

The Regents of the University of California

COMMITTEE ON INVESTMENTS

November 21, 1997

The Committee on Investments met on the above date at Sunset Commons, Los Angeles campus.

Members present: Regents Atkinson, Bagley, Clark, Davies, Khachigian, Leach, Lee, Levin, Montoya, Nakashima, Parsky, Preuss, and Wilson

In attendance: Regents Brophy, Bustamante, Chandler, Connerly, Davis, Eastin, Gonzales, Hotchkis, Johnson, McClymond Sayles, and Soderquist, Regents-designate Miura and Willmon, Faculty Representatives Dorr and Weiss, Secretary Trivette, General Counsel Holst, Assistant Treasurer Stanton, Provost King, Senior Vice President Kennedy, Vice Presidents Darling, Gomes, Gurtner, and Hopper, Chancellors Carnesale, Debas, Dynes, Greenwood, Orbach, Vanderhoef, and Yang, Executive Vice Chancellor Golub representing Chancellor Wilkening, and Recording Secretary Nietfeld

The meeting convened at 11:10 a.m. with Committee Chair Lee presiding.

1. **TREASURER'S ANNUAL REPORT**

The Assistant Treasurer recommended that the Committee forward to The Regents the Treasurer's Annual Report for the fiscal year ended June 30, 1997.

[The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

Assistant Treasurer Stanton recalled that the Bylaws state that the Committee on Investments will report periodically to the Board concerning the investment operations of the University. The Treasurer's Annual Report goes into detail concerning these operations. The performance of The Regents' funds were excellent for the period, with returns for the retirement system and the general endowment pool above the top quartile of returns of peers for the fiscal year.

Upon motion duly made and seconded, the Committee approved the Assistant Treasurer's recommendation and voted to present it to the Board.

2. **REVIEW OF REGENTS' ENDOWMENT SPENDING POLICY**

Regent Parsky provided an update on some of the issues under consideration by the Treasurer's Advisory Group, which meets with the Treasurer on a quarterly basis. He explained that the group has been looking at the following three issues: the endowment expenditure policy, the costs of endowment administration and how those costs might be

recovered, and providing funding for development. With respect to the expenditure policy, Regent Parsky recalled that historically the University has restricted spending to income and suggested that this policy should be re-examined. At present, The Regents' investment policy is determining what the spending policy is. When the advisory group met with representatives of the trustees of the various foundations, Chairman del Junco assured them that this issue would be brought to the Committee for resolution. The group's report will include an explanation of the financial results of a change in the spending policy.

With respect to the costs of endowment administration, Regent Parsky believed that the Committee should look at how these costs may be reimbursed to the campus development offices. He noted that there has been an increased effort on the part of the campuses to raise private funds but that funding to do so is scarce. At present, development is funded by the chancellor. If the cost of development were to be reimbursed, it would be important for the Regents to ascertain what rate of return on this investment would be realized.

Regent Parsky reported that the Treasurer has also been looking into the issue of private equity; the advisory group will spend considerable time in an attempt to determine whether or not this area of investment should be pursued and, if so, the most appropriate way to do so.

In response to a question from Regent Levin, Regent Parsky anticipated that the advisory group would report to the Committee at either the January or February 1998 meeting.

The meeting adjourned at 11:20 a.m.

Attest:

Secretary