

**INVESTMENT SUBCOMMITTEE  
BOARD OF TRUSTEES  
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE**

A meeting of the Investment Subcommittee (ISC) of the Board of Trustees of the University of Vermont and State Agricultural College was held on Wednesday, August 14, 2019 at 3:00 p.m., in Room, 351 Waterman Building, Burlington, Vermont.

MEMBERS PRESENT: Chair Robert Brennan\*, Vice Chair Don McCree\*, and David Daigle\*

MEMBERS ABSENT: David Aronoff

PERSONS ALSO PARTICIPATING: Vice President for Finance and Treasurer Richard Cate; Controller Claire Burlingham; Assistant Controller Lindsey Donovan; Senior Staff Accountant Patty Dubie; Endowment Accountant Marie Tiemann; Vice President for Legal Affairs & General Counsel, and Senior Advisor to the President Sharon Reich Paulsen; Cambridge Associates (C|A) Alexandra Dorf\*, Kenly Drake\*, Jessica Kaplan\*, Alex Kramer\* and David Loughborough\*

\*Joined via conference call.

Chair Robert Brennan called the meeting to order at 3:02 p.m.

**Meeting Minutes**

Chair Brennan presented the minutes of the August 2, 2019 meeting for approval. A motion was made, seconded, and it was voted to approve the minutes as presented.

**Approval of Resolution to Reaffirm Quasi-Endowment Funds Policy**

Chair Brennan directed the members to Attachment 2, Appendix A of the meeting materials, for review of the resolution to reaffirm the Quasi-Endowment Funds Policy.

**Resolution to reaffirm Quasi-Endowment Funds Policy**

WHEREAS, in May 2011, the Board adopted a Quasi-Endowment Funds Policy to govern the creation, management, and termination of quasi-endowment funds; and

WHEREAS, the Investment Subcommittee is charged with review of the Quasi-Endowment Funds Policy; and

WHEREAS, the Investment Subcommittee reviewed the Quasi-Endowment Funds Policy,

THEREFORE, BE IT RESOLVED, that the Investment Subcommittee hereby recommends that the Board reaffirm the Quasi-Endowment Funds Policy, appearing as Appendix A to this document.

Following the members review, a motion was made, seconded and it was unanimously voted to approve the resolution.

### **Recent Market Returns and Total Portfolio Performance Review**

Ms. Alexandra Dorf, of C|A, led the discussion on the recent market returns through June 30, 2019, directing members to exhibits in the meeting materials displaying global market performance for the year-to-date and 2<sup>nd</sup> quarter 2019 by asset class. Ms. Dorf included remarks on market returns since June 30<sup>th</sup>, noting that global equities have lost ground since June 30 but continue to post strong returns with MSCI ACWI returning +13.3% through August 13<sup>th</sup>. As was the case through June 30<sup>th</sup>, since then US equities continued to dominate global market returns with the S&P 500 posting +18.2% while MSCI EAFE and MSCI Emerging Markets returned +8.7% and +2.2%, respectively.

As of June 30, 2019, the Long-Term Pool portfolio had an estimated value of \$539 million with a preliminary 2.5% return for the fiscal year. Preliminary calendar year-to-date performance was 9.7% trailing the 10.7% benchmark. The U.S. Equity allocation outperformed the Developed and Emerging Markets. Ms. Dorf noted that the Private Investment allocation is under-weight while the Fixed Income allocation and cash is currently overweight in the portfolio. The Investment Subcommittee is continuing to address rebalancing of the allocations.

### **Executive Session**

At 3:16 p.m., Chair Brennan entertained a motion to enter executive session for the purposes of discussing contracts, premature general public knowledge of which would clearly place the University at a substantial disadvantage, and records exempt from disclosure under provisions of the Public Records Act. He noted that the session was expected to last 70 minutes, with action anticipated following. The motion was made, seconded and approved. The following persons were invited to remain: Vice President for Finance and Treasurer Richard Cate; Controller Claire Burlingham; Assistant Controller Lindsey Donovan; Senior Staff Accountant Patty Dubie; Endowment Accountant Marie Tiemann; Vice President for Legal Affairs & General Counsel, and Senior Advisor to the President Sharon Reich Paulsen; and Alexandra Dorf, Kenly Drake, Jessica Kaplan, Alex Kramer and David Loughborough of C|A.

The meeting was re-opened to the public at 4:36 p.m.

### **Portfolio Rebalancing**

Following a brief discussion, Chair Brennan entertained a motion to fully liquidate funds managed by SailingStone in their Global Natural Resources strategy and to invest the proceeds in the Vanguard Short-Term Bond fund. The motion was made, seconded, and passed unanimously.

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**Adjournment**

There being no further business, the meeting was adjourned at 4:37 p.m.

Respectfully submitted,

Chair Robert Brennan



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## Quasi-Endowment Funds

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### Policy Statement

The University, through its Board of Trustees, may establish, alter, or terminate quasi-endowment funds. A quasi-endowment fund functions in substantially the same manner as a true or permanent endowment fund, except that (1) the terms of a quasi-endowment fund are established by the University, not by an external donor, and (2) the University may spend down the principal of a quasi-endowment fund under the authority of the Board. If the original source of a quasi-endowment fund is a restricted gift or other restricted assets, the fund must retain the restricted purpose as originally specified, and the fund's principal and earnings may be expended only for that purpose.

### Reason for the Policy

From time to time the University may decide to designate assets as quasi-endowment funds. These funds gain the benefit of the earning power of the University's consolidated endowment pool while retaining the flexibility to be expended in whole or in part. Because the creation, management, and termination of quasi-endowment funds involve the University's consolidated endowment pool, they may proceed only with the approval of the Board of Trustees. These funds create a mechanism for the University to save and invest sums of money to be spent over time to achieve long-range academic objectives.

### Applicability of the Policy

This policy applies to all University of Vermont faculty, staff, and students and to all academic and non-academic units.

### Policy Elaboration

A minimum asset value of \$50,000 is necessary to establish a quasi-endowment fund. A department may use its own internal funds for this purpose.

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Once established, a quasi-endowment fund's principal must remain within the consolidated investment pool for at least three years. New cash or assets may be added to a quasi-endowment fund only if that cash or those assets are unrestricted or bear restrictions that are compatible with the established quasi-endowment fund.

Following the establishment of a quasi-endowment fund and the expiration of the three-year lock-up period, its principal may be partially or totally expended only with the approval of the Board.

## Definitions

A quasi-endowment fund is an expendable fund designated by the Board of Trustees for medium- to long-term investment. A quasi-endowment fund is established by the Board to function like an endowment fund but may be totally expended at the discretion of the Board. The fund's assets are invested in the same manner as those of a true endowment and have the same payout provisions.

## Procedures

Requests or proposals to establish quasi-endowments must be directed in the first instance to the University Controller. That official may then advance the request or proposal to the Vice President for Finance and Treasurer (VPF). If the VPF determines that a quasi-endowment should be established, said establishment will be subject to the approval of the Board of Trustees Investment Subcommittee.

## Forms

None

## Contacts

Questions related to the daily operational interpretation of this policy should be directed to:

University Controller  
Claire Burlingham  
(802) 656-2903

The Vice President for Finance and Treasurer is the official responsible for the interpretation and administration of this policy.

## Related Documents/Policies

None

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## **Revision History**

Approved by the University of Vermont Board of Trustees May 21, 2011

Approved by the President on June 7, 2011 and reaffirmed May 7, 2016

Reaffirmed by the University of Vermont Board of Trustees Chair May 20, 2016