



**Board of Trustees
Investment Subcommittee**

October 20, 2023

1:30 p.m.

President's Boardroom, The Horace Mann Center

A live stream of the meeting for public viewing will also take place at the following link: <https://www.westfield.ma.edu/live>

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|---|--------------------------|
| 1. Call to Order | Committee Chair Boudreau |
| 2. Approval of Minutes | |
| a. July 28, 2023 | Committee Chair Boudreau |
| 3. Items for Discussion | |
| a. Subcommittee Workplan | Subcommittee |
| b. Short-Term vs. Long-Term Investment Strategy | Subcommittee |
| 4. Items for Information | |
| a. Third Quarter Update and Market Review | Corient |
| b. Alternative Investment Strategies Analysis | Corient |
| c. FY25 Projected Quarterly Calculations on Investment
Income Withdrawal | Corient |
| d. Investment Subcommittee Charter | Committee Chair Boudreau |

Attachment(s):

- a. Minutes 7-28-23 (Draft)
- b. Subcommittee Workplan
- c. Third Quarter Update and Market Review
- d. Alternative Investment Strategies Analysis
- e. FY25 Projected Quarterly Calculations on Investment Income Withdrawal
- f. Investment Subcommittee Charter (Revised)
- g. Investment Subcommittee Charter (Clean)



BOARD OF TRUSTEES

Investment Subcommittee

July 28, 2023

Minutes

President's Boardroom, Horace Mann Center

A live stream of the meeting for public viewing also took place on YouTube.

MEMBERS PRESENT: Committee Chair Paul Boudreau

MEMBERS PARTICIPATING REMOTELY: Vice Chair George Gilmer and Secretary Theresa Jasmin

MEMBERS EXCUSED: Trustees Chris Montemayor and Daniel Currier

Also present from Westfield State University were Dr. Linda Thompson, President, Mr. Stephen Taksar, Vice President for Administration and Finance, Ms. Lisa Freeman, Associate Vice President for Administration and Finance, Mr. Gary Duggan, Director of Procurement and Administrative Services. Also participating were Mr. Sheridan Carey, Westfield State Foundation Board member and committee advisor (Zoom), and Messrs. Robert Quinn (in person) and Duke Laflamme (Zoom) from CI Eaton Private Wealth (CI Eaton).

The meeting was called to order by Committee Chair Boudreau at 10:01 AM and it was announced that the meeting was being livestreamed and recorded, and all committee members and guests participating were announced as listed above.

MOTION made by Trustee Jasmin, seconded by Trustee Gilmer, to approve the minutes of the February 2, 2023, Investment Subcommittee meeting.

There being no discussion, ROLL CALL VOTE passed motion unanimously with Trustees voting in the affirmative: Jasmin, Gilmer, and Boudreau.

The amended Investment Subcommittee Charter as presented was discussed, with suggestions to remove the word Advancement from the committee's name and to add the word subcommittee as the second word in the last paragraph. It was suggested that the committee think about whether the charter should be reviewed annually.

MOTION made by Trustee Jasmin, seconded by Trustee Gilmer, as follows:

The Investment Subcommittee of the Financial Affairs Committee recommends approval to the full Board: To approve and adopt the Westfield State University Board of Trustees Investment Subcommittee of the Financial Affairs Committee Charter, as amended.

There being no further discussion, ROLL CALL VOTE passed motion unanimously with Trustees voting in the affirmative: Jasmin, Gilmer, and Boudreau.

Index Fund Follow-Up. In the fall, the committee will review the investment policy as a matter of practice. Investing in an index fund as an active strategy instead of active management was discussed. Performance is evaluated by the committee on an annual basis. The allocation of funds to an indexed fund would be appropriate

to evaluate performance on annual basis, but specific asset allocations to individual securities should be evaluated more frequently. Comparing data and results is needed to understand the differences. Mr. Carey stated active managers underperform by 1% or more a year. Mr. Quinn stated that comparing index funds to active management is strictly related to individual securities. Asset allocation and asset segmentation are more powerful drivers in terms of long-term performance.

Second Quarter Update and Market Review. An update was provided on the second quarter and year-to-date investment results.

