



**Board of Trustees**  
Investment Subcommittee

10:30 a.m.  
July 27, 2022

President's Boardroom, Horace Mann Center

A live stream of the meeting for public viewing will also take place on YouTube at the following link: <https://www.westfield.ma.edu/live>

*COVID-19 Procedures: For more information about Westfield State's COVID-19 procedures, visit: <https://www.westfield.ma.edu/spring-2022covid/faq>.*

---

- |  |                               |
|--|-------------------------------|
| <b>1. Called to Order</b>                                | Chair Landrau                 |
| <b>2. Minutes</b>  |                               |
| a. March 3, 2022   | Chair Landrau                 |
| <b>3. President's Remarks</b>                            | President Thompson            |
| <b>4. Items for Information</b>                          |                               |
| a. FY22 Annual Performance Overview and Quarterly Update | Eaton Vance/WaterOak Advisors |
| <b>5. Items for Action</b>                               |                               |
| a. Motion – FY23 Investment Income Allocation            | Stephen Taksar                |
| <b>6. Items for Discussion</b>                           |                               |
| a. Future Investment Subcommittee Meetings               | Chair Landrau                 |

**Attachment(s):**

- a. Minutes 3-3-22 (Draft)
- b. FY22 Annual Performance Overview (Second Quarter)
- c. Motion – FY23 Investment Income Allocation
- d. FY23 Investment Income Allocation (Overview and Goals)
- e. FY23 Investment Income Allocation (Statement of Spending Policy)
- f. FY23 Investment Income Allocation (FY23 Innovation Fund Guidelines)



## BOARD OF TRUSTEES

Investment Subcommittee

March 3, 2022

Minutes

President’s Boardroom, Horace Mann Center  
and via Zoom

In accordance with Massachusetts Gov. Charlie Baker’s Executive Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20 dated March 12, 2020.

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

**MEMBERS PRESENT:** Trustees Paul Boudreau and Ali Salehi

**MEMBERS PARTICIPATING REMOTELY:** Committee Chair Madeline Landrau

**MEMBERS EXCUSED:** Trustee Theresa Jasmin

**TRUSTEE GUESTS PRESENT:** Dr. Robert Martin

Also present from Westfield State University were Dr. Linda Thompson, President, Stephen Taksar, Vice President for Administration and Finance, Lisa Freeman, Associate Vice President for Administration and Finance, and Gary Duggan, Director of Procurement. Also present were Robert Quinn and Duke Laflamme from Eaton Vance WaterOak Advisors (Eaton Vance) and Westfield State Foundation Board members Sheridan Carey and John Davies (joined remotely at 1:29 PM.)

The meeting was called to order by Committee Chair Landrau at 1:17 PM and it was announced that the meeting was being livestreamed and recorded. All committee members and guests participating remotely were announced as listed above.

**MOTION** made by Trustee Boudreau, seconded by Trustee Salehi, to approve the minutes of the November 22, 2021, Investment Subcommittee meeting.

**ROLL CALL VOTE** taken:

Trustee Boudreau	Yes	Trustee Salehi	Yes
Trustee Landrau	Yes		

**Motion passed unanimously.**

President Thompson thanked those joining and stated she was interested in the discussion.

Distribution of Investment Income: FY23 Model.

- The distribution model presented was drafted to comply with the Investment Policy. The model will be updated based on the next two quarters and the distribution figure integrated into the campus budget.

The committee will approve the final figure for FY23 budget planning purposes and the Board will approve a provisional budget in June and a final budget in October.

- The four percent figure is standard under the prudent investor rule. Financial planning software performed stress tests on the portfolio in numerous environments to ensure the rate could be distributed without invading principal.
- Despite the unrest in Ukraine and Europe, the market history over the last 115 years had 55 similar crises and is still up nine percent. Safety mechanisms in the policy include no large distributions if the market has a bad quarter to safeguard against volatility and requiring additional approval for distributions if the value drops below principal.
- The goal of the investments is to preserve purchasing power ahead of inflation. [Mr. Davies joined the meeting at 1:29 PM]
- The committee supported the distribution model and assumptions presented.
- The distributions will be used for seed money to advance the president's initiatives. Budget reports at the Finance and Capital Assets Committee meetings will show the Board and the campus community what the funds are being used for.

Quarterly Investment Results. A summary of the quarterly report was given by Messrs. Quinn and Laflamme.

