FINANCE COMMITTEE MINUTES

SSUAF Finance Committee
Tuesday, September 9, 2013
VP Conference Room, Salazar
3:00-5:00 p.m.

Members Present:  Letitia Coate (Chair), Robert Eyler (tele.), Laurence Furukawa-Schlereth, Tom Gillespie (tele.), Erik Greeny, Wally Lowry, Mike Marovich, Mike Sullivan

Committee Staff Present:  Ian Hannah, Katie Robinson, Amanda Visser

Guests:  Philip Brewster- Merrill Lynch Wealth Management (tele.)
(4:00 p.m. time certain)
Todd Au, Tony Parmisano- Graystone Consulting

Members Absent:  Irv Rothenberg, Michael Troy

I. OPENING COMMENTS

Letitia Coate welcomed the committee members and opened the meeting at 3:05 p.m.

II. APPROVAL OF THE MINUTES- JUNE 27, 2013
(See September 9, 2013 agenda packet.)

Minutes were unanimously approved.

III. GRAYSTONE QUARTERLY UPDATE
(See September 9, 2013 agenda packet.)

Todd Au and Tony Parmisano from Graystone Consulting provided the committee with a quarterly report as of 6/30/13 as well as an updated snapshot of the balances and asset allocation as of August 31st. The pooled endowment portfolio ended the fiscal year with an increase of 9%, outperforming the benchmark. This increase is due much in part to gains in the public equity sector, specifically domestic equities. There were also strong returns in
the areas of private equity, fixed income and hedge funds; however, real assets presented a problem area that Graystone is working to rectify.

Au and Parmisano presented a number of portfolio recommendations for the committee to consider in the form of asset allocation adjustments within the the public equities and fixed income categories of the portfolio. It was explained that Graystone’s recommendations are in response to developments in Fed policy, shifts in interest rates, and dispersion in relative values.

Public Equities:
- Domestic Equity
  - Reduce Domestic equities due to valuations and forward outlook.
  - Shift to higher capitalization within US Equities.
- International Equity
  - Shift in favor of Developed Market (DM) equities relative to the Emerging Markets (EM) due to strength in DM and structural challenges in EM.
- Global Equity
  - Add to global flexible mandates to allow for nimble allocation shifts between geographic locations and market capitalizations predicated on valuations.
- Manager Recommendations
  - Terminate Blackrock Equity Dividend Fund and hire Aristotle Large Value Fund
  - Terminate Granite Large Cap Fund and allocate proceeds to existing Westfield All Cap Growth Fund and newly recommended Delaware Focused Global Growth Fund.
- Reclassification Recommendation
  - Reclassify RS Global Natural Resources Fund to the Real Assets category.

Fixed Income:
- Core
  - Modest reduction in high quality fixed income predicated on interest rate sensitivity and reducing duration.
- Global
  - Increase exposure to global flexible mandates that have less sensitivity to Fed policy.
- Opportunistic
  - Materially reduce exposure to mortgage backed securities.
  - Increase exposure to less interest rate sensitive hedged credit, high yield and floating rate securities.
- Manager Recommendations
  - Terminate Doubteline Total Return Fund and Loomis Sayles Bond Fund and hire Nuveen Symphony Credit Opportunities Fund. Also allocate additional capital to existing J.P. Morgan Strategic Income Opportunities Fund.

Au and Parmisano explained that the proposed new fund managers were suggested to achieve the goals listed above and/or to replace managers who are underperforming. Also included in the packet was a revised asset allocation for the sub asset classes within
equities and fixed income allocations of the portfolio. These changes allow for underlying adjustments while still remaining in compliance with the SSUA Investment Policy’s long-term strategic asset allocation for the pooled endowment investments (overall 40% to Public Equity and 25% to Fixed Income).

**Motion:** Accept all of Graystone Consulting’s recommended changes to the SSUA Portfolio.

**Action:** Unanimously approved.

IV. **GENERAL FUND BUDGET**  
(See September 9, 2013 agenda packet.)

The committee reviewed the draft SSUAF General Fund Budget for the 2013/14 year. It was presented as a balanced budget with revenues equaling expenses to the amount of approximately $236,000. The largest changes from the previous years were the line items for “Legal Fees” and “Contingency”. The committee members inquired as to why the contingency increased by such a considerable amount. The staff responded that contingency doubled due to the fact that there were still several known and potential litigation items pending, which they would like to be prepared for. Marovich added that it may be helpful to add a footnote explaining the reason for the large change.

**Motion:** Forward the proposed 2013/2014 SSUAF General Fund Budget to the full Board for their approval, as amended.

**Action:** Unanimously approved.

V. **TOWNHOME RENTAL RATES**  
(See September 9, 2013 agenda packet.)

The townhome rental rate comparison spreadsheet was introduced, which tracked the recent rental rates of other properties comparable to SSUAF’s ten townhomes. Coate explained that in order to avoid a tax implication, the rental rate needs to be within the range of comparable units, which was according to the spreadsheet $1,500-$2,150, with an average cost of $1,757/month. Schlereth pointed out that the townhomes also provide a service of affordable housing for new staff/faculty, so while they should remain within the range, they typically fall to the lower end of the spectrum. Upon further discussion, the committee determined that $1,600/month would be an appropriate amount, while remaining within tax compliance.

**Motion:** Increase SSUAF Townhome rent from $1,525/month to $1,600/month for the 2014/2015 fiscal year.

**Action:** Unanimously approved.
VI. COMPLIANCE REVIEW COMMITTEE POLICY
(See September 9, 2013 agenda packet.)

The committee reviewed the Compliance Review Committee Policy which had been
drafted by the SSUAF staff, with the Compliance Review Committee Chair’s blessing.
The committee enquired as to the current audit process and how the scholarship and
campus program funds are currently audited. Coate shared with them the current process,
and added that an audit plan had essentially been built into the new policy. Greeny added
that he would like to see an edit that includes all SSUAF Officers in the reporting
process.

Motion: Forward the proposed Compliance Review Committee Policy to the full
Board for their approval, as amended.

Action: Unanimously approved.

VII. GALBREATH ENDOWMENT REVISED IPS
(See September 9, 2013 agenda packet.)

Phil Brewster joined via telephone for a 4:00 p.m. time certain.

Hannah briefly explained the history of revising the Investment Policy for the Galbreath
Endowment, and introduced the new version. Hannah, Brewster, and committee member
Irv Rothenberg worked together to integrate the former Galbreath Endowment IPS into
the Foundation’s current format, with only minor content tweaks. The committee was
pleased with the updated version, and it’s continuity with the Foundation’s current
investment policy.

Motion: Forward the proposed Galbreath Endowment Investment Policy to the full
Board for their approval, as amended.

Action: Unanimously approved.

VIII. SSUAF INVESTMENT POOLS
(See September 9, 2013 agenda packet.)

Hannah introduced the SSUAF Investment Pools, providing the breakout of underlying assets
and values of SSUAF’s various investment pools as described in SSUAF’s Investment Policy.
This categorization also assists the committee members to review investments other than the
endowment. In addition to the approximately $37M in endowment assets, there is also
approximately $6M in cash/current assets, CRTs, and other assets.
IX. OPEN ITEMS

The committee was notified that they may soon see an item related to increasing the dual-signer amount on SSUAF issued checks from $5,000 to $15,000. The reason for this is to make all corporations on campus consistent with the University.

Meeting adjourned at 4:45 p.m.

Letitia Coate
Minutes Approved by:
Letitia Coate
Chief Financial Officer, SSUAF

Katie Robinson
Minutes Prepared by:
Katie Robinson
Staff, SSUAF