- Maintained inflation adjusted value.
- Asset allocation is the top driver of long-term growth.
- Equities increased 9% over the last ten months, helping to drive outperformance of the portfolio.
- Since inception, the investments are right in line with the custom benchmark.

Mr. Taksar shared that for FY23, the investment income drawdown was budgeted for the full \$800,000, but due to other budget savings it was not transferred into the operating budget. If the income drawdown is not needed due to positive cash flow, it could be left in the account to generate higher overall returns. With the short-term investment strategy for working capital, cash needs will be re-evaluated, and funding should be realigned appropriately by adding more working capital funds into this long-term investment fund instead of a short-term investment fund. This should be discussed further at future meetings.

Mr. Laflamme provided an update on bond performance and stated he will run a report on yield from the time of purchase. There was a review of the diversity of the equities, the total return results, and increase in benchmarks. An updated year-to-date portfolio (replaces page 17) was handed out showing an increase in benchmarks. In July, the “magnificent seven” were starting to slightly underperform and the remaining 493 companies were starting to outperform.

Trustee Gilmer stated that the funds are exceeding the custom benchmark for Westfield State, but long-term the S&P index fund is still outperforming. Over a period of ten years, it is hard to beat the performance of an index fund as shown in the data. Mr. Taksar suggested, and Trustee Gilmer agreed, that there be a regular comparison to a variety of index funds going forward or retrospectively looking back at specific funds. Trustee Gilmer stated we do not need to be in a global index. A focus on asset allocation is needed with the possibility of changing it to increase equities.

The name CI Eaton Private Wealth will be rebranded as Corient in August, but the firm is still affiliated with Eaton Vance.

FY24 Quarterly Calculations on Investment Income Withdrawal. The statement of spending policy shows the quarterly market value for the past 12 quarters to calculate what could be drawn down from the portfolio without invading principle. The committee had approved a four percent withdrawal, which would be \$927,602.10 without invading principal over the long term. The FY23 \$800,000 was funded a different way from the budget so it will not be drawn down retroactively. It is an annual withdrawal, not cumulative. The current budget models assume an \$800,000 withdrawal, but today’s conversation will assist in developing the budget for next year. The withdrawal could be increased to \$927,602 or left at \$800,000. President Thompson said she is working with a group to plan for innovation at Parenzo and community involvement, to be funded by the investment income. Trustees stated they would be comfortable with the \$800,000 to put toward the innovation projects. That assumption will be made in the budget and a motion brought to the next meeting.

Future Meetings: Future meetings will take place in October, January, April, and July and be scheduled following the end of the quarter, giving CI Eaton three weeks to prepare reports. The following will be discussed at upcoming meetings:

- Review of investment policy statement at the October meeting.
- The Corient contract will expire in spring 2024 so a request for proposals will be needed.
- Continued discussion of index funds vs. active management.
- The overall strategy for the use of cash reserves, money market, or investment funds.
- Motion to finalize income interest withdrawal.
- Preparatory materials: A view of the comparison of S&P index funds that are domestic in nature to compare with the WSU index, as well as an actively managed portfolio, going back three years and looking forward. This would include different benchmarks with S&P 60/40 or 70/30 so the whole committee can look at the data to make informed decisions. Also see the volatility of all those options so risk tolerance is not too concerning. Mr. Quinn will create charts to show the worst-case scenario and probability.
- Mr. Carey stated that statistical data is helpful to review in managing expectations. In indexing, would go to a total market fund.
- Mr. Taksar said it would be helpful to receive the analysis prior to the October meeting to review and discuss with CI Eaton before the meeting.

There being no further business,

MOTION to adjourn made by Trustee Jasmin, seconded by Trustee Gilmer. **ROLL CALL VOTE** passed motion unanimously with Trustees voting in the affirmative: Jasmin, Gilmer, and Boudreau.

The meeting adjourned at 11:16 AM.

Attachment(s):

- a. Draft Minutes of 2-2-23
- b. Motion – Investment Subcommittee Charter
- c. Investment Subcommittee Charter (Draft)
- d. Investment Subcommittee Charge (Current)
- e. Second Quarter Update and Market Review
- f. Second Quarter Update and Market Review (Statement of Spending Policy)

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 of the Financial Affairs Committee meeting held on July 28, 2023.

