



INVESTMENT COMMITTEE MEETING

February 1, 2020

PAC Pavilion, Cal Poly Campus

MINUTES

Committee Members Present:

Jeff Armstrong	Josh Machamer	Bob Taylor
Mike Applegate	Rob Moore	Bob Wacker
Marc Benadiba	John Salmonson	
Dick Bradshaw	Bill Swanson	

Committee Members Absent:

Mark Harris	Chuck Harrington	Saira Malik
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Board Members Present:

Phil Bailey	Laura Pickering	Cindy Villa
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Staff:

Dan Banfield	Ericka Horn	Mary Pedersen
Allie Burnett	Adam Jarman	Lisa Rockwell-Harpster
Stacy Cannon	Grant Kirkpatrick	Dean Wendt
Aaron Curti	Al Liddicoat	
Jessica Darin	Jessica Otten	

Invited Guests:

Abigail Mason	Damon Whelchel
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Call to Order

Committee Chair Bob Wacker called the meeting to order and welcomed members. Mr. Wacker announced a quorum of directors' present and that the meeting was ready to proceed with its business.

Approval of Minutes

Mr. Wacker asked members for amendments to the November 16, 2019, Investment Committee meeting's minutes. None were identified; accordingly, a motion was made, seconded, and passed to approve the minutes.

Review Performance Report through December 31, 2019

TIAA Kaspick Investment Managers Abby Mason and Damon Welchel presented the quarterly endowment performance report. The Cal Poly Foundation endowment ended December at \$237.7 million, up from \$224.9 million at the start of the quarter, and \$201.9 million at the start of the calendar year. During the quarter, the endowment experienced additions of \$1.7 million and withdrawals of \$1.3 million (excluding fees). For the quarter, the endowment returned 5.5% (net of fees) matching the Growth multi-asset benchmark, 5.5%. Since inception (6/30/93), the Cal Poly endowment has earned 8.2% per year (net of fees) compared to 7.9% for the Growth multi-asset benchmark. Inflation over this period averaged 2.2% per year, so the endowment's real (inflation-adjusted) return was 6.0%. The total market value of Planned Gift Assets Under Management was \$13.3 million in 29 portfolios as of December 31, 2019. The full report is available starting on page 6 of 63 of the consolidated meeting book. Market highlights through December 31, 2019 are summarized on page 11 of 63. As of December 31, 2019, TIAA Kaspick's management of the Cal Poly Foundation's Life Income Program followed Policy Document 441.

TIAA Kaspick provided the 2019 NACUBO-TIAA Study of Endowments highlighting returns for the fiscal year ending June 30, 2019. The report includes 749 institutions comprised of public and private institutions. Cal Poly Foundation's cohort consists of 185 institutions in the \$101 million to \$250 million endowment size. Trailing ten-year average returns are similar for all cohorts, except those over \$1 billion. The Cal Poly Endowment cohort trailing return is 8.3%, which is in line with the Growth Multi-Asset benchmark of 8.5%, and ahead of Cal Poly Foundation's 10-year return of 7.6%.

President Armstrong called attention to the CSU Philanthropic Report noting Cal Poly's performance relative to the other 22 CSU Campuses. This is an annual publication the Chancellor's Office produces to report on the impact of donor support across the CSU System.

Endowment Allocation

Mr. Wacker asked TIAA Kaspick for a recommendation for potentially re-allocating the portfolio. Ms. Mason noted that Cal Poly Foundation's endowment rate of return at 8.2% is within target of an objective return of 8.4%. Cal Poly has met the objective over the long-term. Going forward, it is expected that returns will be lower, which if true will be very challenging to meet an 8.4% rate of return. There are a couple endowment management tactics for pursuing the objective: 1) reduce spending or 2) increase the equities. Ms. Mason noted that Cal Poly has already done a nice job of keeping spending down. Chair Swanson noted the third option of raising more money to increase the size of the endowment. Cal Poly is less dependent on endowment spending than other institutions and in theory could weather volatility better.

TIAA Kaspick proposed an approach to a staged move towards aggressive growth. This would be the most reliable means for potentially increasing returns. They cautioned the committee to wait until more is known about the volatility of the market in the coming months. The data indicates an elevated valuation in the market currently, with the potential for a down market.

Mr. Wacker noted in order to meet the objective of an 8.4% target return, an increase in the equity allocation would be warranted. President Armstrong expressed a goal of increasing the endowment size. Mr. Wacker noted that for the existing endowment, fundraising will support the growth of the endowment. Mr. Swanson noted the Committee's historical fiscally conservative approach. Mr. Wacker called on the Investment Committee for input on potential changes to the equity allocation. Mr. Bradshaw recommended the endowment allocation be included on future meeting agendas as a discussion item for regular review and monitoring.

Campus Programs Update

Fixed income investments

Treasurer Marc Benadiba provided a review of the Campus Programs Funds on pages 61 and 62 of 63 of the meeting book. As of December 31, 2019, Campus Programs Funds University Direct Spend totaled \$29.6 million in cash, bonds, brokered CDs and a money market account. For the same time period, the Facilities Fund Assets totaled \$40.9 million in bonds, brokered CDs and money market accounts. Mr. Benadiba noted the Foundation Facilities funds are heavily liquid due to the ongoing construction of the William and Linda Frost Center for Research and Innovation building and the Center for Wine & Viticulture. Chair Swanson recommended the University review the Campus Programs funds that are being used by fund managers as "rainy day funds" to ensure proper investment and returns on dollars not being spent, as well as encourage spending according to donor intent.

Review of activity

Mr. Benadiba provided a handout highlighting the University Direct Spend dollars, noting that for the first six months of the fiscal year ending December 31, 2019, the overall cash balance was \$29.8 million. Total gifts into the Campus Programs Funds for the fiscal year through December 31, 2019, totaled \$6.3 million. Total expenses from the Campus Programs Funds for the fiscal year through December 31, 2019, totaled \$6.7 million.

Mr. Benadiba noted the next step is to connect procurement specialists with fund managers to ensure managers are spending efficiently. He continued on to note Cal Poly's approach has been more efficient and impactful than other CSU institutions and peer intuitions.

Benchmarking discussion

Mr. Benadiba noted that he has been working with other institutions both within the CSU and outside of the CSU, including Cal Berkeley, Oregon State, and Arizona State, to evaluate the efficiency of our spending. Mr. Benadiba noted he will report back on the benchmark for endowment minimums. Mr. Wacker inquired as to an aging report. Mr. Benadiba noted that campus programs gift reports will be modified to incorporate balance aging. Mr. Benadiba will provide an update on aging reports once developed.

Adjournment

There was no further business and the meeting was adjourned at 9:20 a.m.

Respectfully submitted,



Bob Wacker (Oct 19, 2020 14:33 PDT)

Bob Wacker
Investment Committee Chair
Cal Poly Foundation Board

WACKER Inv Committee Meeting Minutes

2.1.20

Final Audit Report

2020-10-19

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