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# Minutes of the Meeting
# of the
# Oakland University Board of Trustees
# June 8, 1988

Present: Trustees Donald Bemis, Phyllis Law Googasian, David Handleman, Patricia Hartmann, Ken Morris, Stephan Sharf and Howard Sims

Absent: Trustee Larry Chunovich

Chairman Handleman called the meeting to order at 4:36 p.m. in the Gold Rooms of the Oakland Center.

## Approval of the Minutes of May 11, 1988

Trustee Sims, seconded by Trustee Hartmann, moved approval of the minutes of the meeting of May 11, 1988, as presented. The motion was unanimously carried.

## Endowment Fund Policy and Investment Manager

Mr. Robert McGarry, Vice President for Finance and Administration and Treasurer to the Board of Trustees, stated that the University would be best served by placing the institution's endowment funds of approximately $2.3 million with The Common Fund for investment purposes. The Common Fund is a nonprofit corporation formed in 1971 for the sole purpose of providing investment management services for educational institutions. There are currently over 552 such institutions with more than $3.4 billion of endowment assets placed with The Common Fund. Mr. McGarry added that before the administration formally recommends to the Board the movement of the management of the University's funds, it felt a presentation by a representative of The Common Fund would be beneficial. Mr. McGarry then introduced Ms. Elizabeth Hilpman, Assistant Vice President to The Common Fund, who outlined The Fund's investment philosophies.

Ms. Hilpman distributed a booklet to the Trustees entitled "The Common Fund Investment Management for Educational Institutions". Ms. Hilpman gave a general background of The Common Fund stating that it is headquartered in Fairfield, Connecticut, and has been serving and managing endowment funds exclusively for colleges, universities and independent schools throughout the country for 17 years. The Common Fund was established from a grant provided by the Ford Foundation to assist institutions with small endowments in managing their funds. The Common Fund employs a number of different independent investment managers to manage the funds. The Fund is staffed with 25 administrators who select the investment managers.

Ms. Hilpman stated that The Common Fund is governed by a board of trustees consisting of 16 members representing the educational and financial community.

Ms. Hilpman explained that the essential philosophy of The Common Fund is that it commingles endowments from the member schools to form various investment funds. The Common Fund's "oldest, or core fund, is its Equity Fund", which is managed by 13 investment managers with different strategies. This offers a diversification component that would be difficult to replicate for most endowments. The core Equity Fund is $1.1 billion as of April 1, 1988.

Ms. Hilpman stated for those schools that have a "South Africa Free policy", The Common Fund offers "South Africa Free Equity Investments". The Fund at present is $200 million. For institutions with fixed incomes, The Common Fund has a core "Bond Fund", which is also offered on a South Africa Free basis.

Ms. Hilpman commented that in addition to its endowment funds, The Common Fund offers a number of specialty funds, such as "International Equities", that can be invested in separately. "Foreign bonds" are also available through The Fund.

Ms. Hilpman stated that a large "short-term fund", similar to a "money market fund", is also available. This fund reached $4 billion in the last quarter. It is very successful with the educational institutions' cash management reserves and has a daily liquidity. The Common Fund guarantees that the University would receive a 90-day treasury bill rate on the short-term fund.

Ms. Hilpman stated that The Common Fund would be pleased to invest the endowment funds of Oakland University and would work with the Board and staff to form an asset allocation policy for Oakland's funds.

Ms. Hilpman then elaborated on her earlier remarks. She stated that The Common Fund has over 35 investment managers. The board of trustees of The Common Fund has the ultimate responsibility in the selection of the investment managers.

Ms. Hilpman explained that The Common Fund has categorized its Equity Fund, which is probably the most complicated of its stock funds, into four strategies which are "value, growth, growth and value, and rotational value". She added that this assists in identifying equity managers and their strategies, in order to select the best to create a diversified fund. The consultants are retained on a full-time basis. The multi-manager concept applies to all funds. Oakland University would be investing with comparable educational institutions in an "asset mix" according to the "risk and reward requirements" of the University. The Common Fund works with colleges and universities to develop an appropriate asset allocation mix.

Ms. Hilpman stated that The Common Fund is on the forefront of seeking methods to help endowments enhance the growth of their funds. Strategic Asset Allocation, a program formed two years ago, addresses the "short-term volatilities in the market, and, on a systematic basis, selects the most attractive asset class between stocks, bonds and cash". It has done well, and has saved money for 100 participating institutions. The Fund feels very strongly that this program is a good way of protecting the endowment. In addition to the core Equity Fund, The Common Fund has an "Equity Income Fund" available for investments for scholarship funds, where the institution is trying to increase that fund yet have enough current income to provide for scholarships.

The Common Fund is trying to offer endowment funds the type of investment programs that are available to the pension world. It has a "sister" organization that can make investments available to educational institutions in real estate as a separate program.

In summary, Ms. Hilpman stated that The Common Fund, on a very competitive basis, could invest Oakland University's entire endowment in programs that have done well. She indicated that The Common Fund's investment performance over the past five to ten years has been very good. "Long-term, consistent, above average performance" is the goal of The Fund.

Trustee Hartmann inquired if there is a listing of The Common Fund member institutions in the booklet Ms. Hilpman supplied to the Trustees.

Ms. Hilpman answered that the names are not in the booklet, but that she could provide the Board with a copy of an annual report with a list of the institutions. She cited that a couple of the institutions in Michigan that are members of The Common Fund are The University of Michigan and Albion College. Mr. McGarry added that all of the State schools but four are members of The Common Fund.

