

**GREAT BASIN COLLEGE FOUNDATION  
FINANCE COMMITTEE MEETING  
Monday, July 06, 2015 @ 1:30 PM  
Foundation Conference Room, McMullen Hall 102, GBC Elko  
GBC Ely 118, Pahrump GBC PVC 122, Winnemucca GBC 108**

**VOTING MEMBERS IN ATTENDANCE:** Tana Gallagher, James Glennon, Jim Kelley, John Pryor, Holly Wilson (via IAV),

**VOTING MEMBERS NOT IN ATTENDANCE:** Mark Laffoon

**OTHERS IN ATTENDANCE:** Regent Kevin Melcher, Vice Chancellor Vic Redding, Jaime Hullman, Director of Finance, NSHE, President Mark Curtis, Sonja Sibert, Maria Anderson, Mardell Wilkins, Mary Doucette

**I. Call to Order:**

Chair Glennon called the meeting to order at 1:31 p.m.

**II. Approval of Minutes from April 30, 2015:**

**MOTION:** Jim Kelly made a motion to accept the minutes from April 30, 2015; Tana Gallagher seconded the motion; and the minutes were approved unanimously with James Glennon abstaining.

**III. Explanation and Discussion of the NSHE Pooled Endowment Investments by Vice Chancellor Vic Redding:**

Regent Kevin Melcher, chair of the NSHE Board of Regents' Investment and Facilities committee, started out by introducing the NSHE system staff attending the meeting (Vice Chancellor of Finance & Administration Vic Redding and Jaime Hullman, Director of Finance). Regent Melcher provided an explanation as to why the topic of the NSHE Pooled Endowment Investments is being discussed now. He stated that about a year and a half ago the College of Southern Nevada (CSN) said they were interested in moving their endowment funds to the NSHE Endowment Fund. It has worked very well for them. There is a push for community colleges to share services. With that in mind, there are some services that the System Office can offer to the community colleges to see if there is an interest. The Investment and Facilities committee has six Regents on the committee and membership changes every July. They have been looking at outsource some of the committee's functions to a consultant. If a decision is made by the committee it must be approved by the full Board of Regents and it takes a great deal of time. Because of the volatility of the markets and changing landscape, the committee does not want to wait that long to take action on matters that need quick resolution. This would allow the committee to control the functions that they want to control within the operating pool and the endowment pool and give more authority.

The Vice Chancellor of Finance & Administration for NSHE, Vic Redding, presented information on the NSHE pooled endowment investments and explained the benefits to the GBCF to buy into this option. He is based in the Reno office.

The NSHE Endowment has about \$245 million. Prior to 1984, the entire System endowments were held centrally. Then in 1984, legislation was passed that allowed each institution to create their own foundation. All the old money (pre 1984) is still in that old endowment (approximately \$145 million). The new money received since then is held at the institutional level. The investment environment has changed since 1984. It is much more complex. There are more accounting and reporting and audit issues. Of \$245 million in the Endowment \$128 million is allocated to UNR, \$55 million is allocated to UNLV, and \$500,000 is allocated to GBC with the remaining amounts allocated to the other institutions. It is like a large mutual fund. It is a unitized endowment with readily identified shares by account, by institution. The Investment and Facilities Committee of the Board of Regents govern the NSHE Endowment and the committee meets quarterly and more if needed. Cambridge Associates is the consultant. They interview and monitor the performance of managers. The BOR sets the policy allocation for investments. The System office provides the accounting and administration for the Endowment. They use Fund Driver as the accounting system.

The Board of Regents Investment and Facilities Committee has taken a very strong and conservative position in managing these funds with a focus on the infinite time horizon and intergenerational equity. Returns that are high enough to afford our spending rate and cover inflation. The spending rate is about 4.5%. The institution can allocate what goes to spending and what goes to the management fee and the operation of the foundation

management state. President Curtis stated that the GBC allowable spending rate is 4.25%. James Glennon asked on the pricing and they do it monthly. Jamie Hullman, Director of Finance said if you purchase funds in June they would wait for the June valuations. There are about 590 accounts. Some institutions still purchase new accounts within the System. UNLV and UNR do not. Mechanisms to handle gifts are already in place and for non-restricted accounts. The spending decisions are still made at the institution level. Funds can be held for a shorter term (ie. funds for a capital campaign) with better returns than just parking it in a money market.

