

BOARD OF TRUSTEES
THE CITY UNIVERSITY OF NEW YORK

SUBCOMMITTEE ON
INVESTMENT

MINUTES OF THE MEETING
APRIL 6, 2015

The meeting was called to order at 5:28 p.m.

There were present:

Committee Members:

Hon. Joseph J. Lhota, Chair
Hon. Valerie Lancaster Beal
Hon. Barry F. Schwartz
Hon. Terrence F. Martell, faculty member
President Felix Matos Rodriguez, COP Liaison

University Staff:

Chancellor James B. Milliken
Vice Chancellor Matthew Sapienza
Chief Investment Officer Janet Krone
University Controller Leonard Zinnanti
Senior Advisor Marc V. Shaw
University Executive Senior Associate General
Counsel Jane Davis

Ex-officio:

Hon. Philip Alfonso Berry

Trustee Observers:

Hon. Peter S. Pantaleo
Hon. Joseph Awadjie

Observers:

Prof. Kay Conway

Staff:

Senior Vice Chancellor and Secretary of the
Board Jay Hershenson
General Counsel and Senior Vice Chancellor
Frederick P. Schaffer
Ms. Towanda Lewis
Ms. Doris Wang

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| Cal. No. | DISPOSITION |
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The agenda items were considered in the following order:

I. ACTION ITEMS:

A. APPROVAL OF THE MINUTES OF THE MEETING OF FEBRUARY 2, 2015. The minutes were approved as submitted.

B. POLICY CALENDAR

1. Brooklyn College – Release of Restrictions on Various Funds to be used for Specified Purpose.
2. Lehman College – Release of Restrictions on Various Funds to be used for Specified Purpose.

Committee Chair Joseph Lhota asked the Committee to approve two resolutions authorizing the release of restrictions on various funds at Brooklyn College and Lehman College, as per Schedule A, to be used for the purposes as indicated, upon prior notice to the New York State Attorney General, and as required by the New York Prudent Management of Investment Funds Act. The General Counsel is authorized to sign any documents necessary in connection with the authorizations granted hereby. An earlier version of the schedule was approved by the Board of Trustees on May 5, 2014. The Office of the Attorney General

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requested certain changes to it. The new Schedule A has been approved by the Office of the Attorney General.

3. The City University of New York – Investment Portfolio Expenditure Appropriation. Committee Chair Lhota asked for the Committee's approval to authorize an amendment to the University's Investment Policy adopted in June 2013, revising the asset allocation as follows: the target asset allocation for U.S. Equity is changed from 26 percent to 21 percent and the range is unchanged at 15-30 percent; the target asset allocation for Global Equity is changed from 21 percent to 18 percent and the range is unchanged at 10-25 percent; the target asset allocation for Emerging Market Equity is changed from 10 percent to 8 percent and the range is unchanged at 5-12 percent; the target asset allocation for Hedge Funds is changed from 13 percent to 18 percent and the range is 10-25 percent; and the target asset allocation for Fixed Income is changed from 15 percent to 10 percent and the range is 5-15 percent. The Real Asset target is unchanged and the range therefore is also unchanged. A new 10 percent target for Private Equity has been added with a range of 0-15 percent.
4. The City University of New York – Amendment to the 2013 Investment Policy-Appendix A. Committee Chair Lhota stated that the Board of Trustees has determined, in accordance with CUNY's Spending Policy, that it is prudent to maintain an appropriation of 4.5% for funds in the Portfolio for the fiscal year ended June 30, 2016.

REPORT BY CUNY CHIEF INVESTMENT OFFICER JANET KRONE, AND MANAGING DIRECTOR MARK FOWLER AND MANAGING DIRECTOR THOMAS SMITT-JEPPESEN OF CAMBRIDGE ASSOCIATES

In response to a question from Trustee Valerie Beal, Chief Investment Officer Janet Krone stated that since the formation of the foundations at the colleges, their choice has been to put funds into the foundation. So there are contributions from some foundations that are mandated by the original donor document, as well as funds from some of the smaller schools that choose to invest everything with the pool because they really need the resources that CUNY offers. While more of the smaller colleges are investing in the pool, it could be larger in terms of dollars if the larger schools would also invest with the pool.

