Official Minutes

**Board of Regents**

**Special Meeting of the Full Board**

June 26, 2012

AUDIO CONFERENCE

**Regents Present:**

Patricia Jacobson, Chair
Kirk Wickersham, Secretary

Jyotsna Heckman, Treasurer

Dale Anderson

Timothy C. Brady

Fuller A. Cowell

Kenneth Fisher

Mary K. Hughes

Michael Powers

Patrick K. Gamble, Chief Executive Officer and President, University of Alaska

**Regents Absent:**

Carl Marrs, Vice Chair

Mari Freitag

**Other Present:**

Thomas Case, Chancellor, University of Alaska Anchorage
John Pugh, Chancellor, University of Alaska Southeast

Michael Hostina, General Counsel

Carla Beam, Vice President for University Relations

James Lynch, Associate Vice President for Treasury and Procurement Services

Michelle Rizk, Associate Vice President, Budget

Kate Wattum, Interim Director, Public Affairs

Brandi Berg, Executive Officer, Board of Regents

**I.** **Call to Order**

Chair Jacobson called the meeting to order at 10:05 a.m. on Tuesday, June 26, 2012.

**II. Adoption of Agenda** (amendment noted by \*)

Regent Powers moved, seconded by Regent Cowell and passed with no objection that:

 **PASSED**

**"The Board of Regents adopts the agenda as presented.**

**I. Call to Order**

II. Adoption of Agenda

**III.** **Approval of Revisions to the Consolidated Endowment Fund Policy**

**\*IV. Executive Session** (added)

**V.** **Adjourn**

 **This motion is effective June 26, 2012."**

**III. Approval of Revisions to the Consolidated Endowment Fund Policy**

Reference 1, 2 & 3

## Note for the record: Regent Anderson disclosed a conflict of interest due to his occupation as a financial advisor and he did not participate in the discussion or the voting process.

Regent Hughes moved, seconded by Regent Wickersham and passed with Regents Brady, Cowell, Heckman, Hughes, Powers, Wickersham and Jacobson voting in favor, and Regent Fisher voting in opposition that:

**PASSED**

**“The Board of Regents approves the amendments to the Consolidated Endowment Fund Investment Policy as presented. This motion is effective June 26, 2012.”**

RATIONALE AND RECOMMENDATION

The UA Foundation Investment Committee manages the Consolidated Endowment Fund (CEF) in accordance with the CEF Investment Policy, which is approved by the Board of Trustees and the Board of Regents. The UA Foundation Investment Committee met on May 3, 2012 to set the target rate of return and asset allocation for the coming year and address other related issues.

In setting the target rate of return and asset allocation, the UA Foundation Investment Committee concluded that it is probably not prudent to continue increasing the risk in the portfolio in order to meet its current distribution requirements and fully fund intergenerational equity (the reserve for inflation-proofing the portfolio) at the estimated CPI inflation rate. However, the CEF Investment Policy contemplates fully funding intergenerational equity at the CPI inflation rate in addition to the distribution requirements. The policy also includes statements indicating that planned risk levels should be less than that of an 80% equity portfolio and maintaining the real value of the assets is of “paramount” concern. At the time this policy was drafted, these statements were not particularly problematic, but the volatility of the markets in recent years has brought this issue to the forefront. Setting a target rate of return and corresponding asset allocation at a level sufficient to fund the current distributions and full inflation-proofing would exceed the risk level intended by the policy and, in the opinion of the UA Foundation Investment Committee, probably not prudent.

Reference 2 reflects the increase in risk over time that has been required to maintain a portfolio designed to produce an 8% return. The volatility level has increased almost four fold since 1991 from a standard deviation of approximately 3% in 1991 to 12% in 2010. This trend can also be seen in Reference 3, the CEF Portfolio’s projected returns. The UA Foundation Investment Committee expects the projected return to be approximately 47 basis points short of the amount needed to fully fund intergenerational equity. Reference 1 is Section IV of the Consolidated Endowment Fund Investment Policy reflecting the proposed amendments to this policy, which are necessary to avoid technical non-compliance.

On May 3, 2012, the UA Foundation Investment Committee passed a motion recommending that the Board of Regents and the Board of Trustees approve the proposed amendments as presented in Reference 1.

**IV. Executive Session**

## Regent Wickersham moved, seconded by Regent Fisher and passed with Regents Anderson, Brady, Cowell, Fisher, Heckman, Hughes, Powers, Wickersham, and Jacobson voting in favor that:

## PASSED

**"The Board of Regents goes into executive session at 10:15 a.m. Alaska Time in accordance with the provisions of AS 44.62.310 to discuss matters the immediate knowledge of which would have an adverse effect on the finances of the university related to the Great Alaska Shootout. The session will include members of the Board of Regents, President Gamble, General Counsel Hostina, and other university staff members as the president may designate and will last approximately 30 minutes. This motion is effective June 26, 2012.”**

The Board of Regents concluded an executive session at 10:51 a.m. Alaska Time in accordance with AS 44.62.310 discussing matters the immediate knowledge of which would have an adverse effect on the finances of the university related to the Great Alaska Shootout. The session included members of the Board of Regents, President Gamble, General Counsel Hostina, and other university staff members designated by the president and lasted approximately 40 minutes.

**V. Adjourn**

 Chair Jacobson adjourned the meeting at 10:53 a.m. on Tuesday, June 26, 2012.