Call to Order

Roll Call

Approval of Minutes
	• Approval of June 6, 2002, Special Board Meeting Minutes
	• Approval of June 21, 2002, Minutes

(pages are not sequential with the documents)

President’s Report

Chancellor’s Report

Report from IFS President

Report from OSA Board

Budget and Finance Committee (VanLuvanee)

ACTION ITEMS
	• OAR 580-040-0040, Academic Year Fee Book 2003-04
	• Pre-Tax Transit Pass Plan
	• Phelps Property Purchase, SOU
	• Renaming of Siskiyou Center to Honor Joseph and Regina Cox, SOU

CONSENT ITEMS
	• OAR 580-022-0030, Staff Fee Privileges
	• OAR 580-022-0031, Transfer of Staff Fee Privileges

System Strategic Planning Committee (Bassett)

ACTION ITEM
	• OUS Interinstitutional Student Exchange Program

CONSENT ITEMS
	• OSU-Cascades Campus, B.S., Outdoor Recreation Leadership & Tourism
	• PSU Honorary Doctorate
Joint Budget and Finance and System Strategic Planning Committees (VanLuvanee/Bassett)

ACTION ITEMS
♦ 2003-2005 Biennial Operating Budget
   I. Overview of Presentation
   II. Student Demand
   III. 2003-2005 Biennial Budget
   IV. Current Reduction Planning: 10% and 20% reductions
   V. Efficiencies, New Revenue, and Flexibility Alternatives
♦ 2003-2005 Biennial Capital Construction Budget

Investment Committee (Wustenberg)

ACTION ITEM
♦ Changes to Internal Management Directives Pertaining to Investment Management

Other Reports
♦ Joint Boards Working Group (Lussier)
♦ OHSU (Imeson)
♦ Oregon College Savings Plan (Lehmann)
♦ Oregon Council on Knowledge and Economic Development (VanLuvanee)

Public Input Session

Items from Board members

Items from Presidents

Delegation of Authority to Board’s Executive Committee

Adjournment
CHANGES TO IMDs PERTAINING TO INVESTMENT MANAGEMENT

Executive Summary

Background

Recommendations resulting from the Fiscal Accountability Framework project require the review and update of several Internal Management Directive (IMD) sections. One of the recommendations resulting from the Fiscal Accountability Framework (FAF) project was to increase the thresholds imbedded in IMD 6.140(6) relating to the establishment of quasi-endowment funds. The current requirement is that any donation in excess of $30,000 must be designated a quasi-endowment fund. The current requirements allow for the Vice Chancellor for Finance and Administration to grant exceptions to this rule for amounts up to $100,000. The recommendation coming from the FAF project was to raise these limits to $100,000 and $500,000 respectively. This recommendation was included in the report presented to the Budget and Finance Committee in February of 2002.

In addition, staff review of the IMD’s relating to investment management revealed other changes that should be made to recognize the proper names of offices within the Chancellor’s Office, recognize Board committee assignments, raise other thresholds to more reasonable amounts, include appropriate reference to the Board’s policies on investments, and eliminate certain provisions (IMD 6.140(1) and (3)) that are redundant with current Board policies on investments.

Proposed Changes to IMD’s

Presented below is the Investment Management section of the IMD’s. Proposed deletions are presented in strikeout and proposed additions are presented in [brackets].

Investment Management

6.105 Assignment of Responsibility

(1) Except for arrangements pursuant to Section 6.140(5), the Vice Chancellor for Finance and Administration is authorized to purchase, sell or exchange securities for the Board. Prior approval of the Board President or the Chairman of the [Investment Committee] Committee on Finance, Administration, and Physical Plant is required for any transaction undertaken by the Vice Chancellor for Finance and Administration involving amounts in excess of [$100,000] $20,000, except that approval is
not required for [transactions necessary to maintain
the asset allocation of the Pooled Endowment Fund
within the ranges established within Board policy,]
purchases of securities of the United States, its
agencies, or Certificates of Deposit of Oregon banks.

(2) The Vice Chancellor for Finance and Administration
may transfer, endorse, sell, assign, set over, and
deliver stocks, bonds, debentures, notes, evidences
of indebtedness, or other securities standing in the
name of or owned by the Board, and may make,
execute, and deliver any instruments necessary to
effectuate such authority.

(3) The Vice Chancellor for Finance and Administration
may designate staff members to act on specifically
identified transactions or limited responsibilities
referred to above.

