

From: [NSHE](#)
To: [Keri Nikolajewski](#); [Angela Palmer](#); [Winter Lipson](#)
Subject: Public Comment for the Investment Committee, April 19, 2024
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External Email:

Public comment submitted through NSHE Online form

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Name: Kent Ervin

Representing someone other than yourself?:

Meeting: Investment Committee, April 19, 2024

Agenda Item: #5 Investment Pool

In Favor / Opposed / Other: No Position stated – Concerned or Neutral

Comment:

Thank you for your service as fiduciaries of investment funds for the benefit of our colleges and universities.

NSHE is very fortunate to have the Operating Pool Fund, which is now nearly \$800 million in market value, and to be able to manage and invest it to produce supplemental revenue.

The NSHE Handbook Title 4, Chapter 10, Section 6, Paragraph B.1 defines the goal of the operating pool investment fund:

“The long-term objective of the Fund is to provide a relatively stable stream of revenue that equals or exceeds the general rate of inflation. The measurement of risk that will be used to determine if the long-term objective of the Fund is met with an acceptable level of risk is that the overall return of the Fund, net of fees, should equal or exceed the CPI over rolling periods of ten years.”

Unfortunately, the management of the fund has not met the objective of producing a stable stream of revenue. Regular distributions went to zero for eleven months during most of fiscal year 2023, which means that the institutions lost an important source of discretionary revenue. Cambridge Associates projects the long-term return of the fund at 3.8%, but because of a relatively high-risk assets that can vary from 0% to 7.8.% at 95% confidence. In other words, over ten-year periods there is a one-in-twenty chance the returns will be negative.

Treasury interest rates currently range from 4.4% for 30-year bonds to 5.4% for short-term notes. Treasury inflation-protected securities are yielding 2% above inflation. That suggests a laddered bond portfolio, with maturities to match cash flow needs, could beat the return rate of

the current asset allocation with low risk of not meeting the investment policy objective of income exceeding the inflation rate.

The fiduciary standard of prudence is that investment committee members should question the financial experts about options and take action as appropriate.

Thank you.

Agreed that all the information above is true and accurate: Yes

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