



**Board of Trustees**  
Executive Committee

1:00 PM  
August 19, 2019  
President's Boardroom  
The Horace Mann Center

- 
- |   |  |
|---|--|
| <b>1. Call to Order</b>   | Chair Kevin R. Queenin   |
| <b>2. Approval of Minutes</b><br>a. June 27, 2019   | Chair Kevin R. Queenin   |
| <b>3. Items for Information</b><br>a. Presidential Evaluation for FY19<br>b. Voluntary Separation Incentive Program | Chair Kevin R. Queenin<br>Dr. Jalisa Williams/<br>President Torrecilha |
| <b>4. Item for Discussion</b><br>a. Eaton Vance Presentation – Transition Plan                                      | Eaton Vance  |
| <b>5. Items for Action</b><br>a. Motion – Investment Policy<br>b. Motion – Investment Account and Fund Transfer     | Stephen Taksar/Eaton Vance<br>Stephen Taksar/Eaton Vance               |

**Attachment(s):**

- a. Minutes of June 27, 2019 (Draft)
- b. Eaton Vance Transition Plan
- c. Motion – Investment Policy
- d. Investment Policy #0430 (Revised with Tracked Changes)
- e. Investment Policy #0430 (Revised – Clean Copy)
- f. Motion – Investment Account and Fund Transfer
- g. Investment Cash Balances



**Board of Trustees**  
Executive Committee  
**Minutes**

Garden Level Conference Room A  
Horace Mann Center  
June 27, 2019

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**MEMBERS PRESENT:** Committee Chair Queenin, Secretary Martinez-Alvarez and Trustee Hagan.

**MEMBERS EXCUSED:** Trustee Sullivan.

The meeting was called to order at 3:03 PM by Committee Chair Queenin.

**MOTION** made by Trustee Hagan, seconded by Trustee Martinez, to approve the minutes of the October 9, 2018 meeting. **Motion passed unanimously.**

Committee Chair Queenin stated that Trustee Robert Martin will oversee the Presidential Evaluation for 2019 with the assistance of two other Trustees who have educational experience. The process will be inclusive of the community both on and off campus.

The Open Meeting Law complaint of June 18, 2019 was reviewed. Chair Queenin stated that counsel informed him that the wording used in both the agenda and minutes of the April 2, 2019, meeting was correct.

There being no questions or discussion, **MOTION** made by Trustee Hagan, seconded by Trustee Martinez-Alvarez, to delegate to Rubin and Rudman LLP the task of responding to the June 18, 2019 Open Meeting Law Complaint. **Motion passed unanimously.**

There being no further business, **MOTION** made by Trustee Martinez-Alvarez, seconded by Trustee Hagan, to adjourn. **Motion passed unanimously.**

Meeting adjourned at 3:06 PM.

Attachments presented at this meeting:

- a. Minutes of October 9, 2019
- b. Open Meeting Law Complaint dated June 18, 2019
- c. Agenda of April 2, 2019 Full Board Meeting
- d. Minutes of April 2, 2019 Full Board Meeting
- e. Motion – Delegate to Rubin and Rudman the task of responding to Complaint

**Secretary's Certificate**

I hereby certify that the foregoing is a true and correct copy of the approved minutes of the Westfield State University Board of Trustees Executive Committee meeting held on June 27, 2019.

\_\_\_\_\_  
Lydia Martinez-Alvarez, Secretary

\_\_\_\_\_  
Date

# Working with Eaton Vance Investment Counsel

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Prepared for Westfield State University  
August 19, 2019

Robert C. Quinn, CFP®, CFA, Vice President  
Duke Laflamme, CFA, Vice President

# About Eaton Vance Corp.

## Firm

- Publicly traded global asset management firm with a history dating back to 1924
- Offices in North America, UK, Germany, Japan, Singapore, and Australia
- \$474.4 billion in assets under management<sup>1</sup>
- 357 investment professionals globally with over 17 years average industry experience; 200 CFA Charterholders<sup>1</sup>
- Eaton Vance is a signatory of the Principles for Responsible Investment (UN PRI)\*

## Culture

- **Focus** – Investment management is our only business
- **Ownership Structure** – Voting control by senior management ensures we control our destiny
- **Broad Range of Capabilities** – Assist clients in building portfolios designed for the outcomes they require
- **Specialized Expertise** – Multi-affiliate model brings range of specialized investment expertise
- **Commitment** – Eaton Vance has been partnering with institutional and private clients for more than 75 years

\*Implemented by the United Nations Secretary-General, the Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices.

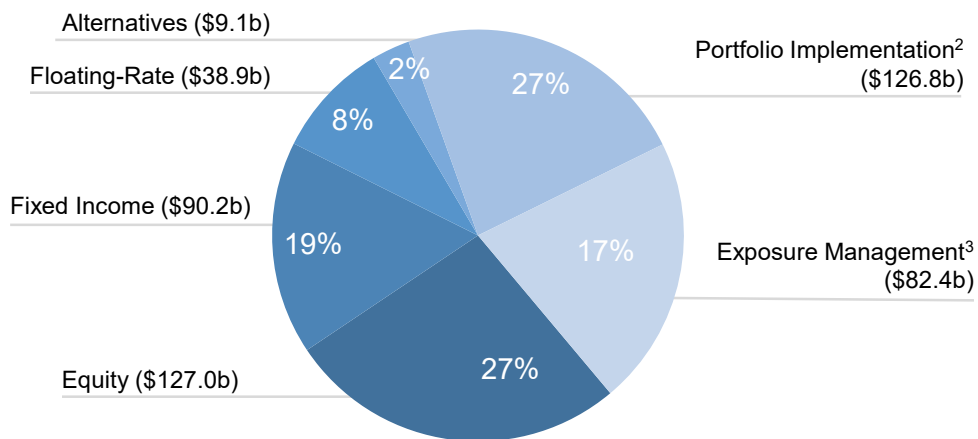
<sup>1</sup>Eaton Vance Management and its affiliates as of June 30, 2019.

<sup>2</sup>Portfolio Implementation<sup>2</sup> includes Parametric Seattle's centralized portfolio management, Custom Core and specialty index assets.

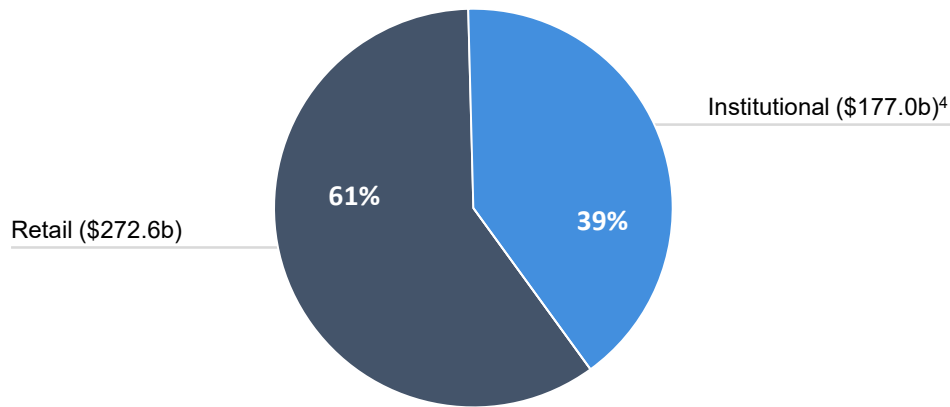
<sup>3</sup>Exposure Management<sup>3</sup> includes Parametric Minneapolis's custom market capture strategies and derivative strategies to manage a portfolio's exposures or risk profile.

