

**BOARD OF REGENTS and its  
INVESTMENT COMMITTEE  
NEVADA SYSTEM OF HIGHER EDUCATION**  
System Administration, Las Vegas  
4300 South Maryland Parkway, Board Room  
Wednesday, June 30, 2021

Video Conference Connection from the Meeting Site to:  
System Administration, Reno  
2601 Enterprise Road, Conference Room

Members Present:

Regents' Committee  
Dr. Patrick R. Carter, Chair  
Dr. Jason Geddes, Vice Chair  
Mr. Joseph C. Arrascada  
Ms. Laura E. Perkins

Members Absent:

Dr. Lois Tarkanian

Other Regents Present:

Dr. Mark W. Doubrava, Board Chair  
Mrs. Carol Del Carlo, Board Vice Chair  
Mrs. Cathy McAdoo  
Mr. Donald Sylvantee McMichael Sr.  
Mr. John T. Moran

Members Present:

Advisory Members  
Mr. Russell Campbell, Your Second Opinion, LLC.

Members Absent:

Advisory Members  
Mr. Randy Garcia, UNLV Foundation  
Mr. Dean Byrne, UNR Foundation

Others Present:

Mr. Andrew Clinger, Chief Financial Officer  
Ms. Keri D. Nikolajewski, Interim Chief of Staff to the Board  
Ms. Brenda Ford, Accounting Manager  
Ms. Yvonne Nevarez-Goodson, Deputy General Counsel  
Ms. Julia Teska, Budget Director  
Mr. Rhett Vertrees, Assistant Chief Financial Officer  
Dr. Federico Zaragoza, CSN President

Faculty senate chairs in attendance were: Dr. Maria Schellhase, CSN; Ms. YeVonne Allen, TMCC; Ms. Shannon Sumpter, UNLV; and Dr. Amy Pason, UNR.

Mr. Jim Boyer, President of the NSHE Classified Council Executive Board was in attendance. Student body presidents in attendance were: Mr. Zachary Johnigan, CSN; and Mr. Matthew Hawn, UNR-GSA.

Chair Patrick R. Carter called the meeting to order at 9:00 a.m. with all members present except for Regent Tarkanian.

1. Information Only-Public Comment – None.

Regent Perkins exited the meeting.

2. Approved-Minutes – The Committee recommended approval of the minutes from the March 25, 2021, meeting (*Ref. INV-2 on file in the Board Office*).

Vice Chair Geddes moved approval of the minutes from the March 25, 2021, meeting. Regent Arrascada seconded. Motion carried. Regent Perkins and Regent Tarkanian were absent.

3. Information Only-Chair's Report – Chair Patrick R. Carter stated the purpose of the meeting is to hear presentations regarding the status of NSHE's existing Outsourced Chief Investment Officer (OCIO) structure and operations, and he did not anticipate the Committee would be changing the current NSHE portfolio management model at this meeting. Instead, he asked the Committee members to submit any inquiries to Mr. Andrew Clinger, Chief Financial Officer, after the upcoming presentations so that additional information could be presented at the next Committee meeting regarding any decisions governing the OCIO model for the future.
4. No Action Taken-Management of Investment Portfolios – The Committee discussed the current management of the NSHE investment portfolio as well as other potential management options which included:

- Extend the contracts with Cambridge Associates and Russell Investments in accordance with the terms and conditions in the contracts;
- Terminate the contract(s) of Cambridge Associates and/or Russell Investments in accordance with the terms and conditions of the contracts;
- Direct Staff to begin the Request for Proposals process to retain new Outsourced Chief Investment Officer(s); or
- Direct Staff to begin the process to transfer the investment duties in-house and provide the Chief Financial Officer the authority to hire appropriate staff.

4. No Action Taken-Management of Investment Portfolios – *(continued)*

Regent Perkins entered the meeting.

Mr. Clinger provided a report which included: the OCIO model – NSHE annual investment management fees/costs; UNR Foundation investment management costs and summary of investment activities; UNLV Foundation investment management costs; highlights from the NACUBO (National Association of College and University Business Officers) 2020 Study of Endowments; and NSHE’s estimated in-house investment management staffing costs.

Chair Carter asked for more information on the results comparison between Cambridge Associates and Russell Investments over the last three years. Mr. Clinger clarified that both the OCIOs started in 2017 with \$110 million, and the Endowment was split at that time between the two management firms. As of May 31, 2021, Cambridge Associates was at \$144.9 million with an annualized rate of return at 10.4 percent, and Russell Investments was at \$126.6 million with an annualized rate of return at 7.8 percent. Mr. Clinger also mentioned that the annualized rate of return for the Legacy Assets is 14.1 percent.

