

Minutes approved by the Board of Regents at the November 30-December 1, 2023, meeting.

**BOARD OF REGENTS and its
INVESTMENT COMMITTEE
NEVADA SYSTEM OF HIGHER EDUCATION**
System Administration, Las Vegas
4300 South Maryland Parkway, Board Room
Friday, March 31, 2023

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
Mrs. Amy J. Carvalho, Chair
Ms. Laura E. Perkins, Vice Chair
Mrs. Susan Brager
Dr. Michelee Cruz-Crawford
Dr. Lois Tarkanian

Other Regents Present:

Mr. Joseph C. Arrascada, Board Vice Chair
Mr. Patrick J. Boylan
Ms. Heather Brown
Mrs. Carol Del Carlo
Mr. Jeffrey S. Downs
Mr. Donald Sylvantee McMichael Sr.

Member Present:

Advisory Members
Mr. Mark Denzler, UNR Foundation

Member Absent:

Advisory Members
Mr. Randy Garcia, UNLV Foundation

Others Present:

Mr. Dale A.R. Erquiaga, Acting Chancellor
Ms. Keri D. Nikolajewski, Interim Chief of Staff to the Board
Mr. Andrew Clinger, Chief Financial Officer
Mr. James Martines, Chief General Counsel
Mr. Rhett Vertrees, Assistant Chief Financial Officer
Mr. Joel Bekker, Deputy Attorney General

Faculty senate chairs in attendance were: Mr. Ed Boog, System Administration; and Dr. Eric Marchand, UNR. TMCC Student Body President Chanikan Buntha was also in attendance.

Chair Amy J. Carvalho called the meeting to order at 9:01 a.m. with all Committee members present. She led the Pledge of Allegiance and provided the Land Acknowledgement.

1. Information Only-Public Comment – Brian Miller, UNR, submitted public comment regarding his concerns with the lack of classified staff in skilled and semi-skilled trade labor.
2. Approved-Minutes – The Committee recommended approval of the minutes from the September 30, 2022, meeting. (*Ref. INV-2 on file in the Board office*)

Vice Chair Perkins moved approval of the minutes from the September 30, 2022, meeting. Regent Brager seconded. Motion carried.

3. Information Only-Chair's Report – Chair Amy J. Carvalho welcomed the new Committee members and all other Regents attending the meeting. She encouraged everyone to engage in the discussions and to make inquiries as needed.
4. Information Only-Investment Committee Orientation and Duties – Assistant Chief Financial Officer Rhett Vertrees provided the Committee with relevant background material and an overview of the duties of the Nevada System of Higher Education in relation to governance and oversight of its investment activities. (*Ref. INV-4 on file in the Board office*)

Mr. Vertrees provided a brief overview of the Committee charge and the duties of the Investment Committee.

Regent Brager asked about background information on the Endowment Pool and oversight of the distributions/donations made to the campuses. Mr. Vertrees shared that the Endowment Pool is a static pool, there are no new endowments directly made to the System Endowment Fund. Board policy directs the System on how to invest and distribute funds, and there is a quarterly distribution based on earnings. The System does not monitor institutional endowment pools as those are monitored at the campus level. Regent Brager recommended building in an accountability factor for the campus endowment pools since it is the Board's fiduciary responsibility to ensure that the funds are being distributed and spent appropriately.

In response to an inquiry from Chair Carvalho, Mr. Andrew Clinger, Chief Financial Officer, stated that the NSHE Endowment Pool was the only pool that did not have a single finding or recommendation in the most recent Legislative audit. The current Board policy in place is effective.

Mr. Mark Denzler, UNR Foundation, added for clarification that the money that comes in through the NSHE Endowment Pool does not flow in and through the

4. Information Only-Investment Committee Orientation and Duties – *(continued)*

UNR Foundation. The UNR Foundation reports back to all donors as to what performance is on individual endowments. Also, the UNR Foundation is audited on an annual basis.

Mr. Dale A.R. Erquiaga, Acting Chancellor, and Mr. Clinger discussed where the land grant dollars were placed in the 19th century, and the sub-account within the NSHE Endowment Pool that contains the land grant funds. Mr. Clinger added if the System were to be split up, there would need to be legal analyses on how the land grant money would be distributed among the institutions.

Regent Boylan requested an outline of all the NSHE foundations and the various grants that the NSHE is responsible for throughout the System and institutions.

Mr. Joel Bekker, Deputy Attorney General, reminded Regent Boylan that the current item being heard is for information only and perhaps it would be best to request the information he seeks in a direct email to the appropriate contact.

Mr. Vertrees noted that the information requested by Regent Boylan is under note 22 in the financial statements.

5. Approved-Operating Pool Performance Discussion and Recommendations – The Committee recommended approval of the following recommendations: Trim Global ex US Equity to support rebalancing of Long-Term Bonds: \$10 million trim from Vanguard Developed Markets Index; and Rebalancing Long-Term Bonds closer to policy target: \$5 million addition to PIMCO Total Return and \$5 million addition to Wells Capital Montgomery. *(Ref. INV-5 on file in the Board office)*

Ms. Wendy Walker, Cambridge Associates, presented a report on asset allocation and investment returns for the Pooled Operating Fund as of February 28, 2023, with subsequent estimates through mid-March.