<sup>4</sup>Eaton Vance Management's institutional assets represent 7.8% of the total firm assets, with the remaining percentage representing institutional assets of EVM affiliates.

### AUM by Investment Mandate<sup>1</sup>



### AUM by Market Channel<sup>1</sup>



# Why Eaton Vance Investment Counsel?

## Deep Resources

Eaton Vance Investment Counsel is a **\$7.5<sup>1</sup> billion Registered Investment Advisory** firm with access to the resources of Eaton Vance Corp. – a global investment manager

- Client-centric approach supported by a hand-picked team of investment and wealth planning specialists overseen by experienced Wealth Counselor
- Twenty-five investment professionals with decades of experience serving as the trusted advisor to families, executives, non-profit organizations and institutions

## Broad Investment Capabilities

- **Active and passive** equity and fixed income strategies (US, Global, Multi-Asset Class, Taxable and Tax-Advantaged Income)
- **ESG, Sustainability and Impact Investing**
- **Exclusive access** to Private Equity, Venture Capital and Hedge Fund managers
- **Tax-efficient strategies** to maximize after-tax returns



## Integrated Wealth Planning

- **Financial planning** for goal funding, cash flow analysis and budgeting, education costs and retirement
- **Estate planning** to facilitate optimal wealth transition and asset protection
- **Corporate trustee services** for the preservation of assets and the continuity of responsible management

<sup>1</sup> Eaton Vance Investment Counsel as of 6/30/2019



## Westfield State University Endowment Goal

- It is the investment objective of the University to establish and maintain an investment portfolio which is designed to provide for the university's cash flow requirements while also achieving long-term capital growth and appreciation of the portfolio.
- The basic objectives of the Investment policy is preservation of capital and safety of principal as well as delivering competitive long-term risk adjusted net of fee returns. Implicit in this objective is the financial goal of preserving and enhancing the portfolio's inflation adjusted purchasing power.

*Note: These objectives are from the Westfield State University Investment Policy Statement (IPS)*



# Asset Allocation – Risk & Reward

## Five Year Returns January 1950 - June 2019

| Worst Return | Average Return | Best Return | Portfolio Mix:                      | Period Ending 6/19 | Worst Return | Average Loss | Average Return | Average Gain | Best Return | Percent Negative | Percent Positive | Returns Exceeding Inflation |
|--------------|----------------|-------------|-------------------------------------|--------------------|--------------|--------------|----------------|--------------|-------------|------------------|------------------|-----------------------------|
| -5.7%        | 10.4%          | 27.4%       | Stocks 90%<br>No Bonds<br>Cash 10%  | 9.7%               | -5.7%        | -1.4%        | 10.4%          | 11.3%        | 27.4%       | 7%               | 93%              | 76%                         |
| -4.5%        | 9.9%           | 25.8%       | Stocks 80%<br>Bonds 10%<br>Cash 10% | 8.9%               | -4.5%        | -1.0%        | 9.9%           | 10.5%        | 25.8%       | 5%               | 95%              | 76%                         |
| -3.4%        | 9.4%           | 24.2%       | Stocks 70%<br>Bonds 20%<br>Cash 10% | 8.0%               | -3.4%        | -0.6%        | 9.4%           | 9.7%         | 24.2%       | 3%               | 97%              | 77%                         |
| -2.3%        | 8.9%           | 22.6%       | Stocks 60%<br>Bonds 30%<br>Cash 10% | 7.1%               | -2.3%        | -1.4%        | 8.9%           | 8.9%         | 22.6%       | 0%*              | 100%             | 78%                         |
| -1.1%        | 8.4%           | 20.9%       | Stocks 50%<br>Bonds 40%<br>Cash 10% | 6.2%               | -1.1%        | -0.6%        | 8.4%           | 8.4%         | 20.9%       | 0%*              | 100%             | 80%                         |
| 0.0%         | 7.8%           | 19.3%       | Stocks 40%<br>Bonds 50%<br>Cash 10% | 5.4%               | 0.0%         | 0.0%         | 7.8%           | 7.8%         | 19.3%       | 0%*              | 100%             | 83%                         |
| 1.1%         | 7.3%           | 17.8%       | Stocks 30%<br>Bonds 60%<br>Cash 10% | 4.5%               | 1.1%         | ---          | 7.3%           | 7.3%         | 17.8%       | 0%               | 100%             | 85%                         |
| 2.3%         | 6.8%           | 17.3%       | Stocks 20%<br>Bonds 70%<br>Cash 10% | 3.6%               | 2.3%         | ---          | 6.8%           | 6.8%         | 17.3%       | 0%               | 100%             | 85%                         |
| 1.8%         | 6.3%           | 17.0%       | Stocks 10%<br>Bonds 80%<br>Cash 10% | 2.7%               | 1.8%         | ---          | 6.3%           | 6.3%         | 17.0%       | 0%               | 100%             | 86%                         |
| 0.5%         | 5.7%           | 16.6%       | No Stocks<br>Bonds 90%<br>Cash 10%  | 1.9%               | 0.5%         | ---          | 5.7%           | 5.7%         | 16.6%       | 0%               | 100%             | 79%                         |

\*Less Than 0.5%

The Consumer Price Index for June 2019 is preliminary.

Data: Rolling 5 year annualized returns using monthly data (774 Observations)

Stocks: Standard & Poor's 500 Stock Index • Bonds: Intermediate Treasury Bonds • Cash: 90-Day Treasury Bills • Inflation: Consumer Price Index

Sources: Standard & Poor's Corporation; Ryan Labs, Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Bloomberg Finance L.P.; Bureau of Labor Statistics

The information presented herein was compiled from sources believed to be reliable. It is intended for illustrative purposes only, and is furnished without responsibility for completeness or accuracy. Past performance does not guarantee future results.