6.110 Voting Stock Ownership

(1) Except as otherwise provided by law, by direction of
the Board or the [Investment Committee] Committee
on Finance, Administration, and Physical Plant, the
Vice Chancellor for Finance and Administration is
authorized to vote stock ownership in accordance
with the recommendations of corporate management.
In the absence of such recommendation, or if
deemed prudent to deviate from management
recommendations, the Vice Chancellor for Finance
and Administration shall consult with the Board
President or the Chairman of the [Investment
Committee] Committee on Finance, Administration,
and Physical Plant before voting the affected stocks.

(2) The Vice Chancellor for Finance and Administration
may seek the assistance and counsel of such
persons as deemed advisable.

6.115 Custody of Board Securities

(1) Custody of the Board's securities is placed with the
Vice Chancellor for Finance and Administration or a
designee, and authority is granted to make arrangements for their safekeeping.

(2) The Vice Chancellor for Finance and Administration or a designee is authorized and empowered to obtain, deposit, and release securities from banks to protect funds for the Department.


6.125 Delegation of Investment Authority

Subject to such conditions as may be imposed, and compatible with statutes and Administrative Rules, the Vice Chancellor for Finance and Administration may delegate to the Controller responsibility for assuring effective investments of the Higher Education Bond Building Fund, the Higher Education Bond Sinking Funds and the Current Donation Fund.

6.130 Reports on Investments

(1) The Vice Chancellor for Finance and Administration shall report to the [Investment Committee of the] Board not less than semi-annually on corporate stock investment status and transactions. The report shall, among other matters, provide information regarding the market and book values of the stocks, the current dividend rate, purchases and sales, and gains and losses.

(2) The Vice Chancellor for Finance and Administration shall report to the [Investment Committee of the] Board at least annually on all investments of all funds, with such recommendations as are appropriate.


6.140 Endowment Fund Investments

(1) Gifts designated by the donor as endowments will be pooled for investment purposes. The investment of these endowments will be governed by statute and by
investment objectives and policy guidelines approved by the Board. The investment objective of this directive is to secure returns from dividends, interest, and market value change sufficient to provide endowment fund participants with annual income equal to a percentage established annually by the Vice Chancellor for Finance and Administration of the 5-year moving average of the market value of the endowment funds and to maintain the purchasing power of the funds as nearly as prudent investment permits. The change in the Oregon personal income index applied to the market value of the funds is used to measure the maintenance of purchasing power.

(2) Dividend and interest income in excess of the amount needed to fund the annual participant requirements specified in 6.140(1) are placed in an endowment fund reserve account and reinvested. Securities may be sold to provide cash equivalent to the income needs; however, the book value of endowments may not be invaded.

(3) The ownership of more than 5% of the securities (equities, bonds, commercial paper) of any one corporation or organization, or the investment of more than 5% of the market value of the endowment funds in any one corporation or organization, is considered to be imprudent and shall be avoided.

(3) Some gifts or bequests are subject to investment conditions stipulated by the donor which prevent the investment of moneys in security pools. The investment program for these gifts and bequests shall be as directed by the terms of the gift or will, and pursuant to statute and Board policy.

(4) The Vice Chancellor for Finance and Administration is authorized to arrange through the Oregon Investment Council for the management of the investment of the Board's endowment funds.

(5) Any individual donation or gift which equals or exceeds [$100,000] $30,000 in total market value, regardless of the type of gift or the accounting periods
in which it is received, shall be designated a quasi-endowment. Exceptions up to \([\$500,000] \$100,000\) may be authorized by the [Vice Chancellor for Finance and Administration] Office of Administration. Exceptions in excess of \([\$500,000] \$100,000\) may be authorized by the Board. Any quasi-endowment account balance which has a market value of less than \([\$100,000] \$30,000\), may, at the discretion of the institution, and with prior approval of the [Vice Chancellor for Finance and Administration] Office of Administration, be transferred to the Current General Fund or the Current Restricted Fund. Any individual donation or gift of less than \([\$100,000] \$30,000\) may be designated a quasi-endowment at the discretion of the institution.

6.141 Accounting

The Vice Chancellor for Finance and Administration shall authorize the expenditure of moneys from the various quasi-endowment accounts pursuant to the Board-approved or authorized budget program for the current fiscal year, subject to the exercise of prudent judgment.

Investment Committee Recommendation to the Board

In its June 20 meeting, the Investment Committee unanimously approved the changes to the Investment Management section of the Internal Management Directives delineated above and now recommends approval by the full Board.

COMMITTEE ACTION:

BOARD ACTION: