From:	NSHE
To:	Keri Nikolajewski; Angela Palmer; Winter Lipson
Subject:	Public Comment for the Investment Committee, September 26, 2024
Date:	Wednesday, September 25, 2024 7:46:21 PM

External Email:

Public comment submitted through NSHE Online form

Public Comment for the Investment Committee, September 26, 2024

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Name: Kent Ervin

Representing someone other than yourself?:

Meeting: Investment Committee, September 26, 2024

Agenda Item: 4. OPERATING POOL PERFORMANCE DISCUSSION AND RECOMMENDATIONS

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

Comment:

Thank you for your service as fiduciaries for NSHE investment funds. NSHE is fortunate to have the Operating Pool Fund, which is now over $760 million market value, 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." Unlike the endowment fund, the goal is stability of revenue, not growth of assets.
Unfortunately, the management of the fund has not met the objective of producing a stable stream of revenue, much less matching the inflation rate. 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. Fortunately, the market value and reserve account have since bounced back. But future volatility is expected because of the asset allocation as it is being managed..
According to the presentation from Cambridge Associates at the Investment Committee meeting in September, the projected long-term return of the fund at 3.8%, but because of 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. There is a 50% chance it won't meet the 3.8% target over 3-, 5-, 10-, and 25- year periods.
Treasury interest rates currently range from 4.1% for 30-year bonds to 4.7% for short-term

notes. Treasury inflation-protected securities are yielding 1.5% above inflation or more. That implies a laddered bond portfolio, with maturities to match cash flow needs, could meet the stated objective of stable revenue exceeding the rate of inflation with low risk The fiduciary standard of prudence is that investment committee members should question the financial experts about options.
Thank you.

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