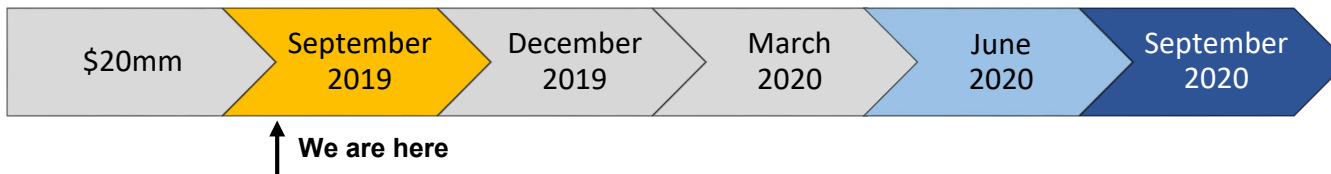
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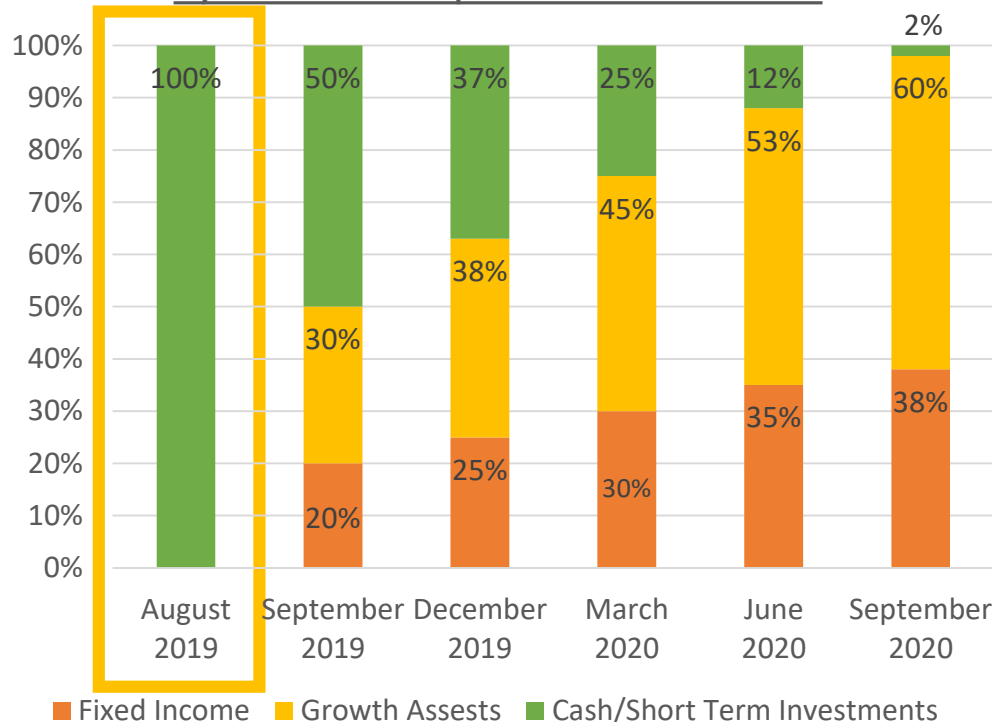


# Portfolio Implementation Timeline

## Asset Allocation Target: 60% Equities, 40% Bonds and Cash



### Systematic Implementation Plan



**Implementation Notes:**

**Gradually & thoughtfully invest every 3 months and/or opportunistically to reach strategic allocation over 12 months**

- **Maximize cash returns by investing in short duration Treasuries (< 1 year)**
- **Opportunistic: market correction of 10% → invest 1/2 of next systematic investment**



# Portfolio Implementation Plan

## (September 2019) Investment Tranches:

1. U.S. equity investments focused on core high quality dividend growth stocks and diversified exposure to small-mid, international and emerging market equities
2. Focus on high quality bonds and fixed income diversifiers
3. Smaller investment due to volatility and less attractive valuations

## Investment Allocation

| <u>Asset Class Holding</u> | <u>Proposed Allocation</u> | <u>Target</u>       |
|----------------------------|----------------------------|---------------------|
|                            |                            | \$20,000,000        |
| EQUITIES                   | 60%                        | \$12,000,000        |
| FIXED INCOME               | 38%                        | \$7,600,000         |
| Short Term Investments     | 2%                         | \$400,000           |
| <b>Total</b>               | <b>100%</b>                | <b>\$20,000,000</b> |



# Eaton Vance Investment Counsel Insight

## The importance of staying invested (and perils of market timing)

### Growth of \$100k fully invested vs. missing key 2009 trading days

- Fully invested = +26% gain
- Missed 10 best trading days = -17% loss



Past performance is no guarantee of future results. The hypothetical example assumes an investment that tracks the returns of the S&P 500® Index and includes dividend reinvestment but does not reflect the impact of taxes, which would lower these figures. There is volatility in the market, and a sale at any point in time could result in a gain or loss. Your own investing experience will differ, including the possibility of loss. You cannot invest directly in an index.

# Important Additional Information and Disclosure

This presentation is for informational and illustrative purposes only. This material does not constitute investment advice and should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any particular securities, engage any Manager, or to adopt any investment strategy. This information has been prepared on the basis of publicly available information, internally developed data and other third party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and Eaton Vance has not sought to independently verify information taken from public and third party sources.

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The views and strategies described may not be suitable for all investors. Actual portfolio holdings will vary for each client and there is no guarantee that a particular client's account will hold any, or all, or the securities/sectors mentioned or utilize any or all of the unaffiliated Managers contained in the current examples. Not all of Eaton Vance's recommendations have been or will be profitable. Any references to future returns should not be construed as an estimate or promise of the results a client portfolio may achieve.

An imbalance in supply and demand in the income market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. Investments in income securities may be affected by changes in the creditworthiness of the issuer and are subject to the risk of nonpayment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments. Investments rated below investment grade (typically referred to as junk) are generally subject to greater price volatility and illiquidity than higher-rated investments. As interest rates rise, the value of certain income investments is likely to decline. Investments in foreign instruments or currencies can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical, or other conditions. Emerging Markets – In emerging (or frontier) countries, these risks may be more significant. Smaller companies are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk than larger, established companies. Investments in private equity entails greater credit and other risk factors. There is no readily available market for these investments; are difficult to value and exit and may be negatively impacted by rising interest rates. Venture capital funds which invest during the early phases of a company's development may be subject to substantial losses. Investing primarily in responsible investments carries the risk that, under certain market conditions, the strategy may under perform strategies that do not utilize a responsible investment strategy.

Investments in private equity entails greater credit and other risk factors. There is no readily available market for these investments; are difficult to value and exit and may be negatively impacted by rising interest rates. Venture capital funds which invest during the early phases of a company's development may be subject to substantial losses.

Hedge funds carry additional risks and are different from other investments due to their investment style of taking positions in securities that may have a low correlation to other traditional asset classes such as global equities, fixed income and commodities. Additionally, hedge funds may utilize derivatives that may increase risk, including the loss of principal.

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A full description of Eaton Vance Investment Counsel's services and schedule of fees is contained in Part II of Form ADV which is available upon request.

Investing entails risks and there can be no assurance that Eaton Vance, or its affiliates, will achieve profits or avoid incurring losses. Past performance does not predict future results. Before investing, investors should consider carefully the investment objectives, risks, charges and expenses of a mutual fund. This and other important information is contained in the prospectus and summary prospectus, which can be obtained from a financial advisor. Prospective investors should read the prospectus carefully before investing.

