



## BOARD OF TRUSTEES

Investment Subcommittee

November 22, 2021

Minutes

### Meeting held virtually via Zoom

In accordance with Massachusetts Gov. Charlie Baker’s Executive Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20 dated March 12, 2020.

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

**MEMBERS PARTICIPATING REMOTELY:** Committee Chair Kevin Queenin and Trustees Paul Boudreau, Theresa Jasmin (joined at 4:04 PM), and Madeline Landrau

**TRUSTEE GUESTS PARTICIPATING REMOTELY:** Ali Salehi

Also participating remotely were Dr. Linda Thompson, President of Westfield State University, Mr. John Davies and Mr. Sheridan Carey (joined at 3:33 PM), Foundation Board members, Mr. Stephen Taksar, Vice President for Administration and Finance, Ms. Lisa Freeman, Associate Vice President for Administration and Finance, and Messrs. Robert Quinn and Duke Laflamme from Eaton Vance WaterOak Advisors (Eaton Vance). Members of cabinet joining the meeting were Mr. Daniel Forster, Vice President for Enrollment Management, Dr. Juline Mills, Provost and Vice President for Academic Affairs (joined at 3:39 PM), and Ms. Lisa McMahon, Vice President for Institutional Advancement, (joined at 3:33 PM).

The meeting was called to order by Committee Chair Queenin at 3:30 PM and it was announced that the meeting was being livestreamed and recorded, and all committee members and guests participating remotely were announced as listed above.

**MOTION** made by Trustee Boudreau, seconded by Trustee Landrau, to approve the minutes of the May 17, 2021, Investment Subcommittee meeting.

**ROLL CALL VOTE** taken:

|                  |                    |                 |     |
|------------------|--------------------|-----------------|-----|
| Trustee Boudreau | Yes                | Trustee Landrau | Yes |
| Trustee Jasmin   | Not yet in meeting | Trustee Queenin | Yes |

**Motion passed unanimously.**

Distribution of Investment Earnings. To make distributions and maintain principal over the long-term, Eaton Vance recommended a distribution of four percent of the portfolio based on the rolling twelve-quarter market value. This will provide less swing year-to-year in the distribution amount.

- Studies by Vanguard and McKenzie were cited to show that four percent is the best practice of other institutions to fund operations and maintain principal.
- Monte Carlo scenarios were projected with conservative numbers for ten years showing the portfolio never dipping into original principal.

- The plan is to distribute four percent annually with further Board discussion on a reasonable percentage if four percent could not be distributed based on the current investment policy.
- The planned annual distribution is approximately \$800,000 - \$1 million, allowing the portfolio to retain the principal amount invested while continuing to grow.
- With the largest increase in inflation over the last 30 years, having 30 percent of the portfolio in high-quality fixed income gives the flexibility to keep the majority of the portfolio in equities. The intent is to build the portfolio to keep ahead of inflation to preserve the University's purchasing power.
- The portfolio increased last year compared to the benchmark, driven by being overweight in equities relative to bonds, and being overweight in U.S. equities relative to the benchmark.
- Discussion took place on the government raising interest rates to subdue inflation. Earnings are driving stock markets which will continue to be monitored.
- The year-to-date performance in fixed income on relative base is up and the benchmark is down, which is expected to continue. Although the posture was negative in relative performance, the gap will close in times of higher rates and inflation. We are in the right place to be, offset with overweight to credit.

Quarterly Investment Results. The quarterly results were discussed, with an estimated annual income of approximately \$306,000, although the most recent quarter was down approximately \$195,000 net of fees.

- Summaries of the bond and equity portfolios were discussed.
- Benchmarks were compared to the portfolio showing an overweight in U.S. equities and underweight in non-U.S. equities and bonds.
- The return of the portfolio net of all fees in the last year showed the total benchmark up 14.4% and the portfolio up 16.1%. Year-to-date figures showed the benchmark up 6.3% and the portfolio up 6.7%.
- The common stock shown reflects the 43-stock portfolio and the S&P 500 is the benchmark for that segment of portfolio.
- The Westfield State custom benchmark was discussed.
- An index approach was discussed in emerging markets as well as some exposure in small cap. Opportunity for outperformance would go in that direction. The goal is to provide less downside risk to the market to protect the University's funds. Leaning into long-term opportunities will add value over time.
- The timing for increasing international exposure was discussed. There is a strong argument over the next decade that non-U.S. equities should outperform large cap. [Trustee Jasmin joined at 4:04 PM.]

Investment Policy.

**MOTION** made by Trustee Boudreau, seconded by Trustee Landrau, to approve the changes and accept the newly revised Investment Policy (0430), as presented.

Discussion: Mr. Taksar shared that operationally, calculations will be made and shared with the Board at the end of the fiscal year. Variances from the policy will be discussed with the Board prior to requesting a distribution of funds from the portfolio. Identified funds would be integrated into the budget planning for the next year on strategic investments or other campus priorities. The expectation is that formal approval for a distribution of funds would be a part of the normal campus budget approval process. This motion will be presented to the Finance and Capital Assets committee in December.

**ROLL CALL VOTE** taken:

|                  |     |                 |     |
|------------------|-----|-----------------|-----|
| Trustee Boudreau | Yes | Trustee Landrau | Yes |
| Trustee Jasmin   | Yes | Trustee Queenin | Yes |

**Motion passed unanimously.**

There being no further business, **MOTION** to adjourn made by Trustee Boudreau, seconded by Trustee Landrau.

**ROLL CALL VOTE** taken:

|                  |     |                 |     |
|------------------|-----|-----------------|-----|
| Trustee Boudreau | Yes | Trustee Landrau | Yes |
| Trustee Jasmin   | Yes | Trustee Queenin | Yes |

**Motion passed unanimously.**

The meeting adjourned at 4:27 PM.

**Attachment(s):**

- a. Minutes 5-17-21 (Draft)
- b. Distribution of Investment Earnings (Memo)
- c. Distribution of Investment Earnings (2019 NACUBO-TIAA Study)
- d. Quarterly Investment Results
- e. Motion – Investment Policy
- f. Policy – Investment (Track Changes)
- g. Policy – Investment (No Track Changes)