



**Board of Trustees**  
Investment Subcommittee

10:00 a.m.  
July 28, 2023

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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| <b>1. Called to Order</b>   | Trustee Boudreau        |
| <b>2. Minutes</b>   |                         |
| a. February 2, 2023   | Trustee Boudreau        |
| <b>3. Items for Discussion and Action</b>                         |                         |
| a. Motion – Investment Subcommittee Charter                       | Trustee Boudreau        |
| b. Index Fund Follow-Up   | Subcommittee            |
| <b>4. Items for Information</b>                                   |                         |
| a. Second Quarter Update and Market Review                        | CI Eaton Private Wealth |
| b. FY24 Quarterly Calculations on Investment<br>Income Withdrawal | CI Eaton Private Wealth |
| c. Future Meetings: October, January, April, July                 | Trustee Boudreau        |

**Attachment(s):**

- a. Minutes 2-2-23 (Draft)
- 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)



## BOARD OF TRUSTEES

Investment Subcommittee

February 2, 2023

Minutes

President's Boardroom, Horace Mann Center

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

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**MEMBERS PRESENT:** Committee Chair Madeline Landrau

**MEMBERS PARTICIPATING REMOTELY:** Trustees Theresa Jasmin and Ali Salehi

**MEMBERS ABSENT:** Trustee Paul Boudreau

**TRUSTEE GUESTS PARTICIPATING REMOTELY:** Trustee George Gilmer

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

The meeting was called to order by Committee Chair Landrau at 2:01 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 November 15, 2022, Investment Subcommittee meeting. **ROLL CALL VOTE** passed motion unanimously with Trustees voting in the affirmative: Jasmin, Salehi, and Landrau.

Fourth Quarter Update and Market Review was provided by CI Eaton representatives and discussed by the committee.

- The asset allocation since September has been as follows:
  - 59% equities and 41% bonds and cash on September 30
  - 62% equities and 32% bonds and cash on December 31
  - 65% equities and 35% bonds and cash today
- The cumulative portfolio return since inception has been 9.1%.
- The broad bond market was down 13% in 2022.
- The rolling three-year was aligned with the benchmark at 2.2% vs. 2.9% gain.

- The decline and underperformance in large cap equities was discussed. CI Eaton shared that the portfolio outperformed in bonds and small caps. Asset allocation will drive returns. In moving from active to passive there is a potential for outperformance in active management. If a passive strategy was used last year, the funds would have been down 20% instead of 15%. The institution should weigh one year's bad performance against all allocations over the long term.
- Mr. Taksar shared that what is important is to grow the investment so that income can be used to subsidize the operating budget. The University and committee need to determine its risk tolerance and whether it is comfortable in seeing the swings in the market or mitigate risk and lean more toward a passive index approach.
- CI Eaton will do what is best for the University and will adjust the investments as the committee wishes.

Messrs. Laflamme and Quinn left the meeting at 2:48 PM.

Active vs. Passive Investment Strategy. Mr. Carey referenced the material provided to the committee and stated that long-term passive investing will outperform active investing and suggesting discussing the pros and cons at the next meeting. Trustee Gilmer advised against making a change now and missing the high returns coming. It makes sense but need to focus on timing to have the right type of process ready at the correct time.

Investment Subcommittee Charge. At the next meeting, the committee will review the charge and discuss whether to create a charter or update the charge.

Motion – Investment Advisor Contract.

**MOTION** made by Trustee Jasmin, seconded by Trustee Salehi, to extend the current investment advisor contract with CI Eaton Private Wealth, formerly known as Eaton Vance WaterOak Advisors and Eaton Vance Investment Counsel, from July 1, 2023, through June 30, 2024.

The current contract with CI Eaton Private Wealth is for three years with the possibility of two, one-year extensions. This would be the second, one-year extension.

The University will develop a request for proposal (RFP) for investment advisor services which will go out to bid in fiscal year 2024 (FY24), based on the Investment Policy that is in place at the time of the bidding process.

Discussion: The strategy is to renew CI Eaton for one year and construct a RFP over the summer to invite a mix of organizations (large and local firms) to bid in order to explore options. If needed, the CI Eaton contract allows termination in 30 days. The committee should decide on active or passive investing first so the RFP could be based on what is desired. Many state universities are using CI Eaton to manage their investments.