IW Financial is not affiliated with Eaton Vance. Eaton Vance Investment Counsel uses third party screens offered through IW Financial, acquired by ISS in January 2017, a leading provider of environmental, social, and governance (ESG) research, consulting, and portfolio management solutions for asset management firms to narrow the investable universe down to companies that meet the principled criteria of our clients.

Advisory services offered by Atlanta Capital Management Company, LLC, an SEC registered investment adviser and an affiliate of Eaton Vance Management. It serves as a sub-adviser to various Eaton Vance and Calvert mutual funds and manages assets for separately managed accounts. Parametric Portfolio Associates LLC is a registered investment adviser and a majority-owned subsidiary of Eaton Vance Corp. It serves as a sub-adviser to various Eaton Vance mutual funds and manages assets for separately managed accounts. Hexavest Inc. is a Montreal-based registered investment adviser. It serves as a sub-adviser to four Eaton Vance mutual funds. Eaton Vance Corp. controls a 49 percent interest in Hexavest Inc. Calvert Research and Management is a wholly owned subsidiary of Eaton Vance.

As an RIA under Eaton Vance Corp's institutional umbrella, EVIC is able to access institutional global private equity and venture capital managers that do not typically work with individual clients of an RIA.

2019 Eaton Vance Investment Counsel | Two International Place, Boston, MA 02110 Eaton Vance Investment Counsel is a wholly-owned subsidiary of Eaton Vance Corporation and is registered with the SEC as an investment adviser under the Advisers Act.



## Board of Trustees

August 19, 2019

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### MOTION

To approve and adopt the updated Westfield State University Investment policy (0430), as presented.

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Kevin R. Queenin, Chair

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Date

# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative  
number 0430  
page 1 of 7

REVIEWED: April 2019

## INVESTMENT POLICY

(DRAFT 5A - 7/9/19) – [Feedback from Eaton Vance](#)

### STATEMENT OF PURPOSE

Chapter 15A of Massachusetts General Laws provides that the Westfield State University Board of Trustees (Trustees) has the authority to establish and manage trust funds. The administration of these funds will comply with MGL Chapter 73, Section 14 as well as with MGL Chapter 180A, also known as the Uniform Management of Institutional Funds Law. This Investment Policy is intended to serve as a basis for actions of management in carrying out its investment duties, and for the Trustees in monitoring management's investment activities. A concurrent responsibility of the management of the funds is the thoughtful investment of trust monies. The University may use the services of one or more investment management firms and/or a bank trust department (Investment Manager(s)) to carry out the University's investment activities. The basic responsibility of the Investment Manager(s) will be to keep management of the University abreast of the economy and market conditions and to invest in a mix of eligible instruments within the context of laws, regulations and this investment policy. The Investment Manager(s) shall be approved by the Board of Trustees as part of this policy. University management may delegate authority to the Investment Manager(s) to act within the boundaries of this policy.

### SCOPE

This Investment Policy applies to funds that are not appropriated by the Commonwealth of Massachusetts and specifically excludes federal or other restricted allocations. All funds are accounted for in the University's financial reports. The overall goal is to establish and maintain an investment portfolio which is designed to provide for the University's cash flow requirements and principal growth of certain fund balances.

### INVESTMENT SUB-COMMITTEE

A sub-committee will be formed called the Investment Sub-Committee and will oversee the investment portfolio, policy and the selection of an investment advisor. The sub-committee is established under the Finance and Capital Assets Committee who has formal authority over investments, as provided in the Trustee by Laws. The composition of the Investment Sub-Committee may have members other than trustees who can provide guidance but will not be voting members of the sub-committee. The sub-committee will be staffed by the Vice President for Administration and Finance and or their designee.

### INVESTMENT OBJECTIVE

It is the investment objective of the University to establish and maintain an investment portfolio which is designed to provide for the University's cash flow requirements while also achieving long-term capital growth and appreciation of the portfolio. The basic objectives of the Investment Policy are:

# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

number 0430

page 2 of 7

REVIEWED: April 2019

- a. Preservation of Capital and Safety of Principal – Investment of Westfield State University funds shall be undertaken in a manner that seeks to ensure the preservation of capital and safety of principal. Implicit in this objective is the financial goal of preserving and enhancing the portfolio's inflation adjusted purchasing power.
- b. Minimizing Price Volatility – This Investment Policy prohibits investments in securities with the potential for wide price volatility. (See Prohibited Investments).
- c. Return on Investment - Investment income is an integral part of the University's annual budget and long term viability. The portfolio of Westfield State University shall be designed to attain an optimal rate of return under shifting economic conditions and investment cycles.

## ASSET ALLOCATION

The responsibility for establishing periodic asset allocation that is consistent with the objectives of the overall Investment Policy is under the purview of the Trustees Finance and Capital Asset Committee with recommendations from the Investment Subcommittee and with specific responsibilities assigned to the Vice President for Administration and Finance. The Investment Subcommittee shall review the allocations twice a year and will report up to the Finance and Capital Assets Committee with its findings. The investment mix selected should reflect the risk level periodically determined to be appropriate for the University investment portfolio. It is recognized that over the long-term, the allocation between the equity and fixed income allocation will be the single most important determinate of the portfolio's investment performance. ~~It is recognized that asset allocation is a critical strategy to achieve investment objectives.~~

Asset allocation of the University portfolio should be equivalent to approximately X% in equities, ~~39X~~% in fixed income and ~~1X~~% in cash. Managed funds that include both equity and fixed income underlying investments shall be distributed to the appropriate portfolio category for the purpose of reviewing asset allocation. Recognizing that from time-to-time during the course of business it is not realistic to expect complete compliance with this guideline, an acceptable range follows:

|                         | <u>Goal</u>     | <u>Acceptable Range</u> |
|-------------------------|-----------------|-------------------------|
| Equities                | <del>X60%</del> | <del>X45-75%</del>      |
| Fixed Income            | <del>X40%</del> | <del>X30-55%</del>      |
| Alternative Investments | ---             | ---                     |
| Cash                    | Minimal         | <del>X0-10%</del>       |

**Commented [FL1]:** JD-We need to establish high level ranges for each category.

Any asset allocation not within these ranges should be communicated by the Investment Managers(s) to management as soon as practicable but no later than the next quarterly status report to the University. The portfolio should be re-balanced to fit within the acceptable ranges defined in this policy as soon as practical, taking investment risks into consideration. The Investment Manager(s) is expected to rebalance the portfolio at least annually. Rebalancing recommendations of the portfolio should be made to the Investment Subcommittee for approval. ~~Rebalancing recommendations should be made to the~~

# Westfield State University

Policy concerning:

APPROVED: February 2003

|         |                |
|---------|----------------|
| Section | Administrative |
| number  | 0430           |
| page    | 3 of 7         |

REVIEWED: April 2019

~~Investment Subcommittee for approval.~~ [What does this statement mean?](#)

## PROHIBITED INVESTMENTS

Investment in derivative securities, forwards, swaps, futures of any type are explicitly prohibited via direct or indirect involvement under this policy.

