The meeting was called to order by Committee Chair Queenin at 3:31 PM who acknowledged the efforts of Mr. Carey and Mr. Davies to volunteer to help set up the Investment Subcommittee. They both are a key part of the Foundation’s financial success in terms of investments. Once the Trustee committee assignments are complete, another one-to-two members of the Finance Committee will be assigned to this subcommittee.

The draft committee charge was discussed. This committee will discuss and guide asset allocation as well as review and update the investment policy and report to the Trustees Finance and Capital Asset Committee. Most of our cash funds are currently being held in two local banks and the goal of generating additional revenue from those funds facilitated the creation of this committee. There needs to be enough working capital to cover our operating expenses and have the funds required for the Parenzo renovation. The investments, which will remain in the University-controlled budget and are publically viewed, should be a combination of long- and short-term investments.

The intent of the investment policy should be logical strategies for optimizing investments for the long term. It was suggested that in the committee charge, the word strategic be replaced with structured in the first paragraph and that the wording in the Goal paragraph be replaced with “To leverage available cash resources, through a prudent investment policy and long-term asset allocation, which yields additional investment income for the university.”

Chris Raymond, Director of Procurement, was invited to the table. Vice President Taksar said the goal is to have funds moved to the appropriate investment strategy prior to the next fiscal year so we can plan for investment funds to come in before the next budget cycle. The proposed timeline to meet those requirements was reviewed. It was also suggested to have the local banks holding our funds give a proposal for a better cash management analysis with low risks that could generate more revenue.

Mr. Raymond stated that the typical Request for Proposal (RFP) process will be used in searching for an investment advisor. It was suggested that the RFP be tightly defined and list the amount of cash being considered for investment and the type of investments desired in order to get proposals from only the advisors that would qualify to meet our minimum requirements. The RFP will be sent to firms we know or that deal with state universities, and then it will also be posted publically in local newspapers, and the Commonwealth’s procurement records system (COMMBUYS) and central registry.

The Foundation uses Vanguard and is 98% indexed funds. They set the guidelines and Vanguard automatically readjusts the funds. Fidelity has comparable funds but probably has higher fees. Many of the sister institutions
use Eaton Vance (who is not in index funds), probably because of lower fees.

Vice President Taksar stated there will be $20,000,000 to $25,000,000 to be invested long term with no plans to touch the principal, just the earnings, so the funds can be in indexed funds. The asset allocation preferences will be defined by this committee. It was suggested that the University funds range from 30-50% in equities with the balance in fixed income.

Mr. Carey will request Vanguard to prepare a sample RFP for an organization similar to ours so we can get an idea of what to ask for assuming an index model. Vanguard will have the understanding that there will be no commitments or preferential treatment to them. That will be sent to Chair Queenin and Vice President Taksar to review. Once all of the proposals have been received, procurement will narrow down those that meet our requirements and put them into a spreadsheet. Vice President Taksar, Mr. Raymond and this committee will rate the proposals as part of the formal record.

Vice President Taksar will review the Massachusetts General Laws related to investments and make proposed changes to the Investment Policy and share with the committee. On page 4 of the policy, the reference to “the Common Fund” should be removed. Changes to the policy would need to be voted on at the October 9 or December 5 Board of Trustees meeting.

Mr. Carey gave an overview of the Foundation’s investments and shared their total portfolio performance and asset allocation from their June 30, 2018 Vanguard statement. He passed out a page from The Investor’s Manifesto, showing Morningstar rankings of 18 large fund families. He also shared an investment company ratings report to review.

The goals and objectives of this committee are to get the investment policy changed, the RFP drafted and sent out, and make suggestions on how much of the cash accounts should be held back for working capital, how much should be invested, and how to tier those investments. Vice President Taksar said it is critical to have the Board engaged in this process and the assistance of Mr. Carey and Mr. Davies will be invaluable in working on these objectives.

The next meeting will be scheduled for Thursday, September 13, at 2:00 pm PM in the President’s Boardroom. Mr. Davies will call into the meeting and submit his comments prior to it. At that meeting, there will be an update to the procurement process and Vice President Taksar will bring proposed changes to the Investment Policy.

There being no further business, Committee Chair Queenin made a Motion to adjourn, which was seconded by Trustee Marcus. Motion passed unanimously.

The meeting was adjourned at 4:41 PM.

Attachment(s):
   a. Committee Charge
   b. RFP Investment Advisor (Timeline)
   c. Investment Policy