

**UNIVERSITY OF MASSACHUSETTS  
AMHERST•BOSTON•DARTMOUTH•LOWELL•MEDICAL SCHOOL•UMASSONLINE**

**MINUTES OF THE MEETING OF THE  
COMMITTEE OF THE WHOLE**

**Tuesday, April 7, 2015; 4:00 p.m.  
University of Massachusetts Medical School  
Faculty Conference Room – 1<sup>st</sup> Floor  
55 Lake Avenue North  
Worcester, Massachusetts**

**Trustees Present:** Chair Woolridge; Vice Chair Furman; Trustees Buonomo, Campbell, Collins, Freudson, Fubini, Geoffroy, Johnston, Lee, Lowe, Mullan, O'Brien, Osterhaus-Houle, Peters, Thomas and Xifaras

**Trustees Absent:** Vice Chair King-Shaw; Trustees Carpman, Gomez, Miller and Peyser

**University Administration:** President Caret; General Counsel Heatwole; Senior Vice President Wilda; Executive Vice President Pagnam; Chancellors Subbaswamy, Motley, Grossman, Meehan and Collins

**Faculty Representatives:** Professor May, UMass Amherst; Professor Shaw, Medical School

**Guests:** Victor Livingstone, Managing Director, Morgan Stanley Private Wealth Management

**Documents Used:** -Meeting Minutes: December 9, 2014  
-Executive Dashboards Overview – new and updated; metrics; UMass Foundation Mission and Governance; UMass Foundation's Investment Approach of the Endowment; Socially Responsible Investing Trends, Doc. T15-036  
-University Sustainability Efforts Report, Doc. T14-071

Chair Woolridge convened the meeting at 4:13 p.m. and stated that due to a full agenda and the need to keep the meeting moving forward in a constructive manner, any members of the Committee or others who wish to speak do so through the Chair.

Chair Woolridge then stated that the Committee was provided with draft minutes of the December 9, 2014 meeting and asked for any corrections. With no corrections, the minutes were approved.

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**Reports:**

**Chair's Report**

Chair Woolridge thanked Chancellor Collins and his staff for hosting the Board of Trustees at the Medical School.

Chair Woolridge reported that the Committee of the Whole provides an opportunity for members of the UMass community to delve deeper into timely and complex topics of interest to the Board. He noted that the meeting's discussion will focus on sustainability and investing with a social conscience. The meeting's topic arose from an initial request from the UMass Divest group during the Committee's fall meeting on the Amherst campus, and subsequent Board discussion at the Board's retreat in February. Chair Woolridge indicated that Executive Vice President Pagnam will review the topic of discussion to educate the Board on the Foundation's role, its governance structure and how the University's \$757 million endowment is invested.

**President's Report**

President Caret reported on the importance of growing the University's \$757 million endowment, which distributed nearly \$24 million to the five UMass campuses during the 2014-2015 academic year towards student scholarships and financial aid, faculty research and other key priorities of the University. President Caret stated that protecting the endowment is essential to the mission and future of the University.

President Caret also commented on the growing concern from sustainability and investing with a social conscience across the country. He noted that Executive Vice President Pagnam's presentation will help inform the Board of the broader mission of the Foundation, as well as keep the Board apprised of recent trends in socially responsible investing. Senior Vice President Wilda will provide an update on sustainability efforts across the system which will provide a broader perspective of the University's commitment and impact.

**Discussion Items:**

**Executive Dashboards**

Senior Vice President Wilda provided an overview of the University's Executive Dashboards. She reported on the new and updated metrics since the December meeting. Senior Vice President Wilda reported on the importance of a user friendly platform for the Board with financial information such as the capital projects, operating and profit margins, and other key indicators. She also provided an update on the operating margin and budget information, and discussed research and development from the national and state level.

Trustees commented on the metrics for measuring performance and whether those metrics can be live or be in the format of a quarterly or annual report. It was noted that the need for an active conversation on how the metrics work with regard to the key indicators is crucial.

**Sustainability Report**

Senior Vice President Wilda provided an update on the Sustainability Report. She discussed the University's carbon neutrality target, measuring carbon emissions, campus involvement,

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courses offered by the campuses relating to sustainability, policy development, capital investments tied to the University's commitment to sustainability and progression toward achieving the carbon neutrality goal.

