systematic risk of the portfolio and maximize the likelihood of achieving its long-term expectations. Key examples of maintaining disciplined capital allocation includes consistently rebalancing back to strategic targets where appropriate and dollar-cost averaging (and/or pacing) new capital allocations over time into both public-market and private-market portfolios.

SURS believes that utilization of passive approaches in highly-efficient publicly-traded markets should take priority because it is extremely difficult to add consistent value, net of fees, in these markets. In addition, passive management typically provides for rapid, relatively liquid, low-cost exposure to the major risk premiums of the global investment markets.

SURS believes active management can prove beneficial in certain market segments when there is evidence that active management can produce consistent significantly-positive, net of fee performance over various market cycles.

SURS believes that investment costs (fees, expenses and frictional costs) directly impact investment returns and should be monitored and managed carefully. Such costs should be evaluated relative to both expected and realized returns and take into account appropriate alignment of interest considerations.

SURS believes that the private markets should produce higher returns than public markets due to exposure to the illiquidity risk premium. While illiquidity risk can cause a portfolio?s risk to increase, over the long-term the illiquidity risk premium is positive and material.

SURS is committed to enhancing diversity by incorporating emerging (minority, woman-owned and disability-owned) investment managers into the portfolio.