## DELEGATION OF AUTHORITY

Oversight responsibility for the investment program is delegated to the Finance and Capital Assets Committee and includes asset allocation, and active management decisions consistent with this policy. No University official may execute or cause any investment transaction except as allowed or provided under the terms of this Investment Policy and specific investment procedures that may be periodically established by the Finance and Capital Assets Committee at the recommendation of the Investment Subcommittee. The University's investments shall be secured through third party custody and safe keeping procedures. Bearer instruments shall be held only through third party institutions (i.e. a custodian or a trustee).

### Roles and Responsibilities

The Vice President for Administration and Finance (VPAF), with oversight from the Finance and Capital Assets Committee, shall have the overall responsibility for implementing the management of the Investment Policy. The Associate Vice President for Finance shall have the responsibility of implementing the investment program, including executing the related transactions, accounting and reporting of the activity. The Finance and Capital Assets Committee, upon recommendation by the Investment Subcommittee and University Management, will appoint the investment advisor/manager. The Investment Policy's related procedures shall comply with the University's Internal Control Plan.

## ETHICS AND CONFLICT OF INTEREST

The Trustees, officers and employees of Westfield State University involved in the investment process are prohibited from personal business activities that could impair their ability to make impartial investment decisions. The perception of a conflict of interest must be avoided. All ethics rules and laws of the Commonwealth of Massachusetts are hereby incorporated by reference into this policy.

## REPORTING

University management shall provide quarterly reports from the investment advisor, summarizing investment activity and detail to the Finance and Capital Assets Committee through the Investment Subcommittee.

## AUDITS

The University retains the option to request an independent audit of the funds invested through the investment advisor.



# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

number 0430

page 4 of 7

REVIEWED: April 2019

## INVESTMENTS

With stability, capital growth and total return as essential objectives in this Investment Policy, available funds will be invested in instruments consistent with the objective and asset allocation methodology.

The University's investment portfolio, for purposes of this policy statement, shall consist of three major categories of financial investments: (1) fixed income - short and long term (bonds); (2) equity (stocks/managed funds); (3) cash or cash equivalents.

Total fees (advisory and expenses) for the Investment Advisor/Manager will be limited to 100 basis points unless approved by the Finance and Capital Assets Committee.

### 1. Fixed Income - short term and long term (bonds):

(a) *Fixed Income – short-term.* These are investments which have maturities of no longer than one year. The purpose of the fixed income short-term investment portfolio shall be to provide sufficient liquidity to meet institutional objectives. The use of this portion of the portfolio shall be consistent with management's anticipated cash flow needs and future investment opportunities.

(b) *Fixed Income – long-term.* These are investments which have maturities of more than one year from the date of investment. The purpose of the long-term portion of the investment portfolio shall be to maximize return within the context of other recognized needs and risks. The portfolio shall be considered for purposes of capital growth and the provision of long term funding of capital needs. Eligible securities and other restrictions are as follows:

#### 1. U.S. Treasury and Federal Agency Securities

- a. Maximum size of portfolio - no limit
- b. Maximum lot size - no limit
- c. Mutual funds or ETFs consisting of individual securities that meet the above characteristics

#### 2. Corporate Bonds

- a. Aggregate limit of all corporate bonds: 35% of capital (prudently diversified)
- b. All individual corporate bonds shall have a rating of Baa/BBB or better as published by Moody's or Standard & Poor's at the time of purchase
- c. Mutual funds or exchange traded funds (ETFs) consisting of individual securities that meet the above characteristics
- d. Mutual funds or ETFs holding broadly diversified portfolios of bonds with credit ratings above Baa/BBB as published by Moody's or Standard & Poor's at the time of purchase.

**Commented [FL2]:** JD-We may not need the 7 year limit.

**Commented [FL3]:** JD-This would need to fall under the overall allocation guidelines.

**Commented [FL4]:** JD-Need to fall under overall guidelines. 35% needs to tie in as well.

**Commented [FL5]:** JD-Discuss rating threshold with investment advisor to determine rate

**Commented [FL6]:** JD-Should be reviewed with advisor and below removed for rating level decided on above

# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

number 0430

page 5 of 7

REVIEWED: April 2019

### 3. Municipal/Other Tax Exempt Issues

- a. Municipal bonds and other tax exempt bond issues offer an opportunity that allows investors to avoid payment of taxes on income or capital gains resulting from the investment. Since the University is a tax-exempt entity that does not pay taxes, municipal bonds and other tax exempt bond issues are generally not advantageous to the investment portfolio although not necessarily prohibited within the portfolio. Depending on market conditions, these instruments may be appropriate and attractive even without the benefit of the tax shelter.

**Commented [FL7]:** JD-Important that investment manager/advisor understand the impact of tax exempt on all of our investments.

### 4. Preferred stocks (considered fixed income)

- a. Aggregate limit of preferred stocks of 15% of total portfolio (prudently diversified)
- b. All individual preferred have a rating of Baa/BBB or better as published by Moody's or Standard & Poor's at the time of purchase.

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## 2. **Equity (stocks):**

The purpose of the equity investment portfolio shall be to maximize return and provide a hedge against inflation through a diversified approach in compliance with applicable Massachusetts statutes. Eligible securities, appropriate rating service and dividend policy follow.

Equities generally refer to the common or preferred stock in publicly-traded companies, but they may also be in the form of managed funds, which include such investment vehicles as mutual funds, exchange traded funds (ETFs) and other types of funds that function in a managed way but are not directly managed by the University's Investment Manager. Managed funds of this sort are acceptable in the University's portfolio if they are consistent with the standards that otherwise apply to equities.

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# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

number 0430

page 6 of 7

REVIEWED: April 2019

| <u>Eligible Securities</u>  | <u>Rating Service *</u>                              | <u>Dividend Policy</u>                    |
|---|--|---|
| Domestic Equities   | S & P Stock Guide<br>Rating of B+ or Better          | Maximum Reinvestment<br>Enhance Growth    |
| International Equities  | MSCI ACWI** <u>Ex-U.S</u><br>Rating of B+ or Better  | Maximum Reinvestment<br>Enhance Growth    |
| Total Equities (Blended)  | Blend 60/40 S & P and MSCI<br>Rating of B+ or Better | Maximum Reinvestment<br>Enhance Growth    |
| Mutual Funds  | Morningstar<br>Three Star or Better                  | Maximum Reinvestment<br>to Enhance Growth |
| Exchange Traded Funds   | To Be Determined*<br>Three Star or Better            | Maximum Reinvestment<br>to Enhance Growth |
| * At least annually, the Rating Service (i.e. benchmark) will be determined based upon mutual discussion and agreement between the investment manager and University management. <u>The rating is a portfolio average rating.</u> |  |   |
| ** ACWI is an abbreviation for All-Country World Index, as published by MSCI.   |  |   |

**Commented [FL8]:** JD-Rating hurdles should be discussed with investment manager and final decisions determined. The same for dividend policy as it may differ between asset classes. They could be an advantage to reinvestment rather than income, just need to see by specific investment.

