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

Video Conference Connection from the Meeting Site to:
System Administration, Reno
2601 Enterprise Road, Conference Room
and
Great Basin College, Elko
1500 College Parkway, Berg Hall Conference Room

Members Present:	Regents' Committee Dr. Mark W. Doubrava, Chair Dr. Jason Geddes, Vice Chair Mr. Joseph C. Arrascada Ms. Laura E. Perkins Dr. Lois Tarkanian
Other Regents Present:	Mrs. Cathy McAdoo, Board Chair Dr. Patrick R. Carter, Board Vice Chair Ms. Amy J. Carvalho Mr. Donald Sylvantee McMichael Sr.
Members Present:	Advisory Members Mr. Russell Campbell, Your Second Opinion, LLC Mr. Dean Byrne, UNR Foundation
Members Absent:	Advisory Members Mr. Randy Garcia, UNLV Foundation
Others Present:	Ms. Keri D. Nikolajewski, Interim Chief of Staff to the Board Mr. Andrew Clinger, Chief Financial Officer Ms. Yvonne Nevarez-Goodson, Deputy General Counsel Ms. Julia Teska, Budget Director Mr. Rhett Vertrees, Assistant Chief Financial Officer Mr. Tillery Williams, Senior Fiscal & Policy Analyst Ms. Joyce M. Helens, GBC President

Dr. Julian Smit, CSN Faculty Senate Chair, was in attendance.

Chair Mark W. Doubrava called the meeting to order at 3:00 p.m. with all Regents' Committee members present.

1. Information Only-Public Comment – None.

2. Approved-Minutes – The Committee recommended approval of the minutes from the June 30, 2021, meeting *(Ref. INV-2 on file in the Board Office)*.

Regent Tarkanian moved approval of the minutes from the June 30, 2021, meeting. Vice Chair Geddes seconded. Motion carried.

3. Information Only-Chair's Report – No report was provided.

4. 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 June 30, 2021 *(Refs. INV-4a and INV-4b on file in the Board Office)*.

5. 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 June 30, 2021 *(Refs. INV-5a and INV-5b on file in the Board Office)*.

Mr. Andrew Clinger, Chief Financial Officer, provided an overview of the total Endowment – market value as of June 2021, managed by Cambridge Associates and Russell Investments.

At the request of Board Vice Chair Carter, Ms. Walker defined the Legacy Assets for the new Committee members.

6. Approved-Operating Pool Performance Discussion and Recommendations – Staff from Cambridge Associates and System Administration presented a report on asset allocation and investment returns for the Pooled Operating Fund as of June 30, 2021. The Committee recommended approval of the following actions: reallocate $50 million into the Metis International Equity Index from the Vanguard Developed Market position; trim $10 million from Vanguard Institutional Index; add $5 million to Vanguard Short-Term Inflation-Protected Securities; and add $5 million to Wells Capital Montgomery *(Ref. INV-6 on file in the Board Office)*.

Mr. Ijeh Ogbechie, Cambridge Associates, reported on asset allocation and investment returns for the Pooled Operating Fund as of June 30, 2021.

Vice Chair Geddes asked if the NSHE staff supported the rebalancing recommendations. Chief Financial Officer Clinger confirmed that staff supports the recommendations.

6. Approved-Operating Pool Performance Discussion and Recommendations – *(continued)*

Vice Chair Geddes moved approval of the following actions: reallocate $50 million into the Metis International Equity Index from the Vanguard Developed Market position; trim $10 million from Vanguard Institutional Index; add $5 million to Vanguard Short-Term Inflation-Protected Securities; and add $5 million to Wells Capital Montgomery. Regent Arrascada seconded.

Regent Arrascada asked what the fees involved would be in approving the recommendations. Mr. Ogbechie answered that the incremental fee would be $20,000.

Mr. Russell Campbell, Your Second Opinion, LLC., said the $50 million that is allocated to the NSHE firm as well as the $50 million being contemplated will represent roughly one quarter of the assets of this very small manager which Mr. Campbell believed to be a lot. The $100 million also represents roughly 15 percent of the Operating Pool's long-term assets. He believed this is quite a significant commitment to a very small manager and the NSHE would not get very much in return considering the $20,000 fee.

Ms. Walker added that since the US Equity fund was seeded back in February, the assets in the pool have gone from zero to $250 million, and there is a significant demand in the marketplace for this type of comingled vehicle by a diverse manager because currently passive index funds are typically only available from very large institutions. Ms. Walker said that the incremental fee of $20,000 is not exceptionally high and will begin to reduce over time.

Motion carried.

7. Approved-*Handbook* Revision, Statement of Investment Objectives and Policies for the Operating Funds – The Committee recommended approval of the proposed changes to the Statement of Investment Objectives and Policies for the Operating Funds *(Title 4, Chapter 10, Section 6 (B)) (Ref. INV-7 on file in the Board Office)*.