Theresa Jasmin, Secretary

Date

Westfield State University
Investment Subcommittee

Workplan
October 20, 2023

October

- Distribute/share draft sub-committee workplan.
- Review new Benchmark for Index Fund Comparison to Current Portfolio.
- Discuss optimal levels of liquidity for cash reserves vs Long-term Investment plan.

January

- Discuss/review Investment Policy.
 - Asset Allocation.
 - Index Funds vs Active Funds.
- Discuss RFP Process for selection of an Investment Advisor.
 - Establish review committee and timeline.

April

- Finalize selection of Investment Advisor.
- Recommend approval of the updated Investment Policy.
- Review preliminary FY25 Interest Income Allocation.

July

- Recommend approval of the FY25 Interest Income Allocation.

CORIENT

Corient
Account History
Westfield State University

Quarter	MV
20-Dec	\$22,957,344.61
21-Mar	\$23,537,311.12
21-Jun	\$24,740,775.27
21-Sep	\$24,544,590.85
21-Dec	\$26,051,814.00
22-Mar	\$24,248,306.00
22-Jun	\$21,917,292.15
22-Sep	\$20,936,513.87
22-Dec	\$21,826,500.00
23-Mar	\$22,685,875.00
23-Jun	\$23,698,220.00
23-Sep	\$23,079,092.00
Average of the last 12 Quarters	\$23,351,969.57
4% distribution	\$934,078.78



**BOARD OF TRUSTEES
INVESTMENT SUBCOMMITTEE
CHARTER**

I. Mission

The Westfield State University Board of Trustees will form a subcommittee of the Financial Affairs ~~and Advancement~~ Committee to provide investment oversight for University investments. While the University has an Investment Policy and low risk investments, a more transparent, structured and performance focused investment approach is desired which should result in additional resources for the University. The goal is to leverage available cash resources, through a prudent investment policy and long-term asset allocation, which yields additional investment income for the University.

II. Authority and Responsibilities

Policies

Review and recommend updates of the Investment Policy to the Financial Affairs ~~and Advancement~~ Committee for approval. Ensure policy compliance under the general laws of the Commonwealth of Massachusetts.

Oversight of Implementation

Participate in the selection of the investment advisors and consultants. Develop guidelines for retaining investment managers, standards against which their performance will be measured, and a schedule for conducting regular assessments.

Evaluate Performance

Review overall investment performance, asset allocation, and expenses at least annually. Establish industry acceptable benchmarks.

Educate the Board

Provide regular updates to the Financial Affairs ~~and Advancement~~ Committee, as is necessary or required.

Understand the relationship between the operating budget (and spending policy) and the investment policy. Regularly report on investment performance and changes in

investments to the board. Consult with the Audit Committee to ascertain that, to the extent possible, the custodian, brokerage, and investment manager accounts of the endowment have been appropriately examined and reconciled. Execute other such duties as delegated by the Board.

III. Organization

Review of Charter

This charter shall be reviewed and reassessed by the Subcommittee annually, and any proposed changes shall be submitted to the board for approval.

Membership/Structure/Quorum

The Investment Subcommittee shall consist of at least three members. The Subcommittee chair shall be appointed by the Board chair. Subcommittee members should have investment, business, or endowment management expertise. Additional non-board members may be invited to serve on the Subcommittee as non-voting advisors.

Staff Liaison

The president shall designate a member of the University's senior administration to serve as a liaison to the Subcommittee.

Meetings

The Subcommittee shall meet quarterly, unless the Subcommittee chair and Board chair determine that a meeting is not necessary. A quorum of any meeting of the Subcommittee shall consist of a majority of its voting members. Subcommittee members may participate by teleconference as permitted by state laws. All meetings will conform to Massachusetts open meeting laws.

Agenda, Minutes and Reports

The Subcommittee chair, in collaboration with the staff liaison, shall be responsible for establishing the agendas for meetings. An agenda, together with relevant materials, shall be provided to Subcommittee members at least five days in advance of the meeting. Minutes for all meetings shall be drafted by the staff liaison or designee, reviewed by the Subcommittee chair, and approved by Subcommittee members at the following meeting. Meeting materials will be posted on the University's website within 14 days after each Subcommittee meeting.



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