

INVESTMENT COMMITTEE MINUTES

SSUF Investment Committee

Wednesday April 29, 2020

Video/Teleconference Meeting

2:30 - 4:30 p.m.

*Members Present:* Ian Hannah (Co-Chair), Michael Sullivan (Co-Chair), Mario Perez,

Amanda Visser, Tom Gillespie, Michael Troy, Brent Thomas, Terry Atkinson

*Committee Staff Present:* Kyle Bishop-Gabriel, Christina Shoptaugh

*Guests Present:* Todd Au, Tony Parmisano, Drew Aviles, Joanna Berg, Jeffrey Stein – Graystone Consulting

*Members Absent:* Joyce Lopes

# OPENING COMMENTS

Hannah opened the meeting at 2:33pm.

Before moving into agenda topics, Committee members requested an updated on how the SSU campus is adapting with the current shelter-in-place orders due to COVID-19. Perez agreeably informed Committee about the recent events on campus during this period.

* Perez noted the following:
* SSU moved all students to remote learning immediately at the end of the March Spring Break in compliance with social distancing rules and State/County shelter in place orders.
* The campus has focused on student safety and within that brought home all study abroad students and transitioned them back to their homes or to available on-campus housing units.
* Most students who were living on campus have moved out but there is a small population that remains. Services on-campus such as dining and student health center remain open to serve students who are on-campus.
* Sonoma County officials have reached an agreement with SSU for the University to operate as an Alternate Care Site, for non-critical COVID-19 individuals, to give them a place to isolate from others so as not to spread infection. A portion of on-campus housing units as well as the Student Rec Center have been set up to accommodate those individuals.
* 2020 Commencement is a high priority topic among the CSU and each campus is working on trying to come up with a solution to give graduates the recognition they deserve for their hard work. Perez noted that current conversation for SSU is that Commencement has been postponed, not canceled. Leadership is committed and determined to find a way to still celebrate 2020 graduates as the students who made it through these past few years have worked through several interruptions to their education including 3 years of disruption due to local wildfires.

# APPROVAL OF THE MINUTES

*(see 4.29.20 meeting packet)*

Action: Committee unanimously approve 1.29.20 meeting minutes.

# NACUBO-TIAA STUDY OF ENDOWMENTS 18/19 COMPARATIVE DATA

*(see 4.29.20 meeting packet)*

Hannah reviewed updated NACUBO-TIAA Study of Endowments 18/19 Comparative Data sheet with Committee. He noted some of the changes added since the final results and report had been sent out from the study.

He highlighted the following items:

* The total endowment market value was $52.3M as of 6/30/19, elevating it to the $50-$100M peer group, with the majority of these funds managed by Graystone.
* SSUF was one of 774 institutions that participated in the study.
* SSUF’s investment return objective of 7.5% annually closely aligns to the 7% median long term objective of other participating institutions.
* The $25-$50M category comparisons were added in per Committee request since SSU is new to the $50-$100M category comparisons.
* Hannah also added in new 19/20 Asset Allocation targets for SSUF to show that SSUF will be aligning closer to its peers in asset allocation since long term targets were updated this year.
* SSUF’s investment returns show to be lower than peers, but it is expected returns will be closer aligned in the future due to the recent changes made to the endowment’s asset allocation.
* SSUF’s spending policy is 4% of the five year rolling average of the endowment market value as of Dec. 31st of each year. 74% of other institutions use “percentage of moving average” with an average spending of 4.8%, making SSUF more conservative in endowment spending/distribution.
* Over the past 5 years, SSUF’s pooled endowment distribution dollar amount has shown a nice upward trend.
* Lastly discussed was peer comparison regarding Responsible/Sustainable Investing. SSUF formulated and approved a Sustainable Investing (ESG specific) Position Statement effective 3/15/19. This fell into alignment where 61% of peer institutions implemented ESG criteria in their investment policy; whereas 11% of peer institutions reported their Board had voted to exclude responsible investing considerations.

# GRAYSTONE – POOLED ENDOWMENT INVESTMENTS

*(see 4.29.20 meeting packet)*

Parmisano began with the capital markets overview of the endowment portfolio for the first quarter of the year. Some of the highlights mentioned were the following:

* Recent market volatility has been due to COVID-19 pandemic along with the oil price collapse making global equity markets being hit the hardest.
* Markets have admitted that there will be a recession but with the expectation that it may be quick to get out of especially with help from the Federal Government pumping over $11 trillion of fiscal stimulus into the economy as well as cutting interest rates to zero.
* It is expected that it will continue to be a volatile year with on-going issues around COVID-19 and 2020 being an election year.

