



BOARD OF TRUSTEES

Investment Subcommittee

November 15, 2022

Minutes

Loughman Living Room, Scanlon Hall

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

MEMBERS PRESENT: Committee Chair Madeline Landrau

MEMBERS PARTICIPATING REMOTELY: Trustees Paul Boudreau, Theresa Jasmin, and Ali Salehi

Also present from Westfield State University were Mr. Stephen Taksar, Vice President for Administration and Finance and Ms. Lisa Freeman, Associate Vice President for Administration and Finance; and Mr. Robert Quinn from CI Eaton Private Wealth (CI Eaton). Also participating remotely were Mr. Sheridan Carey, Westfield State Foundation Board member, and Mr. Duke Laflamme from CI Eaton.

The meeting was called to order by Committee Chair Landrau at 2:03 PM and it was announced that the meeting was being livestreamed all committee members and guests participating were announced as listed above.

MOTION made by Trustee Salehi, seconded by Trustee Jasmin, to approve the minutes of the July 27, 2022, Investment Subcommittee meeting.

ROLL CALL VOTE passed motion unanimously with Trustees voting in the affirmative: Boudreau, Jasmin, Salehi, and Landrau.

FY23 Third Quarter Update was provided by CI Eaton representatives and the following discussion took place.

- The annualized return was over 2% through June 30 and is higher than that figure now.
- Equities were reduced by 9% to help the portfolio given the challenging market environment.
- The University portfolio declined 14.4% while the benchmark was down approximately 16%.
- The capital preservation number is the original investment plus the inflation calculation from three years ago, plus the inflation calculation for year three. To preserve the purchasing power of the initial investment, a return net of inflation is needed. CI Eaton will project calculations for the next 3-5 years of the total return less the CPI being used as inflation.
- In addition to the goal allocation, CI Eaton will provide the ranges from the Investment Policy for fixed income and equities in their reports. Ranges are currently 30%-40% bonds, 0%-5% cash, and 50%-70% equities.
- The change from 68% to 59% in equities started in December 2021 and non-US equities were reduced in April and September 2022.
- The recent period for bond allocations was beneficial. The upward sloping yield curve was offset by the overweight credit markets.

- There is 70% invested in mid-to-large stocks with a view toward companies having greater earnings than the S&P 500. There is diversity among all sectors except energy. CI Eaton made the decision two years ago not to invest in fossil fuels, which was going well until the Ukraine invasion.
- The Investment Policy does not limit investments in energy but the University wants to be conscious of Environmental, Social, and Governance (ESG) investing. Trustees stated that since the portfolio provides funds to support University operations, the committee should look into all energy, including sustainable, being mindful of the Carbon Underground 200 list.
- It was requested that CI Eaton provide a recommendation on how and when the committee should invest in more energy, should they decide to. Mr. Quinn stated that is a hard decision as a peace settlement in Ukraine will drive oil prices down overnight. CI Eaton has ownership of Calbert, a pioneer in ESG investing, and receives their research to assist addressing these types of factors.
- Mutual fund holdings significantly outperformed the benchmark so more funds were allocated there.
- After the market bottomed in June, volatility will continue with month-to-month inflation numbers, but CI Eaton will add slightly to equities in the coming year.

FY23 and FY24 Investment Income Withdrawal.

- To assist in developing the FY24 budget model scenarios, CI Eaton developed scenarios of income withdrawals at different values of the portfolio to determine if the planned income distribution of 4% of the previous 12-quarter rolling average was sustainable given the decline in the market.
- The assessments presented will help the University understand what to assume in budget planning. Even with a dramatic decline in the market, \$800,000 of interest income should be available for operations to be primarily invested in institutional priorities which support innovation projects and strategies.
- It was agreed that a standing item on the committee meeting agenda will be to review the 4% interest income calculation in the investment policy and request the investment advisors to calculate a similar scenario of income withdrawals to present at each meeting.

Messrs. Laflamme and Quinn left the meeting at 2:56 PM.

Investment Advisor Update.

- Last year the contract with CI Eaton was extended by one year, putting us in the fourth year of a five-year contract.
- Discussion followed, noting the current advisors are meeting the benchmarks and providing comprehensive reports but it was agreed to explore other options, being mindful of the resources needed to do an RFP. [Trustee Jasmin left the meeting at 3:05 PM].
- At the next meeting Mr. Taksar will provide information on other state universities' investment advisors and Mr. Carey will provide information on moving to a passive investment strategy.

Future Meeting Dates.

- February 2, 2023, from 2:00-3:00 PM
- April 20, 2023, from 3:00-4:00 PM
- July 28, 2023, from 10:00-11:00 AM

[Trustee Salehi left meeting at 3:15 PM.]

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

ROLL CALL VOTE with Trustees voting in the affirmative: Boudreau and Landrau.

The meeting adjourned at 3:16 PM.

Attachment(s):

- a. Draft Minutes of July 27, 2022
- b. FY23 Third Quarter Update
- c. FY23 Third Quarter Update (Fees)