FINANCE COMMITTEE MINUTES

SSUAF Finance Committee
Tuesday November 3, 2015
Executive Conference Room, Salazar Hall

Members Present: Ian Hannah, Amanda Visser, Wally Lowry, Brent Thomas, Mike Marovich, Irv Rothenberg, Michael Troy, Robert Eyler (tele.), Tom Gillespie (tele.), Mike Sullivan (tele.)

Committee Staff Present: None

Guests: Todd Au, Tony Parmisano - Graystone Consulting

Members Absent: Erik Greeny, Laurence Furukawa-Schlereth

I. OPENING COMMENTS

Ian Hannah welcomed the committee members and opened the meeting at 3:05 p.m.

II. APPROVAL OF THE MINUTES- August 18, 2015
(See November 3, 2015 agenda packet.)

Minutes were unanimously approved.

III. GALBREATH ENDOWMENT INVESTMENT UPDATE
(See November 3, 2015 agenda packet.)

The committee briefly reviewed the September 30th Galbreath Endowment investment portfolio statement, as well as a letter received from investment manager Philip Brewster at Merrill Lynch. Hannah noted that this endowment is managed to be more income oriented than the Pooled Endowment. Due to recent market volatility, a large percentage is currently being held in cash/AAA bonds. With a value of over $1.1M, approximately $40,000 of earned income was distributed calendar year-to-date to support operations of the SSU Galbreath Preserves.
IV. INFORMATION ITEM – CA SENATE BILL 185
(See November 3, 2015 agenda packet.)

Committee members were informed of a recently chaptered CA Senate Bill (no. 185), which was signed by the governor in October of 2015. The bill prohibits the boards of CalPERS and CalSTRS from making new investments or renewing existing investments of public employee retirement funds in a thermal coal company.

This was provided as an information item only as data is being gathered by the CSU system related to the various CSU campus foundations’ percentage of total investments in thermal coal. For SSUAF it is being reported that the Foundation’s endowment investment portfolio’s exposure to thermal coal as outlined in SB 185 is only 0.05%. This percentage was obtaining through an analysis conducted by Graystone on the pooled endowment portfolio holdings and a sheet was provided with the details. It was noted that this compares to around 3% if ALL fossil fuels exposure were included. It is not yet known what action, if any, the CSU intends to take based on the information collected.

V. GRAYSTONE – POOLED ENDOWMENT INVESTMENTS
(See November 3, 2015 agenda packet.)

Todd Au and Tony Parmisano from Graystone Consulting presented the portfolio review to the committee members, as well as the balances and asset allocation as of 9/30/15. The endowment portfolio experienced negative returns amongst a volatile quarter, but gained much of those back by October month end. An updated snapshot as of 10/31/15 was also provided and reviewed. Emerging Markets and Real Assets were the largest detractors in the portfolio during the latest quarter.

The both near term and long term underperformance of Commodity investments was discussed. It was discussed the future potential for moving some Commodity investments to the Real Estate space in the Real Asset category. Future opportunities will be brought to the committee for consideration by Graystone as they are identified.

The overall stance of investment positions assumes no recession is looming but the positions could be transitioned (particularly in the Fixed Income space) to more defensive if the economy shows signs of sputtering.

Au then moved on to discuss a recommendation regarding committing capital to a Private Equity fund – KKR Americas Fund XII. The commitment would be $1M, which is the minimum level. The committee previously approved, in concept, funding a Private Equity pacing model of $750,000 per year to get up to the target allocation of 5%. Should the $1M to KKR be approved, it would likely be that future annual commitment needs would be closer to $500,000. Discussion ensued and the committee decided to accept Graystone’s recommendation. However, a caveat was added to the approval that it be contingent upon the result of the discussion on contractual issues under the next item on the agenda.
**Motion:** Allocate $1M to KKR and pull from portfolio to rebalance accordingly within targets, contingent upon contractual issues being resolved.

**Action:** Unanimously approved.

Contractual issues related to previously approved Hedge Fund allocation to the Balyasny Atlas Enhanced Fund were then discussed. The areas of concern are typical in various Hedge Fund and Private Equity fund manager contract and subscription documents. They typically include: Confidentiality Clause, Governing Law not CA, Arbitration Clause, and Indemnification Clause.

Hannah noted that he consulted with Graystone, multiple folks in the CSU, SSU, as well as SSUAF’s counsel in an attempt to understand the risks and obtain best practices. It appears that many institutions simply sign the contract as presented. It comes down to a business decision of evaluating the risks with each contract. SSUAF also should consider implications under its’ operating agreement with the University. As long as the contracts are being reviewed and evaluated, SSUAF is following its’ fiduciary duty and it would not be unreasonable to execute such contracts.

Committee generally felt that SSUAF should not move forward with the Balyasny investment in light of the contractual issues, unless they conceded and decided to work with us. It was also requested that going forward, Graystone only present funds which would work with us on our contractual needs, by agreeing to a side letter or contract amendment.

It is yet to be determined just how much of an effect this will have on the fund manager options as a number of firms do not agree to contractual changes. Then it is a matter of whether this will affect SSUAF’s allocation to Hedge Funds and Private Equity and if the proper weighing of risks is being conducted. Hannah mentioned that he would continue the conversion with pertinent CSU and SSU folks in an attempt to obtain best practice or more guidance and clarity since it is not a situation unique to SSUAF, even if each campus does handle it differently.

**VI. OPEN ITEMS**

None.

Meeting adjourned at 5:15 p.m.

*Minutes Approved by:*  
Amanda Visser  
*Chief Financial Officer, SSUAF*

*Minutes Prepared by:*  
Ian Hannah  
*Chief Operating Officer, SSUAF*