Chief Financial Officer Clinger provided a brief overview of the proposed changes which included the following addition to the Financial and Investment Objectives of Discrete Pools, Investment Policy:

Consistent with the exercise of fiscal prudence and to more fully reflect the highly diverse population of Nevada and the System's institutional values of inclusion, diversity, equity and access, the System seeks to achieve robust diversity within its investment program and through enhanced inclusive investment practices by its investment managers. Accordingly, the investment advisor will make best efforts

7. Approved-*Handbook* Revision, Statement of Investment Objectives and Policies for the Operating Funds – *(continued)*

to recommend diverse investment managers that are women, disadvantaged and minority owned.

Regent Perkins moved approval of the *Handbook* revision. Regent Tarkanian seconded. Motion carried.

8. Approved-*Handbook* Revision, Statement of Investment Objectives and Policies for the Endowment Fund – The Committee recommended approval of the proposed changes to the Statement of Investment Objectives and Policies for the Endowment Fund *(Title 4, Chapter 10, Section 5 (2)) (Ref. INV-8 on file in the Board Office)*.

Chief Financial Officer Clinger provided an overview of the proposed changes which included the following addition to the Objectives section:

Consistent with the exercise of fiscal prudence and to more fully reflect the highly diverse population of Nevada and the System's institutional values of inclusion, diversity, equity and access, the System seeks to achieve robust diversity within its investment program and through enhanced inclusive investment practices by its Fund Manager. Accordingly, the Fund Manager will make best efforts to hire diverse investment managers that are women, disadvantaged and minority owned.

Regent Perkins moved approval of the *Handbook* revision. Regent Arrascada seconded. Motion carried.

9. Approved-Management of Investment Portfolios – Chief Financial Officer Andrew Clinger presented staff's recommendations for the future management of the NSHE investment portfolio. William Jarvis from Bank of America presented additional information. The Committee recommended approval of not renewing the contract with Russell Investments as of December 31, 2021. The Committee also recommended renegotiating the current contract with Cambridge Associates to extend the term of the contract and to move the investments from Russell Investments to Cambridge Associates to manage *(Refs. INV-9a, INV-9b, INV-9c, INV-9d and INV-9e on file in the Board Office)*.

Mr. Jarvis provided a report entitled "First Principles – Investment Governance for Fiduciaries of Long-Term Funds" which included: discernment: understanding your organization – types of non-profit organizations, sources of funding, endowments and balancing of interests; knowing the rules: fiduciary duty – the fiduciary role, the fiduciary mindset, and fiduciary behavior and investment policy; and fulfilling the role: governance – the four tools of prudent governance, asset allocation and portfolio diversification, characteristics of the endowment model of investing, conservative vs. traditional, commonly-used endowment management structures, and fiduciary health and investment governance.

9. Approved-Management of Investment Portfolios – *(continued)*

Chief Financial Officer Clinger provided a report which included: an overview of the current NSHE investment management structure utilizing Outside Chief Investment Officers ("OCIO") through Cambridge Associates and Russell Investments; examples of similarly sized endowments – western region systems: University of Alaska System and University of Hawaii System; benefits of OCIO and in-house investment management models; challenges with transitioning to in-house investment management; current staffing levels of Cambridge Associates and Russell Investments – NSHE account; and staff recommendation.

Vice Chair Geddes shared his support to continue with the OCIO model. He asked whether the contract extension could be renegotiated with Cambridge Associates before the Cambridge's contract expiration on December 1, 2021. Chief Financial Officer Clinger said the two-year extension would need to be exercised; however, the fees would need to be renegotiated and brought back to the Committee and full Board.

Mr. Dean Byrne, UNR Foundation, and Chief Financial Officer Clinger discussed the investments that are currently with Russell Investments and the transition of those investments to Cambridge Associates. Chief Financial Officer Clinger confirmed that NSHE staff and Cambridge Associates had no concerns regarding the transition of investments.

Mr. Campbell added that OCIO fees have come down quite dramatically in recent years and he assumes there may be a discount for the larger amount of assets that Cambridge Associates will be managing. He also recommended that the NSHE staff research what other similar sized funds pay, so the upcoming contract negotiations with Cambridge Associates will be well-informed. Mr. Campbell also asked that the Committee consider liquidating some of the assets that Russell Investments manages and have the NSHE invest those directly in publicly traded investments, either exchange traded funds or passive indexes, to save the OCIO fees and reduce investment manager fees.

Vice Chair Geddes moved approval of not renewing the contract with Russell Investments as of December 31, 2021. The Committee also recommended renegotiating the current contract with Cambridge Associates to extend the term of the contract and to move the investments from Russell Investments to Cambridge Associates to manage. Regent Perkins seconded.

9. Approved-Management of Investment Portfolios – *(continued)*

Regent Arrascada and Chief Financial Officer Clinger discussed the option of NSHE employing an in-house investment officer. Chief Financial Officer Clinger stated with the size of NSHE's Endowment, he believes the OCIO model is in the NSHE's best interest at this time.

Motion carried.

10. Information Only-New Business – Regarding Mr. Campbell's previous advice, Vice Chair Geddes asked staff to look into liquidating some of the assets managed by Russell Investments and having the NSHE invest those directly in publicly traded investments, either exchange traded funds or passive indexes, to see if it would reduce OCIO fees and investment manager fees.

11. Information Only-Public Comment – None.

The meeting adjourned at 4:57 p.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 June 9-10, 2022, meeting.