FINANCE COMMITTEE MINUTES

SSUAF Finance Committee
Thursday, May 29, 2014
Conference Room A, Salazar Hall

Members Present: Ian Hannah, Amanda Visser, Erik Greeny (tele.),
Robert Eyler (tele.), Tom Gillespie (tele.), Wally Lowry,
Mike Marovich, Mike Sullivan (tele.), Michael Troy

Committee Staff Present: Katelynn White

 Guests: Todd Au, Tony Parmisano - Graystone Consulting

Members Absent: Irv Rothenberg, Laurence Furukawa-Schlereth

I. OPENING COMMENTS

Ian Hannah welcomed the committee members and opened the meeting at 3:08 p.m.

(See May 29, 2014 agenda packet.)

Minutes were unanimously approved.

III. FINANCE COMMITTEE CHARTER REVIEW
(See May 29, 2014 agenda packet.)

Hannah announced that Amanda Visser has been appointed by SSU President and SSUAF Chairman, Armínana as the new SSUAF Chief Financial Officer (CFO). Additionally, Hannah has been appointed as the new SSUAF Chief Operating Officer (COO). Larry Furukawa-Schlereth would still remain on the committee as a Board Member. Although the previous CFO, Letitia Coate, served as the Finance Committee Chair, it has been proposed that Hannah, as COO, serve as chair going forward. Thus, a revision to the Charter was suggested to reflect the designation of the COO to serve as the Chair and the CFO to serve as Vice-Chair. Another proposed revision to the Charter was discussed and agreed upon relating to the committee now committing to review the investment policy annually and the
Charter periodically (as needed) and reassess for adequacy. The revisions were recommended to go next to the Board for approval.

**Motion:** Forward the recommended changes to the Charter to the SSUAF Board for approval.

**Action:** Unanimously approved.

IV. 2014-15 POOLED ENDOWMENT DISTRIBUTION
(See May 29, 2014 agenda packet.)

Hannah explained that the 2014-2015 endowment earnings distribution was based on SSUAF’s current spending policy of 4% of the five-year rolling average of the Pooled Endowment market value as of 12/31/13. The distribution would amount to almost $1.1M to be dispersed amongst various scholarships (37%) and campus programs (63%) based on donor intent. He also clarified that a few individual endowment funds support more than one area, thus the actual number of individual endowment funds is approximately 362. The committee agreed to recommend the distribution as presented to the Board for approval. The actual distribution of funds would take place in Fall 2014.

**Motion:** Recommend 14/15 Pooled Endowment Distribution, as presented, to Board for approval.

**Action:** Unanimously approved.

V. GALBREATH ENDOWMENT INVESTMENTS
(See May 29, 2014 agenda packet.)

Hannah went over the quarterly report for the growth and income portfolios of the Galbreath endowment, which was prepared by the Investment Manager, Phil Brewster of Merrill Lynch Wealth Management. The Fixed Income portfolio was up 5% while the Growth side was down 4.3%. This resulted in a combined appreciation of 1.8% for the quarter ending 3/31/14.

Hannah brought up the question of whether the Galbreath endowment should be a standing committee agenda item. He proposed that Brewster present a report directly to the committee once a year on the $1M+ portfolio. Quarterly reports would then be disseminated to the Committee members and would be placed as an agenda item for discussion only during times where any major changes or issues were found. This strategy would continue to allow compliance with the Galbreath Endowment Investment Policy.

**Motion:** Review the Galbreath Endowment with Investment Manager annually, with quarterly dissemination of financial reports to members and to be placed as agenda item as determined to be appropriate by Finance Committee Chair.

**Action:** Unanimously approved.
VI. GRAYSTONE-QUARTERLY UPDATE
(See May 29, 2014 portfolio review and portfolio recommendations and analysis.)

CSU Contract Renewal
Todd Au informed the committee that there was potential for revisions to the contract between the CSU, SSU, and Graystone. The CSU & Morgan Stanley/Graystone Master Enabling Agreement will expire June 30, 2014. The California State University Foundation board has agreed to become the new sponsor of the Master Enabling Agreement for a term of 5 years with 2 two year renewal options. There is an upcoming call scheduled on June 2nd for Morgan Stanley/Graystone to recommend any amendments to the terms and conditions and for current CSU campus participants to ask any questions.

Quarterly Update
Au and Tony Parmisano from Graystone Consulting presented the quarterly report to the committee members, as well as the balances and asset allocation as of 3/31/14. The endowment portfolio saw an investment gain of 1.2% in the latest quarter and 9.5% FYTD, with domestic equities being the asset class with the strongest performance. Total funds invested with Graystone stood at $35.4M as of 3/31/14. Asset allocation was slightly over target in Public Equities, Hedge Funds, and Real Assets due to private equity commitments not yet fully funded.

Portfolio Recommendations
Parmisano explained the current vs. recommended portfolio changes within the Real Assets and Fixed Income categories of the portfolio.

Within the Real Assets portion, the recommendation circled around providing proper inflation protection and related cash flows, in addition to capital appreciation. The sub-asset fund categories highlighted to achieve this include: Real State, Commodities, Natural Resources, Infrastructure, and Inflation Protected Fixed Income. Thus, Graystone recommended a broader, more targeted approach to gain exposure to a variety of Real Asset sub-asset classes, as the current portfolio allocations are more concentrated.

Graystone recommended the following:
- Termination of Abby Capital Managed Futures fund due to a higher than expected volatility with lower than expected return results as well as a challenging overall outlook for managed futures.
- Allocate 21.5% of the asset class to the REMS Real Estate Opportunities (REIT) fund.
- Allocation at 14% to the Cohen and Steers Global Listed Infrastructure and 14% to Goldman MLP Infrastructure as Public Infrastructure plays, until the funding is called for the previously agreed upon $1M commitment to Private Infrastructure McMorgan Borealis fund at 28%.
- The iPath DJ UBS Commodities fund will be scaled down to 29% and the RS Global Natural Resources fund would be scaled down to make up the remaining 21.5%.

Within the Fixed Income portion, Graystone recommended the termination of PIMCO Total Return fund, to be replaced by Metropolitan West Total Return fund. This was recommended
due to headline risk from the recent resignation of the CEO of this fund, as well as recent accelerated fund outflows. The Met West position is a current strong holding in the portfolio and the dollars allocated to this fund would increase accordingly.

**Motion:** Accept Graystone’s two recommendations:
1. Real Assets Allocation: Eliminate Abby Capital and invest in REMS Real Estate Opportunities, Cohen and Steers Global Listed Infrastructure, and Goldman MLP Infrastructure.
2. Fixed Income Allocation: Terminate PIMCO Total Return for Metropolitan West Total Return.

**Action:** One opposed (Gillespie), one abstention (Sullivan), motion passed.

VII. OPEN ITEMS

None.

Meeting adjourned at 4:51 p.m.

[Signature]
Amanda Visser
Chief Financial Officer, SSUAF

[Signature]
Katelynn White
Staff, SSUAF