

INVESTMENT COMMITTEE MINUTES

SSU Foundation Investment Committee
October 29, 2024
2:30 - 4:30 p.m.
Location: Salazar 2043B or Zoom

Members Present: Brent Thomas (z), Ian Hannah, Amanda Visser (z),
Monir Ahmed, Mike Sullivan (z), Doug Jordan (z)

Members Absent: Mario A. Perez, Tom Gillespie

Committee Staff Present: Alicia Hodenfield, Kristin Hillman (z)

Guests Present: Todd Au, Tony Parmisano, Drew Aviles (z),
Calvin Roach (z) – Graystone Consulting

I. OPENING COMMENTS

Brent Thomas opened the meeting at 2:32pm, confirming quorum had been met.

II. TAKEAWAYS FROM CSU FINANCE CHAIRS MEETING

Ian Hannah discussed key takeaways from the recent CSU Finance Chairs meeting he attended in lieu of the September 27, 2024 SSUF Board meeting.

Provided at the meeting, the CSU provided a preliminary endowment data overview for 23/24. Hannah compared this to SSU data, much of which is in the endowment talking points document, shared in the consent agenda.

- CSU one-year average investment return 23/24 = 11.6% (SSU = 11.1%)
- CSU ten-year average investment return thru 23/24 = 6.1% (SSU = 5.9%)
- Asset allocation for the CSU - Public Equity = 57.7%, Fixed Income = 22.2%, Alternative Strategies and Real Assets = 17.7%, Cash = 2.4%.
- Asset allocation for SSU - Public Equity = 48.9%, Fixed Income = 20.6%, Alternative Strategies and Real Assets = 30.1%, Cash = 0.4%. SSU has higher allocation to alternatives such as private equity and hedge funds and lower allocation to public equity than the CSU on average
- Spending Policies – The CSU is mainly using moving average method - range from 3% to 4.5%; median is 4.0% of 3 years/12 QTRs/36months, while SSU is 4.0% of 20 QTRs
- Endowment Management Fee

- CSU = avg 1.34% or median 1.0% annually
 - SSU = 1.0% annually
- Compare to return objectives (CSU average)
 - Roughly 6.1% average 10-year return
 - Vs. 8% total for spending + CPI + Management Fee
 - Not keeping pace with inflation/intergenerational equity, which puts downward pressure on spending rate and/or management fee rate

Additional items discussed included campuses responses to divestment/disclosure discussions and increased interest by the public in attending Foundation board and committee meetings in the CSU and how each campus is handling these requests. Additional details included how campuses use recordings at public meetings for minutes, structure for allowing public comment, using closed sessions when appropriate and addressing requests to record meetings by the public. It was noted that the CSU Board of Trustees records and publishes/posts the recordings of their open session meetings.

III. CONSENT AGENDA

Thomas called for the approval of the Consent Agenda items. Each of these has been provided to the Committee members in advance of the meeting and included:

- Approval of the September 3, 2024 Meeting Minutes
- Galbreath Endowment Investments Quarterly Report
 - Thomas noted the return for the quarter ending 9/30/2024 was 6%; and over 5-years, 5.6%.
- 23/24 SSUF Endowment Talking Points

Action: There were no objections or questions and the Consent Agenda items were approved.

IV. GRAYSTONE – POOLED ENDOWMENT INVESTMENTS

Todd Au and Tony Parmisano had several Private Equity and/or Real Assets fund recommendations to present to the committee. They reiterated the expectation is to maintain a 10% asset allocation target to Private Equity funds and 5% target to Real Assets. They provided a brief synopsis of each fund, with slides of additional details on each fund having been provided to the Committee in advance of the meeting. They noted that all managers have or will have acknowledged/accepted the terms of the McKee Act before making the commitment.

Au began with the presentation of Adams St. Co-Investment Fund VI, which has already passed SSU procurement review. They have a strong record with an emphasis on small and mid-sized buy-out strategies and anticipate funding \$820K.

Parmisano continued with providing details regarding Ridgewood Water Strategic Infrastructure II. This has an 10/30/24 document due date and final close. It has also passed procurement review with additional supporting documentation. This fund provides funding for critical infrastructure. Anticipate funding \$470K.

