

BOARD OF REGENTS and its
INVESTMENT COMMITTEE
NEVADA SYSTEM OF HIGHER EDUCATION

System Administration, Reno
2601 Enterprise Road, Conference Room
Friday, September 27, 2019

Video Conference Connection from the Meeting Site to:
System Administration, Las Vegas
4300 South Maryland Parkway, Board Room
and
Great Basin College, Elko
1500 College Parkway, Berg Hall Conference Room

Members Present Mr. Rick Trachok, Chair
 Mrs. Carol Del Carlo
 Mr. Trevor Hayes
 Ms. Laura E. Perkins

Members Absent: Dr. Patrick R. Carter, Vice Chair

Other Regents Present: Mrs. Cathy McAdoo
 Mr. Donald Sylvantee McMichael Sr.

Advisory Member
Present Mr. Russell Campbell/Your Second Opinion, LLC

Others Present: Mr. Andrew Clinger, Chief Financial Officer
 Mr. Joseph Reynolds, Chief General Counsel
 Mr. Rhett Vertrees, Assistant Chief Financial Officer
 Dr. Kumud Acharya, President, DRI
 Dr. Marc A. Johnson, President, UNR

Faculty Senate Chair Dr. Brian Frost, UNR, was in attendance

For others present, please see the attendance roster on file in the Board office.

Chair Rick Trachok called the meeting to order at 10:00 a.m. with all members present except for Vice Chair Carter

1. Information Only Public Comment – UNR’s Dr. John Seibel and Ms. Sierra Jickling shared concerns regarding climate change and their support for NSHE to divest from fossil fuels. Additionally, Ms. Jickling thanked the Committee for listening to students who have spoken to the Committee at meetings regarding fossil fuel divestment.

2. Approved Minutes– The Committee recommended approval of the minutes from the March 29, 2019, meeting. Ref. INV-2 on file in the Board office.

Regent Del Carlo moved approval of the minutes from the March 29, 2019, meeting. Regent Hayes seconded. Motion carried. Vice Chair Carter was absent.

3. Information Only Endowment Pool Performance, Russell Investments. Mr. Matt Beardsley, Russell Investments, presented a report on asset allocation and investment returns for the Pooled Endowment Fund. Ref. INV-3a and INV-3b on file in the Board office.

Mr. Beardsley's report focused on the NSHE's Endowment Pool performance as of August 31, 2019, and feedback on the benchmarks, as Chair Trachok requested.

Chair Trachok asked if the benchmark is set at an appropriate level. Mr. Beardsley answered that he believes it is the correct benchmark and although there are different pieces underlying the custom benchmark, it is all aligned with the NSHE's long-term goal. The benchmark is properly constructed to meet the objective and is overall producing the desired results.

Regarding the benchmark, Regent Hayes asked if there is a point in time to reassess and what would be. Mr. Beardsley answered that the same question is being asked internally and the NSHE's portfolio is not singular in its performance as of the end of August 2019. NSHE's portfolio is currently on the right track to prepare for the impending economic turmoil.

3. Information Only-

4. Information Only Endowment Pool Performance, Cambridge Associates
(continued)

added that currently it is only \$10 million in funded commitments for the legacy assets and the most recent commitment made was in 2015. The vast majority of the dollars should return between 8-9 years.

Chair Trachok asked what-in fees did the NSHE pay in calendar year 2018. Ms. Walker answered under \$1.5 million for managed assets and \$500,000 in fees for the legacy assets.

Mr. Beardsley mentioned that Cambridge Associates has a bigger fee than Russell Investments because Russell Investments do not have a full commitment to private equity at this time.

5. Approved Environmental, Social and Governance Investing, Cambridge Associates- Staff from Cambridge Associates presented several potential pilot projects for Environmental, Social and Governance (ESG) investing. The Committee recommended approval of the following: 1) NSHE staff to work with Cambridge Associates and Russell Investments under instruction for the investment managers to take into consideration climate related risks and opportunities when investing NSHE assets and that the OCIO's provide an annual report to the Committee on information received from the managers regarding ESG investing and 2) NSHE, Cambridge Associates and Russell Investments to conduct a survey of all the NSHE institutions through campus officers on climateG's

5. Approved Environmental, Social and Governance Investing, Cambridge Associates (continued)

environmental concerns listed in the ESG policy letter. He commented that mining is a big industry in Nevada and some individuals may view that as an environmental harm. Regent Hayes was not comfortable with the idea of possibly using public money to divest from one of Nevada's major industries. Mr. Beardsley added that he believes Cambridge Associates and Russell Investments can accommodate what the NSHE is trying to accomplish with the ESG policy.

Mr. Campbell suggested that the investment firms gather data from the managers and provide an annual report to the Committee. Ms. Walker agreed and added that Cambridge Associates could draft the letter that would be presented to the full Board for approval and then take care of distributing it to the regents.

Regent Del Carlo offered a friendly amendment to include a focus on climate related risks and opportunities in the letter and that the OCIO's provide an annual report to the Committee on information received from the managers regarding ESG investing as specified in the letter. Regent Perkins accepted the friendly amendment.

Regent Hayes asked when the letter will come forward to the full Board for approval. Chair Trachok answered that the letter will be presented to the Board at its October 18, 2019, special meeting.

Motion carried with the friendly amendment. Vice Chair Carter was absent.

Chair Trachok asked if the Board were to make a determination to divest from fossil fuels, what would the impact be on the NSHE's current investments, the institutions and the students. Ms. Walker said the impact is unknowable at this time as it is impossible to predict what returns will be on these assets in the future. Considering the unknowability of the impact on NSHE if it were to divest from fossil fuels, Chair Trachok asked if divesting from fossil fuels is a responsible decision for the Board of Regents to make. Ms. Walker answered yes and there are institutions already doing this; however, those institutions are in the minority. She believed it is a reasonable position to take and it will require some groundwork with all stakeholders.

Mr. Beardsley added having a carbon neutral portfolio is a reasonable long-stance; however, it does require the System to ignore what happens in the energy markets which have recently been fluctuating drastically. For example, if oil is rising, it would be difficult to

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