Au picked up after the Capital Market Overview to proceed with the endowment portfolio review. He noted the following:

* For the latest quarter ending 3/31/20, the portfolio is down 12.8%, and FYTD the portfolio is down 8.3%.
* Since the updated investment policy statement (IPS) was approved by the Board in September, Graystone has been taking slow and gradual steps to align the portfolio with the updated long term asset allocation targets.
* Reviewed a few asset class performance to highlight where the portfolio is strongest during this time of market volatility. Overall portfolio is performing well given the current circumstances.

# ESG INVESTMENTS

*(see 4.29.20 meeting packet)*

Hannah reported to Committee a high level synopsis of the meeting he had with Associated Students and the President’s Sustainability Advisory Council regarding concerns of fossil fuel investment with the Foundation’s Endowment.

Hannah noted that he shared information from Graystone (MSIQ report), information from the Foundation’s updated IPS, and the Foundation’s Socially Responsible Investing (SRI) Position Statement with the groups to validate that the Foundation takes an ESG focused positive screening approach to investing and that there is minimal current exposure to investment in fossil fuels as a result.

Hannah mentioned the meetings went well and it seemed parties were satisfied with the information. Graystone will continue to look at gearing future investment activity through a positive screening lens to align with the Foundation’s SRI position statement while keeping the goal of maximizing returns commensurate with risk as a primary priority.

# GALBREATH ENDOWMENT INVESTMENTS QUARTERLY REPORT

*(see 4.29.20 meeting packet)*

Hannah did a quick overview of the Galbreath Endowment investment portfolio performance for the last quarter. The portfolio showed the same trend as the pooled endowment performance, ending the quarter with rate of return down 12.8%.

# 2020/21 SSUF OPERATING BUDGET

*(see 4.29.20 meeting packet)*

Visser reviewed the draft SSUF operating budget for the 20/21 Fiscal Year. She noted that the projections for the next 5 years were done as the campus Central Budget Office requested all auxiliaries provide a 5 year projection for better budget planning. She noted the Committee is to only approve and recommend to the Board the next Fiscal Year budget for 20/21. Visser did a quick reminder to Committee that the Cost Recovery to the University expense line is being worked in at a phased-in approach, explaining why an increase is seen for each upcoming fiscal year.

Action: Committee approved DRAFT SSUF 2020/21 Fiscal Year Budget and recommended for approval by Board at June meeting.

# FALL 2020 POOLED ENDOWMENT DISTRIBUTION

*(see 4.29.20 meeting packet)*

Hannah reviewed draft 2020 Fall Endowment Distribution with Committee. Total distribution was calculated at approx. $1.56M with 36% allocated to scholarships and 64% to campus programs, based on donor intent.

Hannah inquired with the Committee that given the current market conditions if all felt comfortable meeting the IPS target spending rate of 4% of a 5 year rolling average of the endowment market value OR possibly making adjustments out of concern of greater market fluctuations.

Committee discussed and felt comfortable maintaining the policy rate. The endowment portfolio has the ability to meet the 4% payout (approx. 3.5% effective rate) without cutting into corpus and is currently sitting flat to where it was at the beginning of the fiscal year, despite market volatility. Committee agreed to re-consider the recommendation if the market made a further downward significant correction if large enough that it would result in the endowment status being underwater at the time of distribution.

Action: Committee approves DRAFT 2020 Pooled Endowment Distribution and recommends to the Board for final approval.

# TOWNHOMES PROPOSAL

Hannah gave quick update on current status of the Foundation Townhomes in regards to transfer ownership to the campus workforce housing program OR to sell in the private market and invest proceeds as part of pooled endowment. Hannah noted that a draft proposal has been prepared to go to University Cabinet for review. Cabinet has been busy managing current issues surrounding COVID-19 but do plan to address in the near future when timing suffices. There was general support from committee members on sale of the units out of the Foundation, allowing for re-investment in the endowment and/or for endowment spending liquidity.

After Cabinet reviews proposal and provides a direction, it will be brought back to the Board for approval.

# OPEN ITEMS

Meeting adjourned 4:40pm.

Redacted Signature: Kyle Bishop-Gabriel

Redacted Signature: Ian Hannah

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*Minutes Approved by:* *Minutes Prepared by:*

Ian Hannah Kyle Bishop-Gabriel

*Chief Operating Officer & Advancement/Foundation Analyst, SSU*

*Secretary, SSUF*