Chair Carvalho and Ms. Walker discussed investing being a long-term behavior and passive management (indexing) of the accounts. Ms. Walker added the operating pool is dedicated largely to Vanguard funds, and MSCI is a benchmark used in many asset classes (Vanguard is an asset manager).

Vice Chair Perkins asked for more information on the operating fund and how it helped with the COVID-19 reductions. Mr. Clinger said the eight institutions have their own accounts (in a way, similar to checking accounts) and those accounts pooled together is the operating pool. Any excess funds are invested to generate earnings for the institutions. If earnings in the operating pool are below what has been distributed, the distributions stop until the pool becomes positive again, as stated in policy regarding the operating pool. In regard to distributions

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

during the pandemic, there was approximately a \$70 million distribution to the campuses from the reserve account with an additional \$50 million put aside for the institutions.

Chair Carvalho noted that in the reference materials it shows that in September 2020 there was a \$73 million distribution to all campuses.

Regent Brager asked for some clarification on the reserve account balances. Mr. Clinger said in the reference materials provided, the reserve account balances are a measure of the earnings on the funds, not an ending fund balance which is separate accounting that can be found in the financial statements.

Vice Chair Perkins moved approval of the following recommendations: Trim Global ex US Equity to support rebalancing of Long-Term Bonds: \$10 million trim from Vanguard Developed Markets Index; and Rebalancing Long-Term Bonds closer to policy target: \$5 million addition to PIMCO Total Return and \$5 million addition to Wells Capital Montgomery. Regent Brager seconded. Motion carried.

6. Information Only-Endowment Pool Performance, Cambridge Associates – Mr. Ijeh Obeche, Cambridge Associates, presented a report on asset allocation and investment returns for the Pooled Endowment Fund as of February 28, 2023, with subsequent estimates through mid-March. (Ref. INV-6 on file in the Board office)

Mr. Obeche provided the Endowment OCIO update which included: performance; asset allocation and guideline compliance; risk/return characteristics; diversifiers and private investments; legacy assets; and a discussion on cryptocurrency and blockchain.

Chair Carvalho shared her appreciation of the overview of cryptocurrency and blockchain.

Regent Boylan asked if a backup plan is in place should the US dollar lose its current value, and how that would affect NSHE's investments. Ms. Walker answered the bulk of exposure is still in US dollars and she is not certain if that type of risk is something that can be hedged against in terms of the stability of the US dollar. She added within the portfolio there is quite a bit of diversification in

6. Information Only-Endowment Pool Performance, Cambridge Associates –
(continued)

international markets which is one way the NSHE could benefit should the weakness of the US dollar continue.

7. Approved-Annual Review of the Operating Fund Allocations and Recommendations – The Committee recommended approval of maintaining the current operating fund allocations. (Ref. INV-7 on file in the Board office)

Mr. Vertrees presented an annual review of the operating funds per the Board of Regents *Handbook* (Title 4, Chapter 10, Section 6(B)(8)).

In response to a question from Vice Chair Perkins, Mr. Clinger answered the closest thing NSHE has to a “rainy day fund” is the market fluctuation account (the \$50 million allocated to the institutions amid the budget cuts due to the pandemic came from this account). With how the current policy is structured, any amount over eight percent in the reserve account automatically gets distributed to the institutions. He added that the institutions independently set contingency funds aside; however, there is no System-wide policy that prescribes a certain amount or percentage for contingency funds.

Chair Carvalho noted the topic of reserve accounts is outside of the agenda item and Vice Chair Perkins’ request is appropriate under New Business.

Regent Brager moved approval of maintaining the current operating fund allocations. Vice Chair Perkins seconded. Motion carried.

8. Approved-Outsourced Chief Investment Officer Services –The Committee recommended approval of an amendment to extend the current contract with Cambridge Associates through December 31, 2024. (Ref. INV-8 on file in the Board office)

Mr. Vertrees provided a status update on the current services contract with Cambridge Associates.

Regent Del Carlo shared her support for contract extension and commended Ms. Walker for her work with the NSHE over the years.

Regent Brager moved approval of an amendment to extend the current contract with Cambridge Associates through December 31, 2024. Regent Tarkanian seconded. Motion carried.

9. Information Only-New Business – Vice Chair Perkins requested staff examine the percentage of the operating budget that is set aside for contingencies, and a report to the Committee on institutional spending with regard to the Endowment Pool.

Chair Carvalho requested a report from Cambridge Associates on the investments they are managing that represent socially responsible investing, ESG investing and impact investing.

Regent Boylan requested an outline of all the NSHE foundations and the various grants that the NSHE is responsible for throughout the System and institutions.

Board Vice Chair Arrascada requested additional information regarding the operating and endowment pools for the protective securities and updating the benchmark to dynamic weights; and a review of the liquidity management practices that were adopted in 2019.

Chair Carvalho noted that Celia Perialas, SCS, is retiring after 26 years of service and this is her last Board meeting. On behalf of the Board, Chair Carvalho thanked Ms. Perialas and wished her the best in her retirement. Ms. Perialas thanked Chair Carvalho and said it has been a great experience working for the NSHE.

10. Information Only-Public Comment – None.

The meeting adjourned at 10:39 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