“Alternative Investments” may include private (unregistered) securities such as hedge funds, private equity funds, venture capital funds, commodities, precious or industrial metals, etc. While these are not expressly prohibited in this policy, it is anticipated that they will be used sparingly if at all. This provision also applies to registered “liquid alternative” mutual funds that are designed to mimic private unregistered funds. To the extent that any Alternative Investments are used, they will be counted as Equities for the purpose of reviewing asset allocation.

### 3. Cash and Cash Equivalents:

Cash and cash equivalents are instruments that are relatively “liquid” in nature and are available for operational and/or investment opportunities. This component of the portfolio should be minimal.

**Commented [FL9]:** JD-% of cash held should be a discussion with the investment advisor as liquidity is now not a key driver.

### 4. Prohibited Investments:

Investment in derivative securities, forwards, swaps, futures of any type are explicitly prohibited via direct or indirect involvement under this policy.

# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

number 0430

page 7 of 7

REVIEWED: April 2019

## 5. Fossil Fuel and Alternative Investment Strategy:

The university's investment advisors are instructed to consider further divestment from direct holdings in the balance of the Carbon Underground 200 list to the extent the advisors believe it is financially prudent with the goal of achieving full divestment. The advisors are further instructed to invest in alternative and/or renewable energy companies, consistent with the parameters of this investment policy as they may deem financially prudent.

Note: It is not a requirement that the State Colleges and Universities must avoid the Carbon Underground 200 list. Imposing the requirement will impact investment performance

**Commented [FL10]:** JD-It is not a requirement that universities must avoid the Carbon Underground list. Imposing this requirement will impact investment performance.

**Commented [TSJ11]:** Should this section stay in or out?

## REVIEW

This policy shall be reviewed annually by the Vice President for Administration and Finance and the Investment Sub-Committee with changes approved by Finance and Capital Assets Committee.

## INVESTMENT POLICY

### STATEMENT OF PURPOSE

Chapter 15A of Massachusetts General Laws provides that the Westfield State University Board of Trustees (Trustees) has the authority to establish and manage trust funds. The administration of these funds will comply with MGL Chapter 73, Section 14 as well as with MGL Chapter 180A, also known as the Uniform Management of Institutional Funds Law. This Investment Policy is intended to serve as a basis for actions of management in carrying out its investment duties, and for the Trustees in monitoring management's investment activities. A concurrent responsibility of the management of the funds is the thoughtful investment of trust monies. The University may use the services of one or more investment management firms and/or a bank trust department (Investment Manager(s)) to carry out the University's investment activities. The basic responsibility of the Investment Manager(s) will be to keep management of the University abreast of the economy and market conditions and to invest in a mix of eligible instruments within the context of laws, regulations and this investment policy. The Investment Manager(s) shall be approved by the Board of Trustees as part of this policy. University management may delegate authority to the Investment Manager(s) to act within the boundaries of this policy.

### SCOPE

This Investment Policy applies to funds that are not appropriated by the Commonwealth of Massachusetts and specifically excludes federal or other restricted allocations. All funds are accounted for in the University's financial reports. The overall goal is to establish and maintain an investment portfolio which is designed to provide for the University's cash flow requirements and principal growth of certain fund balances.

### INVESTMENT SUB-COMMITTEE

A sub-committee will be formed called the Investment Sub-Committee and will oversee the investment portfolio, policy and the selection of an investment advisor. The sub-committee is established under the Finance and Capital Assets Committee who has formal authority over investments, as provided in the Trustee by Laws. The composition of the Investment Sub-Committee may have members other than trustees who can provide guidance but will not be voting members of the sub-committee. The sub-committee will be staffed by the Vice President for Administration and Finance and or their designee.

### INVESTMENT OBJECTIVE

It is the investment objective of the University to establish and maintain an investment portfolio which is designed to provide for the University's cash flow requirements while also achieving long-term capital growth and appreciation of the portfolio. The basic objectives of the Investment Policy are:

# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

Number 0430

Page 2 of 7

REVIEWED: August 2019

- a. Preservation of Capital and Safety of Principal – Investment of Westfield State University funds shall be undertaken in a manner that seeks to ensure the preservation of capital and safety of principal. Implicit in this objective is the financial goal of preserving and enhancing the portfolio's inflation adjusted purchasing power.
- b. Minimizing Price Volatility – This Investment Policy prohibits investments in securities with the potential for wide price volatility. (See Prohibited Investments).
- c. Return on Investment - Investment income is an integral part of the University's annual budget and long term viability. The portfolio of Westfield State University shall be designed to attain an optimal rate of return under shifting economic conditions and investment cycles.

## ASSET ALLOCATION

The responsibility for establishing periodic asset allocation that is consistent with the objectives of the overall Investment Policy is under the purview of the Trustees Finance and Capital Asset Committee with recommendations from the Investment Subcommittee and with specific responsibilities assigned to the Vice President for Administration and Finance. The Investment Subcommittee shall review the allocations twice a year and will report up to the Finance and Capital Assets Committee with its findings. The investment mix selected should reflect the risk level periodically determined to be appropriate for the University investment portfolio. It is recognized that over the long-term, the allocation between the equity and fixed income allocation will be the single most important determinate of the portfolio's investment performance.

Asset allocation of the University portfolio should be equivalent to approximately X% in equities, 39% in fixed income and 1% in cash. Managed funds that include both equity and fixed income underlying investments shall be distributed to the appropriate portfolio category for the purpose of reviewing asset allocation. Recognizing that from time-to-time during the course of business it is not realistic to expect complete compliance with this guideline, an acceptable range follows:

|                         | <u>Goal</u> | <u>Acceptable Range</u> |
|-------------------------|-------------|-------------------------|
| Equities                | 60%         | 45-75%                  |
| Fixed Income            | 40%         | 30-55%                  |
| Alternative Investments | ---         | ---                     |
| Cash                    | Minimal     | 0-10%                   |

Any asset allocation not within these ranges should be communicated by the Investment Managers(s) to management as soon as practicable but no later than the next quarterly status report to the University. The portfolio should be re-balanced to fit within the acceptable ranges defined in this policy as soon as practical, taking investment risks into consideration.

# Westfield State University

Policy concerning:

APPROVED: February 2003

|           |                |
|-----------|----------------|
| Section   | Administrative |
| Number    | 0430           |
| Page      | 3 of 7         |
| REVIEWED: | August 2019    |

The Investment Manager(s) is expected to rebalance the portfolio at least annually. Rebalancing recommendations of the portfolio should be made to the Investment Subcommittee for approval.

## PROHIBITED INVESTMENTS

Investment in derivative securities, forwards, swaps, futures of any type are explicitly prohibited via direct or indirect involvement under this policy.

## DELEGATION OF AUTHORITY

Oversight responsibility for the investment program is delegated to the Finance and Capital Assets Committee and includes asset allocation, and active management decisions consistent with this policy. No University official may execute or cause any investment transaction except as allowed or provided under the terms of this Investment Policy and specific investment procedures that may be periodically established by the Finance and Capital Assets Committee at the recommendation of the Investment Subcommittee. The University's investments shall be secured through third party custody and safe keeping procedures. Bearer instruments shall be held only through third party institutions (i.e. a custodian or a trustee).