- The other state universities continue to contribute to their portfolios at Eaton Vance because their fees (36 basis points) are competitive. All but two of the 12 state entities have added \$50 million over the last year. Returns net of fees are clearly showing that value has been added.
- It was noted that fees on other funds are at 90 basis points, but Mr. Quinn stated that those funds are less than four percent of the portfolio. It was requested that in future quarterly reports, Eaton Vance show a breakout of total fees with mutual funds plus the management fee on a separate page.
- The return for 2021 was 13.4% and the return since inception was 12.8%.
- In December, the equity allocation was reduced from 68% to 65% and today it is 62%.
- The December 31, 2021, summary included an asset allocation of 65% in equities, \$8.5 million in bonds, cash of \$600,000 and income of \$325,000. It was requested to add large cap, mid cap, and small cap to this page of the report.
- The bonds mature in the next five years and will be reinvested in higher interest rates. The bond quality ratings of A+ provides a ballast and level of protection in a high-quality fixed income portfolio.
- For the fourth quarter of 2021, the portfolio was 2.5% ahead of the benchmark, with 3.1% outperformance over the last year and 3.6% outperformance since inception.
- It was questioned when the best time to take planned quarterly distributions would be. Cash has been built up over the last six months while planning for a distribution.
- The University is completely tax exempt so there are no tax impacts on income or liquidations.
- The equities in financial and energy sectors will be readjusted. In the post-pandemic recovery, equities will revert to a low-growth environment, with high-quality companies that can grow above average.
- It was requested in a future report to see stocks in the portfolio and the risk statistics of each.
- NACUBO tracks college endowments. For FY21, the average one-year return was 30.6%. Mr. Taksar will try to obtain their report. There was a significant difference between the largest and smaller endowments. Other colleges are asking about moving into alternatives of private equity and venture capital. A five-year average may be more realistic to look at. Eaton Vance offered to review this and provide input.
- The timing of distributions was discussed, and it was stated that ten business days into the newest quarter is plenty of time. It was agreed that presently two distributions per year makes the most sense to maximize the portfolio and utilize the cash. Mr. Taksar and Eaton Vance will determine before June the best time to take distributions.
- President Thompson stated that some universities are enticing students by providing more financial aid. We are looking at creative financial aid and hiring students.

Investment Advisor Contract.

- We are nearing the end of a three-year contract with Eaton Vance which provides for two, one-year extensions. A summary was provided with a recommendation for an extension for one year while new members of the committee get acclimated. It would be useful to use this year to discuss what other related performance criteria the Board would like to use to evaluate the contract. It was noted that the procurement department is understaffed and the bidding process and procedure for awarding contracts is comprehensive and takes considerable time. There are also other critical procurement activities in the queue.
- Trustee Salehi agreed that a more detailed fee structure should be provided and was favorable to extending the contract for another year.
- It is good business practice to test the market periodically to ensure the best value is being received for the fees paid. It is a good plan to have a three-year contact with an option to extend as rebids are typically done after five years. Procurement would need two months to prepare to rebid. The committee members agreed to extend the Eaton Vance contract for one more year.
- It was questioned what percentage of the portfolio was invested in Russian securities. Eaton Vance said there were virtually zero companies with direct Russian investments, but there were some indirect. The emerging market ETF (5%) had 3.6% invested in Russia, which is approximately 0.15% of the overall portfolio. The benchmarks are trying to liquidate those positions. The University has no exposure to Russian companies.

There being no further business, **MOTION** to adjourn made by Trustee Boudreau, seconded by Trustee Salehi.

**ROLL CALL VOTE** taken:

Trustee Boudreau	Yes	Trustee Salehi	Yes
Trustee Landrau	Yes		

**Motion passed unanimously.**

The meeting adjourned at 2:31 PM.

**Attachment(s):**

- Minutes 11-22-21 (Draft)
- Distribution of Investment Income
- Investment Policy (0430)
- Quarterly Investment Results (December 31, 2021)
- 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 meeting held on March 3, 2022.

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

\_\_\_\_\_  
Date



## Board of Trustees

July 27, 2022

---

### MOTION

To transfer \$800,000 from the University's investment accounts with Eaton Vance/WhiteOak Advisors, to the University's operating account at Berkshire Bank, consistent with the University's Investment Policy (0430), FY23 provisional budget, and verified with the financial analysis presented today.

---

Robert A. Martin, Ph.D., Chair

---

Date

**Westfield State University**  
Investment Subcommittee

**Campus Investment Overview and Goals**

July 27, 2022

**Overview**

Over 3 years ago, the campus embarked on a strategy to leverage cash reserves to generate a new revenue stream for strategic investments. This required hiring an investment advisor, developing a cash management assessment, updating the campus investment policy and overseeing the investment portfolio. This process began in July 2019 with a \$20,000,000 cash investment, and, despite current market conditions, will generate over \$800,000 in new revenues for the university in FY23. Ultimately, over 10 years' time, it is expected this revenue stream will generate over \$10,000,000 for one-time strategic investments.

**Key Elements of the Investment Program**

- Trustee support has been critical to ensure the long-term approach towards utilizing this new revenue stream.
- Principal is considered similar to an “endowment”, whereby the assumption is it will not be drawn down and the overall balance of the initial investment will grow to preserve its purchasing power.
- Regular review and updating of the Investment Policy
- Regular review of investment advisor performance and related services
- Ensure a diversified portfolio and asset allocation structure is in alignment with policy.
- Amount of interest income available to the University will not exceed the policy parameters.

