Chair Kimberly Brandon started the meeting of the Finance and Investment Committee at 9:59 AM.

Committee Members Present
Kimberly Brandon, Committee Chair
Leona Bridges, Director
Phil King, Director
Robert J. Nava, President and Director
Neda Nobari, Director
Maureen Pasag, Director (via phone)
Laurie Pitman, Director
Taylor Safford, Vice Chair

Absent and Excused
Ron Cortez, Director
Herb Myers, Director

Others Present
Venesia Thompson-Ramsay, Secretary and Treasurer
Alex Goldsmith, PFM Asset Management, LLC
Leslie Spencer, PFM Asset Management, LLC
Lesley Murphy, PFM Asset Management, LLC
Ellen Clark, PFM Asset Management, LLC

I. Review of Agenda: The committee reviewed and accepted the agenda.

II. Approval of February 25, 2016 Meeting Minutes: The committee reviewed the minutes from the February 25, 2016 meeting. Nobari asked for a correction to the minutes (section V.a., page 3) to read “Nobari said that based on her attendance at the AGB conference...” On motion duly made, seconded, and unanimously carried, the following Minute Action was taken:

MINUTE ACTION: that the committee approves the minutes for the February 25, 2016 meeting, with the above corrections.
Motion by: Taylor Safford Seconded by: Phil King Motion: Passed

III. Investment: PFM Asset Management presented the findings of their three-month analysis of the Foundation’s governance structure and portfolio line-up. They mentioned that as part of the study, they had reviewed a variety of documents, including the Foundation’s Investment Policy Statement (IPS) and performance reports and also conducted in-person meetings with Foundation staff, board members, and investment custodian (UBS Financial Services). PFM summarized their findings, as follows: 1) the Foundation’s current model of self-managing its
portfolio had worked for a long time but the effectiveness had deteriorated; 2) the IPS needed to be refined to align with our investment objectives; 3) the spending policy of 4% was reasonable and did not need to be changed; 4) the current asset allocation differed significantly from policy and was too heavily weighted to alternatives; 5) the investment performance reporting could be expanded with additional information; and 6) while not addressed in their report, they also felt that the Foundation needed more rigorous policies and internal controls with regards to investing, including the delineation of responsibilities.

PFM provided the committee with a number of recommendations that they considered the top five action items. Specifically, they recommended that the Foundation:

1. Consider adopting either an OCIO or a traditional consultant to share or assume some of the fiduciary responsibility and burden of the board as well as consider splitting the current Finance & Investment Committee into two separate committees, as some duties may not be receiving necessary attention.

2. Review and update the IPS to establish specific asset class targets, appropriate benchmarks and investment guidelines that included Socially Responsible Investing (SRI) restrictions.

3. Improve its portfolio diversification and adopt an asset allocation strategy that was expected to achieve the target return of 7.75%.

4. Reduce significant allocation to hedge funds and other alternatives.

5. Remove expensive, underperforming active managers and inefficient asset classes and add index funds to decrease investment costs. The study showed that our current manager fees, overall, were about 80bps, with just the alternatives being a little over 100bps. PFM stated that, with some changes, our manager fees could be south of 50 bps.

Finally, PFM referenced a Money Manager Analysis that they had also prepared but, in the interest of time, was not discussed. PFM offered to meet with the committee at another time to discuss the analysis in depth.

The committee began discussing the investment oversight model that would be most suitable for the Foundation (traditional consultant or an Outsourced Chief Investment Officer (OCIO)). Nava said he would survey our sister campuses to see which model they had employed and report back to the committee.

IV. SRI/ESG: The committee discussed the Green Fund that was provided by UBS Financial Services. Robert pointed out that there were two options: one for $2.4 and the other for $5 million, which was more ideal because of the access to quality funds that it afforded the Foundation. Robert reminded the committee that the Green Fund had been in the works for over two years when the Foundation began divesting from fossil fuels, but that finding the capital to invest was a challenge. He said that the Foundation now had donors interested in getting the Fund off the ground. Brandon asked that a report on the manager fees, along with the research on the Green Fund be disseminated to the entire committee. On motion duly made, seconded, and unanimously carried, the following Minute Action was taken:
MINUTE ACTION: that the committee approves the establishment of a Green Fund with a minimum investment of $5 million.
Motion by: Kimberly Brandon     Seconded by: Taylor Safford     Motion: Passed

The committee continued the discussion on combining SRI and Finance and Investment (F&I) committee meetings. The committee agreed to combine the meetings to allow input from members of the F&I committee meetings and to reduce the number of meetings directors had to attend. The SRI subcommittee would remain an active subcommittee of the Finance & Investment Committee.

V. **Adjournment:** There being no further business to discuss, and with Nobari making the motion and Safford seconding the motion the Finance and Investment Committee meeting was adjourned at 12:10 PM.

Respectfully submitted,

[Signature]

Kimberly Brandon, Chair     Date