### Roles and Responsibilities

The Vice President for Administration and Finance (VPAF), with oversight from the Finance and Capital Assets Committee, shall have the overall responsibility for implementing the management of the Investment Policy. The Associate Vice President for Finance shall have the responsibility of implementing the investment program, including executing the related transactions, accounting and reporting of the activity. The Finance and Capital Assets Committee, upon recommendation by the Investment Subcommittee and University Management, will appoint the investment advisor/manager. The Investment Policy's related procedures shall comply with the University's Internal Control Plan.

## ETHICS AND CONFLICT OF INTEREST

The Trustees, officers and employees of Westfield State University involved in the investment process are prohibited from personal business activities that could impair their ability to make impartial investment decisions. The perception of a conflict of interest must be avoided. All ethics rules and laws of the Commonwealth of Massachusetts are hereby incorporated by reference into this policy.

## REPORTING

University management shall provide quarterly reports from the investment advisor, summarizing investment activity and detail to the Finance and Capital Assets Committee through the Investment Subcommittee.

# Westfield State University

Policy concerning:

APPROVED: February 2003

|           |                |
|-----------|----------------|
| Section   | Administrative |
| Number    | 0430           |
| Page      | 4 of 7         |
| REVIEWED: | August 2019    |

## AUDITS

The University retains the option to request an independent audit of the funds invested through the investment advisor.

## INVESTMENTS

With stability, capital growth and total return as essential objectives in this Investment Policy, available funds will be invested in instruments consistent with the objective and asset allocation methodology.

The University's investment portfolio, for purposes of this policy statement, shall consist of three major categories of financial investments: (1) fixed income - short and long term (bonds); (2) equity (stocks/managed funds); (3) cash or cash equivalents.

Total fees (advisory and expenses) for the Investment Advisor/Manager will be limited to 100 basis points unless approved by the Finance and Capital Assets Committee.

### 1. Fixed Income - short term and long term (bonds):

(a) *Fixed Income – short-term.* These are investments which have maturities of no longer than one year. The purpose of the fixed income short-term investment portfolio shall be to provide sufficient liquidity to meet institutional objectives. The use of this portion of the portfolio shall be consistent with management's anticipated cash flow needs and future investment opportunities.

(b) *Fixed Income – long-term.* These are investments which have maturities of more than one year from the date of investment. The purpose of the long-term portion of the investment portfolio shall be to maximize return within the context of other recognized needs and risks. The portfolio shall be considered for purposes of capital growth and the provision of long term funding of capital needs. Eligible securities and other restrictions are as follows:

#### 1. U.S. Treasury and Federal Agency Securities

- a. Maximum size of portfolio - no limit
- b. Maximum lot size - no limit
- c. Mutual funds or ETFs consisting of individual securities that meet the above characteristics

#### 2. Corporate Bonds

- a. Aggregate limit of all corporate bonds: 35% of capital (prudently diversified)
- b. All individual corporate bonds shall have a rating of Baa/BBB or better as published by Moody's or Standard & Poor's at the time of purchase



# Westfield State University

Policy concerning:

APPROVED: February 2003

|           |                |
|-----------|----------------|
| Section   | Administrative |
| Number    | 0430           |
| Page      | 5 of 7         |
| REVIEWED: | August 2019    |

- c. Mutual funds or exchange traded funds (ETFs) consisting of individual securities that meet the above characteristics
- d. Mutual funds or ETFs holding broadly diversified portfolios of bonds with credit ratings above Baa/BBB as published by Moody's or Standard & Poor's at the time of purchase.

### 3. Municipal/Other Tax Exempt Issues

- a. Municipal bonds and other tax exempt bond issues offer an opportunity that allows investors to avoid payment of taxes on income or capital gains resulting from the investment. Since the University is a tax-exempt entity that does not pay taxes, municipal bonds and other tax exempt bond issues are generally not advantageous to the investment portfolio although not necessarily prohibited within the portfolio. Depending on market conditions, these instruments may be appropriate and attractive even without the benefit of the tax shelter.

### 4. Preferred Stocks (Considered Fixed Income)

- a. Aggregate limit of preferred stocks of 15% of total portfolio (prudently diversified).
- b. All individual preferred have a rating of Baa/BBB or better as published by Moody's or Standard & Poor's at the time of purchase.

## 2. **Equity (stocks):**

The purpose of the equity investment portfolio shall be to maximize return and provide a hedge against inflation through a diversified approach in compliance with applicable Massachusetts statutes. Eligible securities, appropriate rating service and dividend policy follow.

Equities generally refer to the common or preferred stock in publicly-traded companies, but they may also be in the form of managed funds, which include such investment vehicles as mutual funds, exchange traded funds (ETFs) and other types of funds that function in a managed way but are not directly managed by the University's Investment Manager. Managed funds of this sort are acceptable in the University's portfolio if they are consistent with the standards that otherwise apply to equities.

# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

Number 0430

Page 6 of 7

REVIEWED: August 2019

| <u>Eligible Securities</u>  | <u>Rating Service *</u>                              | <u>Dividend Policy</u>                    |
|---|--|---|
| Domestic Equities   | S & P Stock Guide<br>Rating of B+ or Better          | Maximum Reinvestment<br>Enhance Growth    |
| International Equities  | MSCI ACWI** Ex-U.S<br>Rating of B+ or Better         | Maximum Reinvestment<br>Enhance Growth    |
| Total Equities (Blended)  | Blend 60/40 S & P and MSCI<br>Rating of B+ or Better | Maximum Reinvestment<br>Enhance Growth    |
| Mutual Funds  | Morningstar<br>Three Star or Better                  | Maximum Reinvestment<br>to Enhance Growth |
| Exchange Traded Funds   | To Be Determined*<br>Three Star or Better            | Maximum Reinvestment<br>to Enhance Growth |
| <i>* At least annually, the Rating Service (i.e. benchmark) will be determined based upon mutual discussion and agreement between the investment manager and University management. The rating is a portfolio average rating.</i> |  |   |
| <i>** ACWI is an abbreviation for All-Country World Index, as published by MSCI.</i>  |  |   |

“Alternative Investments” may include private (unregistered) securities such as hedge funds, private equity funds, venture capital funds, commodities, precious or industrial metals, etc. While these are not expressly prohibited in this policy, it is anticipated that they will be used sparingly if at all. This provision also applies to registered “liquid alternative” mutual funds that are designed to mimic private unregistered funds. To the extent that any Alternative Investments are used, they will be counted as Equities for the purpose of reviewing asset allocation.