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

There being no further business, **MOTION** to adjourn made by Trustee Jasmin, seconded by Trustee Salehi. **ROLL CALL VOTE** passed motion unanimously with Trustees voting in the affirmative: Jasmin, Salehi, and Landrau.

The meeting adjourned at 3:09 PM.

**Attachment(s):**

- a. Minutes 11-15-22 (Draft)
- b. Fourth Quarter Update and Market Review
- c. Fourth Quarter Update and Market Review (Statement of Spending Policy)
- d. Active vs. Passive Investment Strategy
- e. Active vs. Passive Investment Strategy (Common Sense on Mutual Funds)
- f. Active vs. Passive Investment Strategy (Great Mutual Fund Trap)
- g. Active vs. Passive Investment Strategy (Investors Manifesto)
- h. Active vs. Passive Investment Strategy (Unconventional Success)
- i. Active vs. Passive Investment Strategy (Burton Malkiel 50 Years Later)
- j. Active vs. Passive Investment Strategy (Against the Gods)
- k. Investment Subcommittee Charge
- l. Motion – Investment Advisor Contract

**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 and Advancement Committee meeting held on February 2, 2023.

\_\_\_\_\_  
Paul Boudreau, Secretary

\_\_\_\_\_  
Date



## **Board of Trustees**

July 28, 2023

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### **MOTION**

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 presented.



**BOARD OF TRUSTEES  
INVESTMENT SUBCOMMITTEE  
CHARTER  
DRAFT 3 / 7-18-23**

**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 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.

**Westfield State University**

Board of Trustees

**Investment Subcommittee Charge**

Of Finance and Capital Assets Committee

**Introduction:**

The Westfield State University Board of Trustees will form a subcommittee of the Finance and Capital Assets Committee to provide investment oversight for university investments. While the university has an investment policy and low risk investments, a more structured and performance focused investment approach is desired which may result in additional resources for the university.

**Goal:**

To leverage available cash resources, through a prudent investment policy and long-term asset allocation, which yields additional investment income for the university.

**Charge:**

1. To provide guidance and input in the selection of an investment advisor.
2. Review and update the Westfield State University Investment Policy and authority under the general laws of the Commonwealth of Massachusetts.
3. Review financial performance of the investment portfolio.
4. Utilize best practices to benchmark investment strategies.
5. Provide regular updates to the Finance and Capital Assets Committee and/or the Board of Trustees as is necessary or required.



## STATEMENT OF SPENDING POLICY

The University has adopted the following spending policy, which will apply to the WSU investment Portfolio.

This Policy seeks an appropriate balance among the following goals:

- Provide current programs with a predictable and stable stream of revenue
- Ensure the real value (defined as purchasing power) of the invested assets and its revenue stream does not decline over the long term

**Authorized expenditures during an upcoming fiscal year shall be limited to four percent (4%) of the average total market value of the investment portfolio over a trailing twelve quarter period ending June 30 fiscal year**, not to include endowment additions during the current fiscal year. In the event the average annualized total return for the trailing three year period fails to equal or exceed 4 %, then the University shall instead distribute Net Income (defined as interest, dividends and other income receipts from investments less expenses) until such time as the trailing twelve quarter period return equals or exceeds 4%. The amount for the coming year is to be calculated each June 30th and will be reviewed and approved annually by the investment/finance committee.

The annual distributions is being calculated after obtaining 12 consecutive quarters of investment market values. The distribution calculation takes the 12 quarter average and multiplies the average by 4% to arrive at the distribution amount.

## STATEMENT OF SPENDING POLICY

The Investment Policy further states:

The Fund is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Institution.

For the purpose of making distributions, the Fund shall make use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments.

The distribution of Fund assets will be permitted to the extent that such distributions do not exceed a level that would erode the Fund's real assets over time. The Committee will seek to reduce the variability of annual Fund distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Fund's spending policy, its target asset allocation, or both.

Periodic cash flow, either into or out of the Portfolio, will be used to better align the investment portfolio to the target asset allocation outlined in the asset allocation policy at Section IV. A. herein.

## Westfield State University Account History – June 30, 2023

<b>Quarter</b>	<b>Market Value</b>
20-Sep	\$21,136,087.07
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

Average of the last 12 Quarters	<b>\$23,190,052.50</b>
4% distribution	<b>\$927,602.10</b>