Vice Chancellor Matthew Sapienza added that over the last few years it has been static in terms of the colleges that have come into the pool versus the ones that have chosen to stay out of the pool.

In response to a question from University Faculty Senate Chair and Trustee Terrence Martell, Chief Investment Officer Krone stated that even though the CUNY portfolio is in a net withdrawal, it does not mean that the University is earning at less than 2.9 percent. Participants on a net basis withdraw more than they contribute, and net withdrawal has nothing to do with the return.

In response to a question from Trustee Beal, Chief Investment Officer Krone stated that the University surveyed the foundations several years ago, but in general their returns are less. It is hard to be definite as the University does not have access to the underlying numbers, but for the most part, the larger schools are invested with investment banks in high net worth products and paying exorbitant fees. CUNY could probably save about \$15 million a year if they co-invested. She added that the Budget Office has looked at various ways of addressing this issue, but it would mean changing the formula of the pool if they were to be involved.

Trustee Beal stated that it is incredulous that money is raised under CUNY's name and this Committee is not receiving any reports about the individual funds. This should be, at least, the responsibility of this Committee.

Committee Chair Lhota stated that he agrees with Trustee Beal, and is uncomfortable with the situation; however, it is not that funds are being raised in the name of the University;

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funds are being raised for the specific college. Alumni who started the foundations are not an instrument of the University.

In response to a question from Trustee Barry Schwartz, Chancellor James Milliken stated that this Committee does have some say on how funds are being raised. In fact, a manual had been prepared some years back that provides standards that each of these foundations must adhere to. He added that as a supporting organization, those foundations should report to their own colleges, which in turn could report to this Committee.

Committee Chair Lhota stated that in addition to receiving a report, the foundations should provide information about who appoints members of their board because if anything happens to any one of them, having authority or not, this Committee shall be held responsible.

Chancellor Milliken stated that it would be useful to bracket this matter and have a report provided to this Committee—a primer on the operations and the laws governing these foundations.

Vice Chairperson Philip Berry stated that the University cannot have rogue foundations using CUNY's name and not know what is going on.

Trustee Peter Pantaleo stated that the answer to this is rather simple. The foundations are using CUNY's name under some sufferance or right that has been granted; however, the University controls the name, so as a condition of continued licensing of the use of the CUNY name, this Committee should request that the foundations meet the University standards in the form of a licensing agreement.

In response to several questions from Committee Chair Lhota and Trustee Schwartz, Chief Investment Officer Krone stated that if the foundations followed CUNY's investment approach, the total dollars would be close to \$1 billion.

In response to follow up question from Trustee Schwartz, Chief Investment Officer Krone stated that the additional \$700 million would be on top of what the University already has.

In response to question from Trustee Schwartz on asset allocations, Chief Investment Officer Krone stated that the University has cash on hand when large withdrawals are anticipated or CUNY is in the process of funding or redemptions.

The public meeting of the Subcommittee on Investment was adjourned at 5:51 p.m. to go into Executive Session to further discuss spending and asset allocation.

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The Executive Session of the Subcommittee on Investment was called to order at 5:52 p.m.

There were present:

Committee Members:

Hon. Joseph J. Lhota, Chair
Hon. Valerie Lancaster Beal
Hon. Barry F. Schwartz
Hon. Terrence F. Martell, faculty member
President Felix Matos Rodriguez, COP Liaison

Ex-officio:

Hon. Philip Alfonso Berry

Trustee Observers:

Hon. Peter S. Pantaleo
Hon. Joseph Awadjie

Observers:

Prof. Kay Conway

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University Staff:

Chancellor James B. Milliken
Vice Chancellor Matthew Sapienza
Chief Investment Officer Janet Krone
University Controller Leonard Zinnanti
Senior University Dean/Special Counsel to the
Chancellor Dave Fields
Senior Advisor to the Chancellor Marc V. Shaw
University Executive Senior Associate General
Counsel Jane Davis

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DISPOSITION

After discussion in Executive Session, a motion was put forth by Trustee Valerie Beal and approved by the Subcommittee on Investment authorizing the University to produce a report on college foundations, to be presented at a future meeting of the subcommittee.

The meeting was adjourned at 6:06 p.m.