

The Regents of the University of California

COMMITTEE ON INVESTMENTS

May 17, 2001

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

Members present: Regents Atkinson, Bagley, Hopkinson, S. Johnson, Marcus, Miura, and Parsky;
Advisory member T. Davis

In attendance: Regents Connerly, Fong, O. Johnson, Kohn, Kozberg, Montoya, Preuss, and Sayles, Regents-designate Morrison and Seymour, Faculty Representatives Cowan and Viswanathan, Secretary Trivette, General Counsel Holst, Assistant Treasurer Stanton, Provost King, Senior Vice President Mullinix, Vice Presidents Broome, Drake, and Gurtner, Chancellors Berdahl, Bishop, Greenwood, Orbach, Vanderhoef, and Yang, and Recording Secretary Nietfeld

The meeting convened at 12:05 p.m. with Committee Chair Hopkinson presiding.

Regent Hopkinson announced the appointment of Mr. Peter Taylor and Mr. Rick Keller as consultants to the Investment Advisory Committee as representatives of the campus foundations.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of March 14, 2001 were approved.

2. APPROVAL OF ASSET ALLOCATION REBALANCING POLICY

It was recommended that The Regents approve adoption of the rebalancing policy as set forth in [the Attachment](#).

It was recalled that the original asset allocation plan recommended by Wilshire Associates and adopted by The Regents did not address specific procedures to be followed when asset sector allocations move outside of their allowable ranges. The Treasurer's Office has made recent transfers among the active equity, fixed income, and index portfolios to keep allocations within the specified ranges. The adoption of a formal policy and procedures would assure that the portfolios correspond more closely to the original intent of the asset allocation policy within the assumed time frames.

Regent Parsky reported that the recommendation had been thoroughly discussed by the Investment Advisory Committee at its May 1, 2001 meeting and that the proposed rebalancing policy had been endorsed by the committee.

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

3. **QUARTERLY PERFORMANCE REVIEW**

Mr. Steve Nesbitt of Wilshire Associates commented on the performance of the portfolios during the previous quarter, noting that there is a cyclical expectation of a downturn in the market, resulting in negative returns. He anticipated slightly negative returns for the retirement plan and the general endowment pool for fiscal year 2001. The portfolios saw negative returns in 1994 and 1988. The long-term expectation is 8.5 percent annual growth for the retirement plan.

Mr. Jeffrey Heil, Head of Equity Investments, reported a return of negative 12.3 percent for the retirement plan for the first quarter of the calendar year, which exactly matches the Russell 3000 benchmark. He added that performance had improved by 8 percent in April, with The Regents' portfolio outperforming the benchmark by 60 basis points.

Mr. Randolph Wedding, Head of Fixed Income, reported that the bond portfolio had positive returns for the quarter, although it underperformed the benchmark slightly.

Regent Parsky reported that the Investment Advisory Committee had discussed the distributions that are managed by Warburg Pincus, with a view towards reviewing the present arrangement.

The meeting adjourned at 12:15 p.m.

Attest:

Secretary