

The Regents of the University of California

COMMITTEE ON INVESTMENTS

July 16, 1999

The Committee on Investments met on the above date at UCSF-Laurel Heights, San Francisco.

Members present: Regents Atkinson, Davies, Lee, Parsky, and Taylor

In attendance: Regents Connerly, O. Johnson, Kozberg, Montoya, and Pannor, Regent-designate Kohn, Faculty Representatives Coleman and Dorr, Secretary Trivette, General Counsel Holst, Treasurer Small, Assistant Treasurer Stanton, Provost King, Senior Vice President Kennedy, Vice Presidents Broome, Darling, Gurtner, and Hershman, Chancellors Bishop, Cicerone, Greenwood, Vanderhoef, and Yang, Chancellor-designate Tomlinson-Keasey, and Recording Secretary Nietfeld

The meeting convened in Closed Session at 10:05 a.m. with Committee Chair Parsky presiding.

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The Committee went into Open Session at 11:20 a.m.

REPORT OF THE COMMISSION ON THE OFFICE OF THE TREASURER

The Commission on the Office of the Treasurer recommended that The Regents direct the Commission, on behalf of and reporting to The Regents, to act as an interim oversight committee with respect to the activities of the UC Treasurer's Office in order to improve governance.

It was recalled that the Commission to Review the Office of the Treasurer had been established to review the investment operations of the Treasurer's Office. After a competitive search, the Commission retained Wilshire Associates to assist in this effort. In the course of this review, the Commission met with Wilshire to discuss its findings and with the Treasurer's Office to discuss the Treasurer's investment strategy, organization, and management approach.

The Commission concurs with the findings of Wilshire Associates with respect to oversight and governance and thus recommends that it be directed to act as an interim oversight committee with respect to the activities of the UC Treasurer's Office in order to improve governance.

The Commission believes that governance should be the first area of consideration and that Regental oversight of the UC Treasurer's Office should be substantially improved. The Commission sees two possible solutions.

- The existing Regents' Investment Committee could engage in a more active oversight role. This

would require a significant commitment of Regental time, however, both in regular meetings that initially could be bimonthly and ultimately separate quarterly meetings of at least one-half day in length, and some existing Committee members may feel uncomfortable with the more technical investment subject matter.

- The Regents could empower an investment advisory committee which, like the current Commission, is comprised of Regents who are members of the Investment Committee and outside experts to perform regular oversight of the Treasurer's Office. Wilshire has advised that other major university endowments use this type of governance structure. The investment advisory committee would make recommendations to the Investments Committee, which would have final approval. Due to the immediate investment concerns, The Regents could extend the responsibilities of the Commission to fill this role and include among its responsibilities a final committee governance report or appoint a new oversight entity.

Under either solution, the oversight committee would work with the Treasurer, who would have an important role in the development of investment and management policies and procedures. The committee—in either of these two forms—would be independent and objective in determining policies and procedures relating to governance and would have the authority to retain outside consultants or advisors, if deemed appropriate.

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

The meeting adjourned at 11:25 a.m.

Attest:

Secretary

Commission to Review the Office of the Treasurer

Regent Gerald L. Parsky, Commission Chair

Regent Judith L. Hopkinson

Regent Howard H. Leach

Ms. Kathryn A. Hall, Managing Director
Laurel Management Co., LLC

Mr. Laurie Hoagland, Chief Executive Officer
Stanford Management Company

Mr. Joseph M. Maurer, Vice President and Treasurer
Levi Strauss Inc.

Ms. Gail Seneca, Chief Investment Officer
Seneca Capital