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FINANCE COMMITTEE REPORT

Wednesday, January 25, 2012

The Finance Committee met on Wednesday, January 25, 2012, at 10:45 a.m. in the Claiborne Building, Louisiana Purchase Room, in Baton Rouge, Louisiana. Committee Chair Rasberry called the meeting to order. The roll was called and a quorum was established.

Committee Members Present

W. Clinton Rasberry, Jr., Chair
Donna Klein, Vice Chair
Scott Ballard
Robert Bruno
Maurice Durbin
Joseph Farr

Committee Members Absent

LSU System
SU System
LCTC System

Consideration of a Revised Investment Policy for Endowed Chair, Professorship, and Scholarship Programs

Deputy Commissioner of Finance and Administration Todd Barré said that in May 2011, the Board of Regents revised Section B.2 of the Louisiana Board of Regents Endowed Chair, Endowed Professorship, and Endowed Scholarship Programs Statement of Investment Policy and Objectives as follows:

Based on unprecedented market condition experiences in both U.S. and global financial markets over the last few fiscal years, to be effective July 1, 2011 and terminating June 30, 2012.

Annual spending of up to 5% of the market value of Program Assets averaged on a consistent basis for the 5 most recent trust fund years is allowed, provided that the market value of the Program Assets at the end of the most recent fiscal trust fund year exceeds the original corpus of the endowment by an amount at least equal to the amount to be spent in the next fiscal trust fund year for which a spending allocation is made. When the current market value of Program Assets is below the original corpus of the endowment, no spending is allowed.

Consideration of an extension for one fiscal year of this temporary relief provision will be recommended based upon findings from a survey on the market value of endowed professorships and chairs, and review of the status of investment standing conducted by BOR staff.

Mr. Barré said that at the August 2011 Board of Regents' meeting, the following recommendation was approved: *"The Finance Staff, in collaboration with the Sponsored Programs Staff, will establish an ad hoc committee to recommend to the Board long-term directions for the Endowed Chairs and Endowed Professorships investment policy by January 2012."*

Deputy Commissioner Barré said that some investment policy requirements have been waived on an annual basis for the past several years. There is general consensus among senior staff of the Regents and campus representatives that long-term policy changes are needed for the Board's investment policy, with consideration to closer alignment with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). To accomplish this review, a workgroup was established representing management board, university, and foundation staff. This workgroup met over the last few months and produced the revised policy presented in January to the Board of Regents for consideration.

Mr. Barré noted that in regard to investment and spending of endowed funds, the revised policy more closely aligns with the federal Uniform Prudent Management of Institutional Funds Act (UPMIFA) which was also adopted by the State of Louisiana in the 2010 Regular Session of the Legislature. The revised policy provides for more flexible spending of program assets and also some limited additional flexibility in regard to investment portfolio allocations. It is important to note that the Board of Regents Investment Policy is more conservative than the provisions of UPMIFA. The Board of Regents Investment Policy still maintains that no spending is allowed if the market value of program assets is below the original corpus. On the investments side, the minimum value of funds that must be invested in fixed income instruments remains at 26%, and there is no change in fiduciary responsibility held by all parties involved in the management of Board of Regents endowment funds.

On motion of Regent Klein, seconded by Regent Durbin, the Finance Committee voted unanimously to accept the *Revised Investment Policy for Endowed Chair, Professorship, and Scholarship Programs.*

Consideration of a Distance Education Formula Funding Policy

Mr. Barré stated the consideration of the Distance Education Formula Funding Policy was withdrawn from the agenda. After discussions with the system presidents, further time for discussion is warranted before presenting the proposed policy. Mr Barré also stated the plan to bring the policy to the February board meeting for consideration. He gave an overview of what the policy will address and discussed the distance delivery of college and university courses

from other states. He said that many states have addressed the public policy of whether or not the tax payers of their state should subsidize the distance delivery of college and university courses for non-resident students who reside outside of their state.

Adjournment

There being no further business to come before the Finance Committee, Chair Rasberry declared the meeting adjourned at 10:59 a.m.

Appendix A

Guest List for January 25, 2012 for Board of Regents' committee meetings

NAME	AFFILIATION
Kevin Appleton	SUS
James Robinson	ALFS/LSUS
Ellen Cook	ULL
Dr. Carolyn Bruder	ULL
John Crain	SELU
Jeanne Daboval	McNeese
Walter Tillman, Jr.	SU System
Mary Ann Coleman	LAICU
Jan Jackson	LCTCS
Marty Fortner	SUSLA
Jan Waguespack	AT&T
Lisa Abney	Northwestern
Randy Webb	Northwestern
Ken Rea	LA Tech
Erica Sherrard	UL System
Mike Gargano	LSU System
Winfred Sibille	UL System
Connie Walton	Grambling
Barbara Hatfield	LSUA
Eric Pani	ULM
George Moss	LSU Foundation
Ellen Cook	ULL
Jane Cassidy	LSU A&M
Larry Howell	Nicholls
Derrick Manns	LCTCS
Jerry Ryan	LCTCS
Travis Lavigne	FTCC
Paul Sisson	LSU-S
Ramu Ramachandram	LA Tech
Sujuan Boutte	LOSFA
Danny Mahaffey	LSU System
Jason Soileau	LSU
Rick Perry	TAF
Tammy Bourg	SELU
Garth Alpev	ULL
Brad O'Hara	UL System
Ann Smith	SU System