

Videoconference/Teleconference
Tuesday, September 29, 2020

Members Present Mr. Rick Trachok, Chair
 Dr. Jason Geddes
 Mr. Trevor Hayes
 Ms. Laura E. Perkins

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

Other Regents Present: Mrs. Carol Del Carlo, Board Vice Chair
 Ms. Amy J. Carvalho
 Ms. Lisa C. Levine
 Mr. Donald Sylvantee McMichael, Sr.

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

Others Present: Mr. Andrew Clinger, Chief Financial Officer
 Mr. Zelalem Bogale, Deputy General Counsel
 Mr. Rhett Vertrees, Assistant Chief Financial Officer
 Dr. Marc A. Johnson, President, UNR
 Dr. Vincent R. Solis, President, WNC
 Mr. Jim New, Vice President, Finance & Administrative Services, TMCC

Faculty senate chairs in attendance were: Dr. Maria Schellhase, CSN; Mr. Theo Meek, System Administration; Dr. Vicki Rosser, UNLV; and Dr. Amy Pason, UNR. Ms. Julia Bledsoe, TMCC, NSHE Classified Council Executive Board President, was also in attendance.

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 – Special Assistant and Coordinator Winter Lipson entered into the record public comment submitted by Taylor Valentine, senior student at UNR, about divestment of fossil fuels.

Chair Trachok pulled Agenda Item 10 – Operating Fund Distribution Rate.

2. Approved Minutes – The Committee recommended approval of the minutes from the September 27, 2019, meeting (Ref. INV-2 on file in the Board Office).

Regent Geddes moved approval of the minutes from the September 27, 2019, meeting. Regent Perkins seconded.

Mr. Russell Campbell, Your Second Opinion, LLC., commented on two matters that arise from the minutes for Russell Investments to address in Agenda Item 3: 1) Discuss an appropriate time to reassess the benchmark results; and 2) Provide information on the risk management tools that were used for the Endowment Fund.

Motion carried. Vice Chair Carter was absent.

3. Information Only Endowment Pool Performance Russell Investments Mr. Matt Beardsley from Russell Investments presented a report on asset allocation and investment returns for the Pooled Endowment Fund as of July 31, 2020. Mr. Beardsley also provided information on the performance over the last 12 months; how the performance compares to the benchmark; and what plans will Russell Investments take to reach the benchmark. (Ref. INV-3a and INV-3b on file in the Board Office).

Chair Trachol asked Mr. Beardsley to highlight what the underperformance is and how much is being paid for Russell Investments' services. Mr. Beardsley answered with respect to total underperformance for the year on a trailing 12-month basis through August 2020, the portfolio has delivered 3.3 percent absolute versus a benchmark of 8.4 percent which equates to about a 5 percent underperformance. Russell Investments considers this on the low end of the practical range on potential outcomes. Based on the calendar year of 2019, the System has paid \$943,000 in fees.

Mr. Andrew Clinger, Chief Financial Officer, asked when a turnaround is expected with regard to the underperformance over the last four years. Mr. Beardsley believed that the portfolio was strategically built in a way that was going to fulfill the objectives of the pool. Most of the underperformance is due to the multi-asset core portfolio and there were shortfalls with the hedge funds, as well. Mr. Beardsley said that it will be problematic if there is not a meaningful recovery within the next 12 months; however, the expectation is that a recovery will start to be seen in the late part of 2020 and beginning of 2021.

In response to questions from Chair Trachol, Mr. Clinger said as of December 2019, the relative performance of the NSHE Endowment Pool compared to the foundations was very close and he will work on getting that specific data to the Committee. Mr. Clinger added it would make sense to see performance data through the end of the 2020 calendar year before considering

3. Information Only Endowment Pool Performance Russell Investments
(continued)

Mr. Campbell asked has Russell Investments ever underperformed on benchmarks by this much before. Mr. Beardsley answered no and said this underperformance

4. Information Only Endowment Pool Performance Cambridge Associates Ms. Wendy Walker from Cambridge Associates presented a report on asset allocation and investment returns for the Pooled Endowment Fund as of 11/30/20. Ms. Walker also provided information on the performance over the last 12 months; how the performance compares to the benchmark; and what plans will Cambridge Associates take to reach the benchmark. *INV-4a and INV-4b on file in the Board Office).*

Mr. Clinger provided information on the total endowment breakdown between Cambridge Associates and Russell Investments regarding performance on the annualized amount since March 2017 and the fiscal year ending 3/31/2020.

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5. Approved Operating Pool Performance Discussion and Recommendation Staff from Cambridge Associates and System Administration presented report on asset allocation and investment returns for the Pooled Operating Fund as of July 31, 2020. The Committee recommended approval for a new manager for racial equity investing and also recommended Cambridge Associates to invest \$25 million from the Intermediate Term Pool of the Operating Fund to RBC Access Capital Community Investment *(ref. INV-5 on file in the Board Office)*.

Ms. Walker provided a report on asset allocation and investment returns for the Pooled Operating Fund as of July 31, 2020. She had no recommendations to the Committee for rebalancing; however, a recommendation will be made related to the racial equity section of the report.

Mr. Clinger added that based on the action ~~that~~ took at the) babetnse

6. Approved *Handbook* Revision, Statement of Investment Objectives and Policies

12. Information OnlyPublic Comment- None.

The meeting adjourned at 11:30 a.m.

Prepared by: Winter M.N. Lipson
Special Assistant and Coordinator to the Board of Regents

Submitted for approval by: Dean J. Gould
Chief of Staff and Special Counsel to the Board of Regents