The next fund opportunity Parmisano detailed was for Grain Communications Opportunity Fund IV-B. This has been through the procurement review and a request has been sent to Grain to draft a side letter to address McKee Act considerations. This fund is heavily invested in the telecom space. Anticipate funding \$470K.

Au provided details regarding Rialto Real Estate Fund V. This has been reviewed by procurement and requested actions pertaining to the McKee Act were sent back to Rialto for consideration. The managers of Rialto are very experienced in distressed real estate loans. There are about \$3 trillion real estate loans coming due and in need of financing and small regional banks having issues with providing this funding. Again, the anticipated investment would be \$470K.

Action: The committee had no objections with Graystone proceeding with these investment options, subject to fulfilling requests being made as they pertain to the McKee Act.

In consideration of time, Au provided a high-level quarterly portfolio performance update and the full update had been provided to the committee in advance of the meeting. He noted a bit of rotation in the quarter ending 9/30/24 with the value cohort outperforming the Magnificent 7. The portfolio performed within expectations. Graystone was able to redeploy assets quickly with the management shake-up at Western Asset management (Bond portfolio). The total portfolio return at the end of the quarter ending 9/30/24 was 4.1%; over 5-years it was 8.4%.

V. NORTH PIER CONSULTING OCIO EVALUATION / FINAL REPORT

The final report from North Pier Consulting was included in the packet; essentially the same as what was discussed at the last Investment Committee meeting with overall positive feedback/report and that the Graystone team was providing knowledgeable support, appropriate investment performance commensurate with risk, and at a fair price.

Hannah discussed likely next steps on a variety of recommendations, including adding a "watch list", reporting enhancements, adding a fiduciary calendar, review indexes/benchmarks, considering more flexibility in procurement process, and recommended updates to Investment Committee charter.

Au commented that Graystone does have a watchlist and to note as an example, the redeployment of assets from Western Asset Management occurred prior to them appearing on the watch list. The committee needs to be aware of the pitfalls of focusing on a watch list as the criteria is more quantitative than qualitative.

Reporting enhancements and revisions to indexes and benchmarks – Graystone has already implemented and incorporated into their current performance monitor/quarterly report.

Graystone noted that the fiduciary calendar is predicated on the timing of key items, such as: the NACUBO Endowment Study (NCSE report is published in the Spring), Summer Asset Allocation review, Peer Group Study, and the Investment Policy Review.

There was much discussion regarding potentially changing the procurement process and relying on Graystone to verify compliance with the McKee Act by fund managers since SSUF is an outlier among CSU campuses regarding investment fund contract review. The committee will return to this discussion at a future Investment Committee meeting.

The committee showed consensus in not pursuing an RFP for OCIO at this time. This process has generally fulfilled our fiduciary duty of periodic evaluation and the committee is satisfied with our current OCIO.

VI. INVESTMENT COMMITTEE CHARTER REVISIONS

The committee reviewed the changes recommended by North Pier and to allow continuity with Investment Policy as well as recommendations of CSU AOA Compliance Liaison regarding committee delegation limitations to coincide with recent changes to Bylaws approved by the Board.

Action: There were no objections to the changes to be made and the committee approved the changes to the charter. This will be presented for approval to the full board at the December 6, 2024 meeting.

Doug Jordan had to leave the meeting just before 4:30pm as he had another meeting. Quorum was still maintained.

VII. CLOSED SESSION


The committee did not see a need for a closed session.


VIII. OPEN ITEMS

Hannah advised the committee that Mario Perez and he had a meeting with the Associated Students Leadership to discuss divestment and demands and their desire for the Foundation to promote and highlight in a more public facing way what it is already doing in the space of responsible investing.

Thomas closed the meeting noting the next Board meeting is December 6, 2024.

The meeting was adjourned at 4:34pm.


Minutes Approved by:
Ian Hannah
Chief Operating Officer & Secretary,
SSUF


Minutes Prepared by:
Alicia Hodenfield
Administrative Manager for
Advancement and Foundation
Operations, SSU