



Draft for Committee Review and Approval

REPORT OF THE INVESTMENTS AND CAPITAL PLANNING COMMITTEE
Meeting
October 19, 2023

The Investment and Capital Planning Committee met at 12:30 p.m. on October 19, 2023, at Plymouth State University. Committee members participating at the meeting location: Morgan Rutman, Mike Pilot, Kevin Knarr, Joel Nkounkou, Wayne Semprini, and Catherine Provencher; Other trustees participating at the meeting location for some or all of meeting: Patrick Moore; PSU President Don Birx and KSC President Melinda Treadwell.

Staff: present at meeting location, (KSC) Nathalie Houder; (UNH) Wayne Jones (PSU) Tracy Claybaugh and Nicole Connolly; (USNH) Karen Benincasa, Matt Purcell, Tia Miller and Lorna Jacobsen (scribe).

Jeff Croteau and Ryan O'Quinn from Prime Buchholz were in attendance.

Other staff and guests attended by video conference.

I. Call to Order

Chairman Rutman called the meeting to order at 12:30 pm noting a quorum sufficient to conduct business.

II. APPROVAL OF CONSENT AGENDA (Moved and duly seconded)

VOTED, that the consent agenda of the October 19, 2023, meeting be approved.

{The Committee voted unanimously to approve this motion}

Items on the Consent Agenda:

- a) Approve minutes of the Committee's meeting of June 22, 2023

End of Consent Agenda

III. Update from Prime Buchholz

Jeff Croteau announced that he had made a personal and professional decision to leave Prime Buchholz after 23 years. He said he is proud of his work for the University System of New Hampshire since 2009 and feels he is leaving the portfolios in a good place. He said he would be working until

February, but in January 2024, Ryan O'Quinn would start serving as OCIO and an additional person would be added to the team servicing USNH.

- A. Review of endowment and operating cash portfolio performance for the period ending August 31, 2023, and updated for September 30, 2023

Mr. Croteau commented on the market environment for the period ending August 31, 2023, sharing insights on inflation, interest rate increases and their impact on the bond market.

Mr. Croteau shared portfolio performance results for the period ending August 31, 2023. The market value of the portfolio was \$577 million, and the portfolio had a return that was above both policy and actual increase. He reviewed performance by asset class, asset allocation, and recent activity to rebalance within policy targets.

Mr. Croteau reviewed the short-term operating portfolio for the period ending August 31, 2023. He said the return for the month was .6 % and a 5.9% year to date total return, He said the portfolio value was \$250 million.

Mr. Croteau announced that Prime Buchholz will be providing some additional services to clients in a legal review and power of attorney for certain Private Equity investment activity. These services will be provided at no additional cost. Chairman Rutman said he appreciates the enhanced services as they will reduce the amount of staff time needed for review and will have Prime assuming additional the responsibility.

- B. Recap of activity since last meeting

Mr. Croteau commented on some recent changes in the portfolios to rebalance and increase liquidity and referred the Committee to additional information in the meeting materials.

- C. USNH Endowment – Asset Allocation and Expected Return

Mr. Croteau reviewed asset allocation and expected returns on both the endowment and the short-term investment portfolio. He said Prime Buchholz works with USNH to set long-term expectations for budget planning. This year due to reasonable equity markets, elevated inflation, higher short-term bond yields and a higher allocation to private equity, Prime Buchholz supports an increase in the annual return assumption on Short Term Investments from 3.5% to 4% and an increase from 6.5% to 7% for a long-term return assumption. He said this is a conservative increase to account for risks.

IV. ACTION ITEMS

- A. Approve FY25 Budget Assumptions for USNH Endowment Fund and Short-Term Investments

VOTED, that the following recommendations for investment-related planning assumptions be submitted to the Financial Affairs Committee for their consideration in adopting the assumptions and parameters used in developing the FY25 budget as outlined in the attached materials.

{The Committee voted unanimously in favor of this motion}

Assistant Vice Chancellor for Financial Affairs, Karen Benincasa said if the Committee approves the budget assumptions for investment earnings, they will be recommended to the Financial Affairs Committee for inclusions in the overall FY25 budget planning assumptions. She noted that there is no recommendation for a change in payout methodology but the increase to a 4% return on the short-term funds will result in about \$2 million additional budgeted revenue.

Chairman Rutman discussed the assumptions and how they impact both the endowment growth and the budget. The Committee agreed that they would be recommended to the Financial Affairs Committee.

Chairman Rutman said thanked Mr. Croteau for his 14 years of service to USNH saying that he had provided excellent advice to both management and the Committee. He presented Mr. Croteau with a State of New Hampshire statue made from Granite and wished him well. Those in attendance gave him a round of applause.

V. CAPITAL PLANNING ITEMS

A. Master Plan Update

Matt Purcell, USNH Director of Capital Planning, provided an update of the status of the master plan process. He discussed the objectives, principles and timeline indicating the plans for all campuses that should be completed in June of 2024. The differences in scope and level of engagement by campus constituents between UNH and the smaller institutions was discussed. Questions were raised about the process that resulted in two separate consulting firms doing the work (one for UNH and the other for PSU and KSC) and the ability of two firms to deliver consistent, coordinated system-wide plans. Mr. Purcell described the reasons for two firms, including lack of bandwidth for one firm to do all three projects. It was suggested that going forward when consultants are needed to deliver similar work products to multiple campuses, that a single consultant be considered. It was also noted that it will be important to reconcile the different plans to ensure as much consistency as possible for all campuses.

B. USNH 5 Year Capital Plan

Vice Chancellor Provencher presented the five-year capital plans for all campuses noting that it is an informational item and approval was not necessary. Chairman Rutman suggested that campuses be encouraged to work with their Advancement offices to seek more gift funding for projects and plan for both known gifts and aspirational gift amounts in the plan.

VI. INFORMATIONAL ITEMS

A. USNH Capital Projects Updates

An inquiry was made about the thermal tank project and UNH responded that a design for the exterior of the tank was still in the plans but not completed.

Trustee Gray requested information on the volume of gas used by the UNH Ecoline from the Rochester Waste Management Landfill. UNH Interim Vice President Bob Brown said he would follow up and get the information to Senator Gray.

B. Update on Treasury Restructuring

Vice Chancellor Provencher asked Assistant Vice Chancellor Benincasa to share some of the outcomes of the excellent work she had done with the Treasury Office restructuring. Assistant Vice Chancellor Benincasa gave highlights of the restructuring including elimination of positions, redistributing work both internally and outsourcing, implementing recommendations from a treasury consultant in the banking area. The result is an improvement of \$800K in operating margin.

VII. Other Business

A. Next meeting date is March 7, 2024

B. The Committee adjourned at 2:45 p.m.