Ms. Wendy Walker, Cambridge Associates, said it has been her honor to serve the NSHE for close to a decade. The NSHE was her first client when she joined Cambridge Associates. Ms. Walker informed the Committee that, over the past four years, Cambridge Associates has been ahead of the benchmark based on the results delivered to the System. For the fiscal year-to-date through the end of March 2021 Cambridge Associates has delivered a 30.6 percent return which is 4.5 percentage points ahead of the benchmark. She further noted that private investments are still held at December 31, 2020, valuations and both the Legacy Assets sleeve and more than 10 percent of the Cambridge Associates’ management sleeve currently are held with a 0 percent return for the past five months, which should boost overall results when reported. Ms. Walker said the model in which Cambridge Associates serves its clients is entirely customized and the firm regularly assists clients with transition into in-house investment offices.

Mr. Matt Beardsley, Russell Investments, said he has been the primary contact at Russell Investments for the System since the NSHE became a client in 2016. He recognized the long-term results are a bit challenged relative to the policy benchmark; however, he was pleased to share that on an absolute basis the results have been relatively strong. As an OCIO, Russell Investments has been making active investment decisions on behalf of the System and as they started to consider the position of the economic and financial market cycle in 2018, Russell Investments positioned the NSHE’s portfolio more toward value stocks. At first, that did not garner the desired results, but over the past 6-9 months, the investments that Russell Investments has been positioning are starting to be rewarded. The portfolio has been up in the 30 percent range in the trailing 3 months and trailing 12 months. The fiscal year-to-date through May 2021, the portfolio has been up 26.7 percent which is about 3 percent ahead of the benchmark.

4. No Action Taken-Management of Investment Portfolios – *(continued)*

Mr. Russell Campbell, Your Second Opinion, LLC, shared two points: 1) The NSHE Foundation is much more complex than the UNLV and UNR Foundations, and PERS. There is also the Legacy portfolio and the new initiatives with respect to climate change and racial equity that should be taken under consideration; and 2) the trend is toward OCIO; small endowments struggle nationwide with managing the complexity of the current environment. It is not a stark difference of whether the NSHE should be in an OCIO model or transition to in-house. If the objective is better performance, there are a variety of options to consider and Mr. Clinger should do further research.

Vice Chair Geddes said the NSHE trended to the OCIO model for a long time due to staffing issues – limited number of staff, turnover, and budget cuts - and there is an upcoming 12 percent budget cut to the System. He shared his uncertainty on how the budget could accommodate in-house staff at this time. Vice Chair Geddes requested data that shows how large the staff are at other institutions for in-house investment offices. He commented that System staff is quite small and staffing may be an issue beyond the budget cut, so national numbers on staffing may be helpful to know. He also noted that another reason the System moved to the OCIO model is there are 13 members on the Board and very few have financial expertise. If the decision is to move away from the OCIO model, perhaps the advisory members should be a larger group to ensure proper guidance to the Board on investment decisions.

Regent Arrascada asked for more information on the management fees for the two OCIOs. Mr. Clinger said the management fees are as follows: Russell Investments is a little over \$1 million; Cambridge Associates is a little over \$2 million; and the Legacy Assets were about \$675,000. The grand total in management fees is about \$3.7 million.

Ms. Walker added that incentive fees tend to vary year to year. In response to a previous question about staff levels, Ms. Walker mentioned that Cambridge Associates has over 1,000 employees worldwide and about 100 are senior investment managers located on four continents.

Mr. Beardsley said that Russell Investments has historically contracted with the NSHE in regard to fees on a bundled basis.

Chair Carter requested more information on the Operating Pool and how in-house staff could guide the Board on that. Mr. Clinger answered that the Operating Pool is currently managed under a more traditional client-advisor relationship. Cambridge Associates is the advisor for the Operating Pool. When the System converted to the OCIO model, the long-term portion of the Operating Pool could be bundled with an OCIO, as well. If it was brought in-house, having a chief investment officer and an assistant would benefit the Operating Pool. Currently, the value of the Operating Pool is \$750-800 million. It varies within this range

4. No Action Taken-Management of Investment Portfolios – *(continued)*  
  
daily. Relative to the Endowment Pool, the Operating Pool is a much larger pool of funds.
5. Information Only-New Business – Regent Arrascada requested that a policy be established that would require at least one Regent to act as a point of contact to remain updated on the cost of construction following the approval of allocated resources.
6. Information Only-Public Comment – None.

The meeting adjourned at 9:59 a.m.

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

Submitted for approval by: Keri D. Nikolajewski  
Interim Chief of Staff to the Board of Regents

**Approved by the Board of Regents at its December 2-3, 2021, meeting.**