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# Westfield State University

Policy concerning:

APPROVED: February 2003

Section Administrative

Number 0430

Page 7 of 7

REVIEWED: August 2019

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## 5. Fossil Fuel and Alternative Investment Strategy:

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Note: It is not a requirement that the State Colleges and Universities must avoid the Carbon Underground 200 list. Imposing the requirement will impact investment performance

## REVIEW

This policy shall be reviewed annually by the Vice President for Administration and Finance and the Investment Sub-Committee with changes approved by the Finance and Capital Assets Committee.



## Board of Trustees

August 19, 2019

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### MOTION

To establish an account with Charles Schwab as custodian for Eaton Vance Investment Counsel, and to approve the transfer of twenty million (\$20,000,000) dollars from Westfield State University's checking account at Berkshire Bank to the newly established Charles Schwab account for investment purposes.

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Kevin R. Queenin, Chair

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Date

**Westfield State University**  
**Cash Balances**  
**Fiscal Year Ending June 30, 2014 - June 30, 2019**

| <b>Institution</b>             | <b>Account Number</b> | <b>Account Inception</b> | <b>Purpose</b>     | <b>Description</b>                      | <b>Balance FY14</b>    | <b>Balance FY15</b>    | <b>Balance FY16</b>    | <b>Balance FY17</b>    | <b>Balance FY18</b>    | <b>Balance FY19</b>    |
|--------------------------------|-----------------------|--------------------------|--------------------|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b><u>Investments</u></b>      |                       |                          |                    |   |                        |                        |                        |                        |                        |                        |
| Peoples Bank Holyoke, MA       | XXXXXX6533            | 2006                     | Reserve            | Institutional Money Market Account      | \$10,614,702.04        | \$10,657,245.64        | \$10,700,018.71        | \$710,294.98           | \$712,423.20           | \$714,557.79           |
| Westfield Bank Westfield, MA   | XXX31431              | 2016                     | Reserve            | Government Banking Money Market Account | \$0.00                 | \$0.00                 | \$0.00                 | \$6,118,981.79         | \$6,226,926.86         | \$6,336,776.16         |
| Westfield Bank Westfield, MA   | XXX31449              | 2016                     | Reserve            | Government Banking Money Market Account | \$0.00                 | \$0.00                 | \$0.00                 | \$4,054,799.69         | \$4,126,330.39         | \$4,199,122.97         |
| Westfield Bank Westfield, MA   | 1000817450            | 2009                     | Investment         | Repurchase Agreement                    | \$5,699,998.16         | \$5,844,142.20         | \$6,000,148.21         | \$0.00                 | \$0.00                 | \$0.00                 |
| Berkshire Bank Pittsfield, MA  | XXX8096               | 2016                     | Reserve/Investment | Certificate of Deposit                  | \$0.00                 | \$0.00                 | \$0.00                 | \$4,000,000.00         | \$4,036,238.24         | \$4,128,746.07         |
| United Bank Glastonbury, CT    | XXX246468             | 2016                     | Reserve/Investment | Certificate of Deposit                  | \$0.00                 | \$0.00                 | \$0.00                 | \$2,012,201.32         | \$2,033,936.31         | \$2,069,125.37         |
| MMDT Boston, MA                | XXXX4918              | 1991                     | Investment         | Money Market                            | \$58,057.70            | \$58,173.89            | \$58,419.51            | \$58,952.22            | \$59,887.44            | \$61,384.15            |
| The Common Fund Boston, MA     | XX0901                | 1993                     | Investment         | Intermediate Term Fund                  | \$60,823.57            | \$61,339.39            | \$62,446.78            | \$62,517.78            | \$62,734.56            | \$65,445.06            |
| <b>Subtotal</b>                |                       |                          |                    |   | <b>\$16,433,581.47</b> | <b>\$16,620,901.12</b> | <b>\$16,821,033.21</b> | <b>\$17,017,747.78</b> | <b>\$17,258,477.00</b> | <b>\$17,575,157.57</b> |
| <b><u>Operating</u></b>        |                       |                          |                    |   |                        |                        |                        |                        |                        |                        |
| *Berkshire Bank Pittsfield, MA | XXX5658               | 2007                     | Operating          | NOW Checking Account                    | \$26,894,381.32        | \$31,317,900.58        | \$40,072,023.82        | \$41,380,933.82        | \$44,090,867.41        | \$50,469,404.47        |
| Berkshire Bank Pittsfield, MA  | XX3219                | 2012                     | Forfeiture Acct    | Business Checking 500                   | \$298.00               | \$298.00               | \$298.00               | \$298.00               | \$298.00               | \$348.00               |
| <b>Subtotal</b>                |                       |                          |                    |   | <b>\$26,894,679.32</b> | <b>\$31,318,198.58</b> | <b>\$40,072,321.82</b> | <b>\$41,381,231.82</b> | <b>\$44,091,165.41</b> | <b>\$50,469,752.47</b> |
| <b>Grand Total</b>             |                       |                          |                    |   | <b>\$43,328,260.79</b> | <b>\$47,939,099.70</b> | <b>\$56,893,355.03</b> | <b>\$58,398,979.60</b> | <b>\$61,349,642.41</b> | <b>\$68,044,910.04</b> |
| <b>Year-to-year change</b>     |                       |                          |                    |   | <b>\$5,407,044.83</b>  | <b>\$4,610,838.91</b>  | <b>\$8,954,255.33</b>  | <b>\$1,505,624.57</b>  | <b>\$2,950,662.81</b>  | <b>\$6,695,267.63</b>  |

\*Book balance is being reported instead of the bank balance since the bank balance would not include outstanding checks. The bank balance would be higher depending on the amount of checks outstanding.



## Massachusetts Department of Higher Education

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75 Pleasant Street  
Malden, MA 02148  
TEL (617) 391-6070  
WEB [www.mass.edu/osfa](http://www.mass.edu/osfa)

Carlos E. Santiago  
*Commissioner*  
Chris Gabrieli  
*Board Chairman*

Dr. Ramon Torecilha, Ph.D.  
President  
Westfield State University  
577 Western Avenue  
Westfield, MA 01086

August 14, 2019

Dear President Torecilha,

Congratulations on obtaining approval by the Board of Higher Education of the Westfield State University proposal for the Mission Statement (Chapter 15A, Sections 7, 9(e), and 22(n)) and Strategic Plan 2019-2024 as a public institution within the Commonwealth of Massachusetts. As required by M.G.L. c. 15A, s. 7, I have forwarded the Strategic Plan with our positive recommendation to the Secretary of Education for final approval.

I commend and thank you and your team for the great care with which you fashioned a well-crafted proposal. You have been responsive to the need for Massachusetts public higher education institutions to work collectively toward meeting the overarching strategic goals of the Commonwealth, while at the same time, maintaining the unique characteristics and mission of Westfield State University.

Sincerely,

A handwritten signature in black ink, appearing to read "Carlos E. Santiago".

Carlos E. Santiago  
Commissioner

CC: James Peyser, Secretary of Education  
Winifred Hagan, Ed.D., Senior Associate Commissioner

Enclosure: Approval of SPC 10-06 Westfield State University Mission Statement  
Approval of SPC 19-07 Westfield State University Strategic Plan 2019-2024