



Board of Trustees
Investment Subcommittee

3:00 PM
January 14, 2020
President's Boardroom, The Horace Mann Center

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|--|-----------------|
| 1. Called to Order | Trustee Queenin |
| 2. Minutes | |
| a. April 10, 2019 | Trustee Queenin |
| 3. Items for Information | |
| a. FY20 Second Quarter Investment Results | Eaton Vance |
| 4. Items for Discussion | |
| a. Methodology for Drawdown of Interest Income | Stephen Taksar |
| 5. Items for Action | |
| a. None | |

Attachment(s):

- a. Minutes 4-10-2019 (Draft)
- b. FY20 Second Quarter Investment Results (Booklet)



BOARD OF TRUSTEES

Investment Subcommittee

Minutes

President's Boardroom, Horace Mann Center

April 10, 2019

Investment Subcommittee members in attendance: Committee Chair Queenin and Trustee Cameron Swan, Foundation Board member Mr. Sheridan Carey, and Mr. Stephen Taksar, Vice President for Administration and Finance.

Participating remotely: Foundation Board member Mr. John Davies.

Excused absence: Trustee Steven Marcus.

The meeting was called to order by Committee Chair Queenin at 9:31 AM, who stated that Mr. Davies was joining the meeting remotely.

MOTION made by Committee Chair Queenin, seconded by Trustee Swan, to approve the minutes of the November 14, Investment Subcommittee meeting. **Motion passed unanimously.**

Chair Queenin thanked Mr. Davies and Mr. Carey for their wisdom and guidance to the committee, which has been extremely beneficial. The more Westfield State University Trustees and Foundation members can work together will benefit the students.

Mr. Taksar brought forward proposed changes to the Investment Policy (0430) and suggested waiting to vote on all revisions until after the investment advisor gave its input on the Policy. It was agreed to follow this approach. The following changes to the Policy were discussed:

- In the Roles and Responsibilities section, it was questioned whether it is part of the Board of Trustees' role to approve the investment advisor. The University and the Board need to be in agreement, and reallocating a large amount of funds should have the knowledge and approval of the Board. It was agreed that the recommendation for an investment advisor would be by the Finance and Capital Assets Committee upon the recommendation of the Investment Subcommittee and the Vice President for Administration and Finance.
- The Asset Allocation on page 2 was left blank as the investment advisor will make recommendations to the committee. There has to be a mix on asset allocation, such as 60 equities/40 fixed income, and we need to be involved in that ultimate decision. Mr. Carey suggested using 40-50% equity, which is low based on the need for cash flow and preservation of balance. It was suggested to put the following figures in the goal section to set a benchmark:
 - Equities 40%
 - Fixed Income 55%
 - Cash 5%

- The earnings from investments will go back into the operating budget in a yet to be determined proportion and it was asked how to guess that number.
- Mr. Taksar asked if more cash should be pushed into more liquid investments to get a better return than the bank. We might need higher cash value for working capital and there needs to be a differential between the cash needed and the \$20 million in investments. It could be in a short-term corporate bond. We are earning very little from the bank.
- In the Corporate Bonds section on page 4, it was questioned whether 35% of capital was needed . It was suggested to delete 2a or revise after figuring the high-level allocation with the investment advisor. It was also suggested that 2b and 2d should be changed to “investment grade” instead of a rating of Baa/BBB.
- In the Equity (stocks) section on page 5, delete the entire table and leave the paragraphs above.
- In the Prohibited Investments section on page 6, they have to use some derivatives to keep these running as there will be a large basket of investments. Suggest adding individual investment in derivative securities or take out the word direct. It was agreed to remove the word “indirect” from the sentence.
- In the Fossil Fuel and Alternative Investment Strategy on page 5, it was asked what the Carbon Underground 200 list was. It was agreed to ask the advisor if it impacts us. Mr. Taksar will also research with the state and other institutions whether this language is required. If not, it will be removed during the next policy revision stage.

Discussion moved to the selection of an investment advisor. The Request for Proposals (RFP) generated several responses which were reviewed by an internal committee that generated a shortlist of three firms interviewed on campus: Brown Advisory, Eaton Vance and Vanguard. The goal is to approve a firm at the April Board meeting and award the contract before the end of FY19.

It was recommended to eliminate Brown Advisory. They are not the same caliber as the other two companies interviewed and did not seem to understand what our goals were.

Both Vanguard and Eaton Vance could perform what was requested in the RFP, with differences in strategy. Eaton Vance is a local Boston firm that works closely with other universities and community colleges, offering ancillary benefits in providing internships and hiring students from universities they do business with. They underperformed relative to their goals and a Schedule of Performance Returns was shared by Mr. Carey. Their sample portfolio is not very diversified with 60 stocks. Eaton Vance’s fees are quite a bit higher than Vanguard’s.

Vanguard had a very good presentation and has a history with the Westfield State Foundation, which has worked well. It has a good fee structure, which will decrease because it is the same company that holds the Foundation funds. They treat diversity seriously. It was agreed to recommend Vanguard as the investment advisor.

MOTION made by Trustee Swan, seconded by Trustee Queenin, to engage the services of Vanguard in accordance with the Investment Management Services RFP (2019-004). **Motion passed unanimously.**

Mr. Taksar will create a summary giving an overview of the process in selecting the investment advisor to be presented to the Finance and Capital Assets Committee at their next meeting.

There being no further business, Trustee Swan made a **MOTION** to adjourn, seconded by Trustee Queenin. **Motion passed unanimously.**

Meeting adjourned at 10:25 AM.

Attachment(s):

- a. Minutes of November 14, 2019
- b. Investment Policy Draft (Mark Up)
- c. Investment Policy Draft (Clean)
- d. Investment Policy (Current)
- e. Motion – Investment Advisor
- f. Handout: Eaton Vance Management Schedule of Performance Returns

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 Investment Subcommittee meeting held on April 10, 2019.

Paul Boudreau, Secretary

Date