I. ACTION ITEMS
   A. APPROVAL OF THE MINUTES OF APRIL 3, 2017

II. INFORMATION ITEMS (EXECUTIVE SESSION)
   A. FISCAL YEAR END INVESTMENT POOL PERFORMANCE
      Janet Krone, Chief Investment Officer

   B. INTRODUCTION OF NEW OUTSOURCED CHIEF INVESTMENT OFFICER
      Timur Yontar, Senior Vice President, Meketa Fiduciary Management
The meeting was called to order by Chairperson William C. Thompson, Jr. at 5:52 p.m.

The following people were present:

**Committee Members:**
- Hon. Lorraine A. Cortés-Vázquez
- Hon. William C. Thompson, Jr.
- Prof. Kay Conway, faculty member
- Ms. Shaina Yasin, student member

**University Staff:**
- Senior Vice Chancellor and Chief Financial Officer: Matthew Sapienza
- Chief Investment Officer: Janet Krone
- Senior Associate General Counsel: Marina Ho

**Trustee Observer:**
- Hon. Una S. T-Clarke

**Staff:**
- Senior Advisor to the Chancellor and Secretary of the Board: Gayle M. Horwitz
- Ms. Towanda Lewis
- Ms. Fenella Ramsami

### Cal. No. DISPOSITION

The agenda items were considered and acted upon in the following order:

**I. ACTION ITEMS:**

A. **APPROVAL OF THE MINUTES OF THE MEETING OF NOVEMBER 29, 2016.** Moved by Chairperson Thompson and seconded by Trustee Lorraine Cortés-Vázquez, the minutes were approved as submitted.

B. **POLICY CALENDAR**

1. **The City University of New York – Investment Portfolio Expenditure Appropriation.**

   Senior Vice Chancellor and Chief Financial Officer (SVC&CFO) Matthew Sapienza stated that every year the Office of Budget and Finance (OBF) has to bring to the Subcommittee its Annual Spending Deliberations. This is essentially the spending rate at which the colleges who participate in CUNY’s Investment Pool can spend proceeds. This plan is governed by the New York State Office of the Attorney General under the New York Prudent Management of Institutional Funds Act (NYPMIFA).

   See attached Chief Investment Officer Janet Krone’s presentation on the CUNY Investment Pool – Spending Deliberations, Fiscal Year 2018.

   SVC&CFO Sapienza stated that he wanted to underscore how critical the proceeds are with eighty-five percent going to scholarships, fellowships, or academic support. These proceeds are going to help with recruiting and retaining students as well as faculty.

   SVC&CFO Sapienza noted that for several years, CUNY’s spending rate was five percent and then a few years ago the University moved to four and half percent as per CIO Krone’s presentation. OBF looked at the actual spending and it was not even coming close to four and half percent, so it was decided that this was a more prudent way to go. The University’s spending rate has been at four and half percent for the last several years.
In response to a question from UFS Chair and Trustee Conway on why was the spending rate set at four and half percent rather than three and half percent:

SVC&CFO Sapienza stated that OBF wants to maintain the flexibility if colleges do have a need to spend up to four and half percent. He added that some language was added to the resolution because OBF is moving towards an outsourced model and wanted to leave open the possibility that once the University has the outsourced manager they could come back with a different recommendation, and this Subcommittee can come back during Fiscal Year 2018 and change it if needed.

Chairperson Thompson stated that for the last six to seven years, the spending rate of four and half percent has been high.

CIO Krone stated that the University is actually in line with its peers, who have been coming down to four and half percent.

In response to a question from UFS Chair and Trustee Conway on whether CUNY’s portfolio is in line with its peers:

CIO Krone stated that CUNY’s performance for the last year is almost eighteen percent.

SVC&CFO Sapienza added that historically CUNY’s portfolio has been in line with its peers.

CIO Krone stated that the colleges do not have to spend four and half percent. They are spending on an as-needed basis so what they do not spend stays with the corpus of the fund and gets carried over to the next year. The University does not automatically give each college the four and half percent.

UFS Chair and Trustee Conway stated that maybe SCI should be setting a much more conservative message, dropping the spending rate down to a higher number than they have spent, as the University is still waiting on a budget, and CUNY has some big unknowns in the budget that might have to be filled if there are cuts.