Trustees asked for an update on the University's efforts. Trustees also asked about guidelines across the campuses and system-wide, timing of the proposed sustainability policy and where sustainability falls under University priorities. Trustees encouraged seeking legal and legislative support for the initiatives and policy. Chancellor Meehan suggested taking a closer look at other colleges globally with similar sustainability efforts and noted Europe as a place to start.

**UMass Foundation Governance & Investment Strategy**

Executive Vice President Pagnam provided an overview of the UMass Foundation's Governance & Investment Approach. The UMass Foundation is a not-for-profit 501(c)(3) entity that was established in 1950 to 1) foster and promote the growth, progress and general welfare of the University and 2) Solicit, receive and administer gifts and donations to the University. The Foundation has 3 standing committees: the Executive Committee, the Governance & Audit Committee, and the Investment Committee; a Board of Directors and an Advisory Committee that focuses on evaluating proposals by members of the University community relating to responsible investment concerns, (UMF Socially Responsible Investment Advisory Committee). The Foundation's governance is comprised of 12 public and 15 ex-officio directors. The ex-officio directors include the President, the Executive Vice President, the Treasurer of the University, the Chair of the University's Board of Trustees, the Chair of the University's Board of Trustees Advancement Committee and the five Chancellors. The Investment Committee is charged with managing and investing the Foundation assets, which include the endowment assets for all five campuses.

Victor Livingstone, Managing Director at Morgan Stanley Institutional Consulting, gave an overview on the investment approach used by the Investment Committee to manage the University's endowment assets. The investment objectives of the endowment portfolio are twofold; to generate income to support the operations and programs of the University and to provide long term capital appreciation to support the growth in endowment assets. Mr. Livingstone explained that the Investment Committee adheres to investment policies intended to provide the best tradeoff between risk and return. The primary focus of the Investment Committee is to set asset allocation targets and oversee the selection and evaluation of investment managers. Mr. Livingstone highlighted the composition of the Foundation's Investment Committee, which is comprised of volunteer alumni with extensive experience in various forms of investing. The endowment portfolio is a diversified portfolio with a long-term time horizon. In terms of portfolio structure, the UMass endowment fund is externally managed in over 50 investment vehicles including commingled funds, limited partnerships and separately managed accounts. Mr. Livingstone explained that the Investment Committee has limited ability to place investment restrictions on most investment managers.

There was a question on the valuation of hedge funds and limited partnerships. In accordance with required accounting standards, the Foundation's alternative investments are fair valued based on the most current net asset value. It was explained that Grant Thornton, in conjunction with its year-end audit procedures, validates the existence and valuation of every Foundation

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investment holding. There was a discussion on investing endowment assets through minority-owned firms. It was suggested that the Foundation consider allocating assets to minority-and women-owned investment firms, as this would be beneficial to the University's commitment to diversity.

Executive Vice President Pagnam provided an overview of the Socially Responsible Investing Trends and recent initiatives undertaken by the Foundation in this area. He reviewed approaches to responsible investing including negative screening, divestment, environmental, social, and governance (ESG) factoring, impact investing and shareholding engagement. Recent Foundation initiatives in the area of socially responsible investing include creating a Socially Responsible Investment Advisory Committee (SRIAC), incorporating ESG criteria into the investment analysis and decision making process, and launching the UMass Social Choice Fund.

Chairman Woolridge asked for an assessment of the current portfolio exposure to fossil fuels. Executive Vice President Pagnam reported that direct investments in fossil fuel companies total \$3.6 million, which represents .47% of the total endowment. There was a discussion on socially responsible investing initiatives going forward, including investments in renewable energy, clean technology and sustainability, as well as a Foundation commitment to reduce direct investments in fossil fuels.

Executive Vice President Pagnam then briefed the Committee on the Divestment of Fossil Fuels movement. Momentum was gained in 2012 and to-date, most schools have not decided to divest fossil fuel assets in their endowment portfolios. He commented on the trends across schools and provided examples of actions taken by other schools such as Middlebury College, San Francisco State, Harvard and Yale.

Chair Woolridge announced the *Divest UMass* student group will address the Board of Trustees on April 8<sup>th</sup>.

There being no other business, the meeting adjourned at 6:13 p.m.

Christina Kelley  
Assistant Secretary to the Board