**Intended Use of Investment Income Allocation**

The intended use of these funds is to support innovation and creativity to optimize the return on investment. The funds are targeted to be used as one-time funds to jump start new initiatives. Given the potential variability of the income stream, it is not prudent to use these funds as backfill or to fund operational deficits. It is critical that the university have a pool of funds available to award through a competitive proposal process based on established criteria (see attached program parameters used for FY23 in the creation of the Presidents Innovation Fund Program).

The President has established a work group to recommend which proposal should receive funding, with the President having the final decision. So far, \$139,250 (out of a budget of \$300,000) has been awarded for the following projects:

- a. Expansion of Camps/Conferences
- b. Center for Interdisciplinary Informatics
- c. Emerging Leaders Academy
- d. Recruitment Support/Travel

It is expected additional projects will be awarded in the fall through a supplemental process. A review of results of these investments is expected at the conclusion of each project. Any unspent funds will be reclaimed at the end of the fiscal year and reinvested to fund new proposals or additional phases of initial proposals. Funds will be recycled, as available, for reallocation.

A second allocation has been made by the President to each of the new schools formed in Academic Affairs. Each school will receive \$50,000 as seed funding to start their own initiatives in support of program growth. The total funding allocated will be \$200,000 this year.

## 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, 2022

Quarter	MV
19-Jun	\$20,000,000.00
19-Sep	\$19,893,035.43
19-Dec	\$20,445,723.91
20-Mar	\$18,468,337.92
20-Jun	\$20,206,356.67
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



**Average**

**\$22,165,151.92**

**4% distribution**

**\$886,606.08**

# Westfield State University

## Presidential Innovation Fund

### FY23 Planning Guidelines

#### OVERVIEW

Westfield State University will dedicate \$300,000 in one-time funding from investment income earnings in FY23. The funds will be used to support innovation and creativity for new programs and/or initiatives that will provide a return on investment (ROI) in the form of increasing enrollment and retention or generate additional revenue.

***Innovation can be defined as exploring new ideas leading to the creation of a new program, process or service.... establishing successful ideas to create new value.***

The purpose of the Presidential Innovation Fund is to foster creativity by making one-time investments available as an incentive to test and implement new ideas to advance the mission of the University. Proposals must address a return on investment (ROI) or cost benefit which demonstrates that the long-term value is greater than the initial one-time investment.

#### PROCESS

- Complete an FY23 Innovation Request Form, Budget Template, and a one-page written justification.
- All proposals must be submitted, electronically, to Adèle Gamelli in Administration & Finance ([agamelli@westfield.ma.edu](mailto:agamelli@westfield.ma.edu)) by 5:00 p.m. on May 27, 2022.
- If facility changes are needed, the requestor must contact Maureen Socha, Executive Director of Capital Planning and Facilities at [msocha@westfield.ma.edu](mailto:msocha@westfield.ma.edu) for guidance, before submitting a final proposal to Administration and Finance.
- If technology purchases are proposed, the requestor must contact Alan Blair, Chief Information and Security Officer at [alan@westfield.ma.edu](mailto:alan@westfield.ma.edu) for guidance, before submitting a final proposal to Administration and Finance.
- The President will determine final awards, in consultation with campus leaders.
- Questions can be directed to Steve Taksar, Vice President for Administration and Finance at [staksar@westfield.ma.edu](mailto:staksar@westfield.ma.edu).

#### PARAMETERS

- Each proposal must be responsive to the Innovation Request Form and Budget Template.
- Multi-department or divisional collaboration is highly encouraged.
- Each proposal must demonstrate a cost benefit value to enhance revenue.
- Maximum allocation per proposal is \$25,000, maximum joint allocation (two departments or more) is \$50,000.

- Awarding decisions will be complete by July 15, 2022. Communication will be sent to all requestors by July 31, 2022.
- Funding will be available August 1, 2022, and must be spent by June 30, 2023 (funds will not be carried over into a future fiscal year).
- Funding must be used for the approved proposal and cannot be redirected.
- All unused funds will be swept at the end of FY23 and placed back into the general fund.
- This is one-time funding and will not be added to the ongoing base budget.
- Any purchases or renovations must follow University guidelines, policies, and capital project processes. Refer to attached planning guidelines for approved projects.

### **KEY FACTORS IN AWARDING FUNDING**

- Funds are intended to provide an incentive to encourage innovation in new programs and expand successful initiatives.
- Leveraging these one-time funds requires a return on investment (ROI) which can demonstrate value to the University by increasing revenue, reducing costs, or improving service.
- Multi-departmental or cross divisional partnerships will be a key factor in evaluating proposals.
- Any individual, department, or division can submit a proposal.
- All proposals should be reviewed by the divisions Vice President, not for approval, but for input and/or awareness.
- Financial details are critical to understanding how the one-time funds will be used and for what specific expenditures.

### **SCORING CRITERIA**

There is a total of 100 points available, per request, with the following criteria:

1. Return on investment (ROI)
2. Departmental/divisional collaboration
3. Quality of the proposal
4. Likelihood of success/sustainability
5. Alignment with the mission of Westfield State University