The Board of Trustees of Oregon State University

Meeting of the Finance & Administration Committee
May 24, 2016
Teleconference and President's Conference Room
Kerr Administration Building, OSU
Corvallis, Oregon

MINUTES

Committee Members Present: Ron Adams (ex officio), Mark Baldwin, Patty Bedient, Darry Callahan, Mike Green (ex officio), Laura Naumes, Pat Reser (ex officio), Kirk Schueler (chair), and Mike Thorne (vice chair)

Other Trustees Present: Michele Longo Eder

University Staff Present: Anita Azarenko, Sherm Bloomer, Penny Burgess, Debbie Colbert, Becca Gose, Patti Snopkowski, and Marcia Stuart

Guests: Steve Schauble (Vice President and Chief Financial Officer, OSU Foundation) and Luke Schneider (Asset Management, Public Financial Management)

1. Call to Order/Roll /Declaration of a Quorum
   Committee Chair Kirk Schueler called the meeting to order at 3:32 p.m. The board secretary called the roll and noted a quorum.

2. Report from Interim Vice Presidents for Finance and for Administration
   No items to report.

3. Consent Item
   a. Minutes of the March 30, 2016 meeting
      A motion was made and seconded to approve the March 30, 2016 Committee meeting minutes as presented; the motion carried.

4. Action Items
   a. FY2016 Q3 Operating Management Report
      Chair Schueler asked Interim Vice President for Finance Mike Green to report on the first nine months of operating results for the university's three operating fund groups: Education and General, Self-support, and Restricted. Green reported that there were no significant variances for the Education & General funds or Self-Support Funds. For Restricted Funds, he noted that the other revenue realization rate is higher than the 7-year average, primarily due to receiving an increase in OSU Foundation gifts of $2.5M and a $0.5M forestry gift. Green pointed out that the variance in the burn rate for transfers-out is due to the transfer of $3.4M to plant funds related to a High Temperature Test Facility that initially was thought to be accounted for as equipment, however, meets the criteria to be capitalized as a building.
Following discussion of the report, a motion was made and seconded to accept the FY2016 Q3 Operating Management Report. The motion carried.

b. FY2016 Q3 Investment Reports

Chair Schueler asked Green to report on the FY2016 third quarter results for the Public University Fund and the investments of the operating and endowment assets of the University. Green reminded the Committee that the University's investments include those held in the Public University Fund, the University's endowment assets invested by the Oregon State University Foundation (OSUF), and separately invested endowment assets, including land. Green introduced Ms. Penny Burgess, director of treasury management services, Mr. Steve Schauble, OSU Foundation vice president and chief financial officer, and introduced Mr. Luke Schneider of PFM Asset Management (participating via telephone).

Burgess noted that the report was comprised of three sections: the market background, which provides a general discussion of the investment markets and related performance information, and the third quarter performance reports for the Public University Fund (P.U.F.) and the University's investments. In accordance with the investment policy, the entirety of the monies held in the P.U.F. is invested with the State Treasurer in the Oregon Short-Term Fund, the Oregon Intermediate-Term Pool, and the P.U.F. Long-Term Pool. As of March 31st, the P.U.F. investment returns were 1.1% for the quarter and 1.4% year-to-date. The Short-Term Fund outperformed its benchmark for the quarter and year-to-date by 10 and 40 basis points (bps) respectively, and outperformed the 3-year benchmark return by 50 bps. The returns of the Intermediate-Term Pool lagged the benchmark by 50 bps for the quarter and 80 bps year-to-date. The returns of the Long-Term Pool lagged the benchmark for the quarter by 20 bps and 130 bps year-to-date.

Burgess explained that the underperformance of the Intermediate-Term Pool and Long-Term Pool during the quarter was attributable to an underweight in three to five year U.S. Treasury bonds and price volatility in the corporate bond segment of the portfolios. She added that Mr. Lofton used the price volatility to increase the portfolio allocation to corporate bonds in the Intermediate-Term Pool. All allocations were within the policy allocation parameters. When looking at the breakdown of each participating university's balance in the P.U.F. at quarter end, OSU's $229M balance was 41.1% of the total P.U.F. For the return on the University's investments, Burgess noted that the University's operating assets are invested in the P.U.F., which returned 1.1% for the quarter.

For OSU's endowment assets, Green reminded the Committee that OSU's endowment investments are managed by OSU Foundation. Green asked OSU Foundation Vice President and Chief Financial Officer Steve Schauble to present the foundation-managed endowment report to the Committee. Schauble described the return on endowment assets for the quarter. He also responded to a number of questions from the Committee regarding the identification of benchmarks, indexing of funds, and the process for reviewing fund managers. Schauble provided an update on the Foundation Committee on Public Input which met with students, faculty, and Trustee Baldwin recently to gather their input on divesting from fossil fuels. The Foundation is continuing to consider this input, and Schauble committed to providing more information in the near future.
Following the reports, a motion was made and seconded that the Committee accept the FY2016 Q3 Investment Reports, which included the FY2016 Q3 OSU Foundation-Managed Endowment Report. The motion carried.

The Chair asked if there was any other business. Interim Vice President for Finance Green gave an update on ongoing conversations with other P.U.F. universities and the Treasurer’s office regarding divesting from fossil fuels. Green shared that the universities and PFM are conducting analysis of options and impacts, and staff will return to the Committee with that information at a future meeting.

5. **Adjournment**
   
   With no additional business proposed, Schueler adjourned the meeting at 4:19 p.m.

Respectfully submitted,

[Signature]

Debbie L. Colbert
Board Secretary