In response to a question from Ms. Shaina Yasin on what is going on with CUNY’s investment in fossil fuels:

SVC&CFO Sapienza stated that a student group made a pitch that CUNY’s pool should divest from fossil fuels about three years ago. SCI talked about it internally and decided that it was not best for the pool because OBF picks managers for different asset classes to manage those funds whether it is private equity or hedge funds rather than picking individual firms to invest in. It is similar to how mutual funds operate. He added that OBF delegates to the managers, and investing in fossil fuels would not put the University in a good competitive environment in terms of doing what is best for the pool which is to generate earnings so that it can be used on scholarships and fellowships, and academic support.

UFS Chair and Trustee Conway stated that at the time SCI said that they would revisit the discussion on fossil fuels when OBF went to the outsourced CIO.

Trustee Una Clarke stated that in a time like this when we recognize all the denials of climate change, maybe this is a good time for CUNY to send a signal.

Chairperson Thompson stated that the University can also have those who are managing its funds model a fossil fuel free portfolio to see what it looks like, and what would the potential earnings and losses be. It has been done on a much larger level with the exclusion of certain types of stock from a portfolio. The SCI might want to wait right now as it is about to go to the outsourced model.
UFS Chair and Trustee Conway stated that it was also previously mentioned that one of the other obstacles of investing in fossil fuels was that the fund is relatively small which means that there is a limited universe of people who are willing to manage it and to the extent that the University gives them limitations that might make the fund smaller. She added that to some extent if all the other separate CUNY foundations were under one umbrella, the portfolio would be a much more attractive piece of the pie.

CIO Krone stated that the University could afford to have separately managed accounts and more customization, but at the University’s size, CUNY gets a better bang for its buck by going into commingled funds, and as SVC&CFO Sapienza pointed out, they have their own guidelines, and CUNY cannot make any exceptions.

Chairperson Thompson stated that it is just a question of what demands are placed on the outside managers and what are the fiscal implications.

Trustee Cortés-Vázquez stated that the overarching piece is that SCI gives some guidance to its fund manager to make sure CUNY is aligned with its principles and philosophy.

In response to a question from Ms. Yasin on why CUNY does not follow behind Columbia University in the same pursuit to divest from fossil fuels:

Chairperson Thompson stated that Columbia University, Harvard University, and other Ivy League schools invest their funds internally, and a lot of it was hedged which is why they took a huge beating when the market fell apart in 2008 and 2009. They have a very different structure than CUNY. They literally have huge staff who manage their dollars internally in a different way with huge differences.

CIO Krone added that it recently hit the press that they are going to external management because their performance has suffered by having it internally managed.

In response to a question from UFS Chair and Trustee Conway on what is the size of CUNY’s endowment:

SVC&CFO Sapienza responded that CUNY’s endowment is $246 million.

Chairperson Thompson stated that as he mentioned, the one thing that the Subcommittee should look at is a portfolio model excluding fossil fuel stocks, but at the same point SCI has a fiduciary responsibility to do the best that they can for CUNY’s portfolio and earnings. That is part of the balance that needs to be achieved. In the end, dollars that are not made wind up not going to student or faculty services. When the Subcommittee gets a new external manager on board, SCI will have them take a look at this.

CIO Krone stated that some of the portfolio are donor designated funds so she does not know if the Subcommittee would have to legally go back to some of the donors to ask for permission.

Chairperson Thompson stated that if the donors did not designate the investment then the Subcommittee does not have to go back, but if they designated what CUNY can invest in, that is a different story.

Ms. Yasin stated that she completely understands what Chairperson Thompson is saying but she feels that this is such a pressing issue for the USS, and that ethically and morally this is the route the University should go being because climate change is a real issue; so she would like to share a proposal from the USS with the Subcommittee.

Chairperson Thompson asked Ms. Yasin to provide Senior Advisor to the Chancellor and Secretary of the Board Gayle Horwitz with a copy of the proposal so she can distribute it to
the members of the Subcommittee as it will wind up being a larger issue for discussion as SCI moves along.

Following discussion, the item was approved for submission to the Board as moved by Chairperson Thompson and seconded by Trustee Cortés-Vázquez.

Chairperson Thompson moved to go into Executive Session at 6:18 p.m.

II. INFORMATION ITEMS:

CONVENCING OF EXECUTIVE SESSION:
Chairperson Thompson called for an Executive Session pursuant to Section 105, Article 7, of the Public Officers Law, for the purpose of discussing confidential financial investment matters of the University. The Subcommittee met in Executive Session from 6:19 p.m. to 6:25 p.m.

The Subcommittee reconvened in Public Session. Chairperson Thompson moved to adjourn the meeting. The motion was seconded by Trustee Cortés-Vázquez and the meeting was adjourned at 6:26 p.m.