Each institutional components still appear on the financial statements. We bring this all into one consolidated reporting. NSHE policy states if you have funds of over \$1 million you have to do a yearly audit. That issue would go away for the GBC Foundation if assets are held in its account. That would save GBC about \$25,000 per audit.

The NSHE portfolio offers lower fees and a more diversified portfolio. A snapshot of the NSHE portfolio with fee comparison was provided. Also a comparison of the policy allocations between GBC and the NSHE portfolio. GBC has done very well over the past several years. The NSHE portfolio would give GBC the ability to be in more investment classifications. The NSHE endowment was one of the few to maintain its spending during the recession. Our funds support more scholarships so the importance of having long-term income is important. The bull market will end. As long as equities go up we will continue to do well. However, when the equity returns and we enter into the next valley that is when you will see the real benefits of the diversified portfolio.

President Curtis stated from his point of view, less volatility sounds good and aside from personnel costs, the largest single expenditure is the audit. GBC has \$770,000 in undesignated funds, which the finance committee and full board agreed to roll out the interest from that to support new program initiatives. As it is designated now, it is not treated as part of the long-term endowments. We could in the future change what initiatives it would fund. If we hung on to less than \$1 million locally and put the \$4 million plus into the NSHE endowment what would be the cost of the audit. Vic Redding said the audit would be under \$2,000.

President Curtis asked why UNLV and UNR have not thrown in even more into the NSHE endowment. The magic number for endowments seems to be the \$100 million mark. Fee structures do not really change from the \$100 million mark until you get to the billion mark. Therefore, the larger institutions with the larger foundations retain some of the funds for political reasons as well as for marketing purposes. It still benefits GBC because we are small.

Regent Melcher stated he is concerned that the Board of Regents is an elected board. You could end up with people on the board who have no investment experience. Membership changes every July 1<sup>st</sup>. We have remained consistent with membership fortunately, but that could change. This is why the Investment and Facilities Committee is looking at hiring a consultant. Vic Redding says we are looking at intergeneration stability in our returns and in management and staff as well. The system benefits in no way if GBC decides to invest. There is no pressure.

James Glennon said in 2000 when the state of Nevada created the local investment pool for the cities and then in 2008 they were broke. Vic Redding says there are three key differences here: the NSHE endowment is governed by the donor agreements. Another difference between the NSHE Endowment and the Local Government Investment Pool (LGIP) is the range of investments that we have available as a constitutional entity of the state is much broader than what the state treasurer has for the LGIP and the NSHE Endowment is still governed by the donor agreements. And finally, the NSHE Board of Regents could not borrow from the NSHE Endowment.

President Curtis said that the Finance Committee will probably need time to absorb the information and deliberate and have a broader discussion with the full Board of Trustees to see if there is an interest in pursuing. Vic Redding just added that if the Trustees are interested in saving money on the audit fees then it would have to go to the Board of Regents by March. There was a discussion on why the GBC Foundation had to do a yearly audit. Another savings would be not having to pay for Fund Driver, as the System has Fund Driver to run the reports anyway. They provide log in for each institution to see all of the accounts; it is a service that they can provide to the institutions. .

One other option is that if GBC Foundation receives a large donation we can park that donation in the NSHE Endowment and get a better return.

Regent Melcher does not need to be involved after this point. If there are any questions Vic Redding's office can help in any way to put together something to present to the full Board of Trustees.

**IV. Items from board members:**

None.

**V. Public Comment:**

None.

**VI. Adjournment of meeting:**

The meeting was adjourned at 1:02 pm.

*Signature* \_\_\_\_\_ *(Date)* \_\_\_\_\_