Chairman Handleman asked if The Common Fund handles all of The University of Michigan's funds, and Ms. Hilpman replied that it does not. She stated that The University of Michigan has an endowment of about $100 million, one-quarter of which is managed by The Fund.

Trustee Sims inquired as to how The Common Fund makes its investment selections.

Ms. Hilpman responded that representatives at The Common Fund have day-to-day contact with the investment managers. The Common Fund has individuals who spend time with each one of the funds and the investment managers within that fund. The ultimate responsibility is with the board of trustees of The Common Fund. The board is dedicated to meeting on a formal basis within committees four times a year. The board has annual and biannual meetings at which it meets with investment managers. The staff meets with the board on a quarterly basis and is in touch with the board members on a monthly basis by phone to review performance and to see if any changes are required.

Trustee Sims asked if The Common Fund has dropped or added any managers.

Ms. Hilpman responded that it depends on The Fund. The Common Fund had one termination, specifically in its International Equity Fund, where it had hired a very good manager called ABD International. ABD was an excellent International Equity manager, however, it had a complete turnover of its senior personnel, and The Common Fund was not comfortable with the remaining personnel. The Common Fund selected a replacement manager. There has not been any turnover recently with its domestic Equity Fund, other than adding new managers and transferring managers from the Equity Income Fund to the Equity Fund.

Ms. Hilpman concluded that another advantage in using The Common Fund is that its fees are all inclusive. There is no cost to join The Common Fund or to transfer within each of the funds. The fee that is charged quarterly includes custodial investment management, administrative, legal, and audit costs. Since The Common Fund is a non-profit organization, income is distributed to the member institutions.

President Joseph E. Champagne explained that the Finance and Personnel Committee felt Ms. Hilpman should make her presentation to the full Board to permit questions. A formal resolution will be presented on this matter at the July Board meeting.

Trustee Morris joined the meeting at this time.

Trustee Hartmann stated that she assumed the reason for The Common Fund proposal is that the administration feels The Fund can manage Oakland's endowment, because it specializes in school and university endowments as opposed to the fund Oakland is currently using.

Mr. McGarry responded in the affirmative. By placing the institution's endowment with this well established fund, rather than taking the chance with a brokerage firm or other money manager, the University would be relieving some of the burden on the administration and the Board. He referred to the analysis made on investing in other money managers, and indicated that with Oakland's endowment being under $10 million, many managers may not consider the account.

Trustee Bemis joined the meeting at this time.

Trustee Hartmann inquired if tracking would be necessary.

Mr. McGarry responded affirmatively adding that the University would require someone to monitor The Fund. The Common Fund has the South African Free Fund in which Oakland would participate. Other investment companies may not bother with such a fund, and, considering Oakland's size, the South African Free Fund would be conservative yet a beneficial approach for the University.

Chairman Handleman thanked Ms. Hilpman for her presentation. Ms. Hilpman left the meeting at this time.

<u>Recommendation to Accept Gifts and Grants to Oakland University for the period of April 1, 1988, through April 30, 1988</u>

President Champagne stated that the gifts and grants for the period of April 1, 1988, through April 30, 1988, totaled $550,160.82.

Trustee Hartmann, seconded by Trustee Morris, moved to accept the gifts and grants with gratitude. The motion was unanimously carried.

<u>Report on Gifts and Grants to the Oakland University Foundation for the period of April 1, 1988, through April 30, 1988</u>

Mr. Robert Swanson, Vice President for Developmental Affairs, stated that the gifts and grants for the period of April 1, 1988, through April 30, 1988, totaled $78,323.60.

Trustee Googasian, seconded by Trustee Hartmann, moved to accept the information report. The motion was unanimously carried.

Chairman Handleman inquired about the total membership of the President's Club.

Mr. Swanson responded that the membership is 998. The total was over 1,000 members, however, the Club reviewed its records and discovered delinquent and inactive memberships which affected the total.

Faculty Personnel Actions

Mr. Keith Kleckner, Senior Vice President for University Affairs and Provost, made the following recommendation:

Appointment

Armour, Elwood P., Clinical Assistant Professor of Medical Physics, effective August 15, 1988, through August 14, 1993 (new appointment to an honorary position)

Barrett, Susan M., Assistant Professor of Theatre, effective August 15, 1988 (replacing a visiting faculty member)

Boruta, Peter M., Clinical Assistant Professor of Physical Therapy, effective January 1, 1988, through August 14, 1989 (renewal)

Franklin, Barry A., Clinical Associate Professor of Exercise Science, effective January 1, 1988, through August 14, 1989 (renewal)

Just, Jorge O., Clinical Associate Professor of Medical Physics, effective January 1, 1988, through December 31, 1990 (new appointment to an honorary position)

Karabeg, Almira, Instructor in Mathematical Sciences, effective August 15, 1988 (replacing a permanent faculty member)

Madhavan, Tom, Adjunct Professor of Biological Sciences, effective August 15, 1988, through August 14, 1993 (new appointment to an honorary position)

Mansoori, Shahrokh, Adjunct Professor of Nursing, effective August 15, 1988, through August 14, 1992 (new appointment to honorary position)

Michta, Natalie Cole, Assistant Professor of English, effective August 15, 1988 (replacing a permanent faculty member)

Roszka, Joseph, Clinical Instructor in Medical Laboratory Sciences, effective January 1, 1988, through August 14, 1989 (new appointment to an honorary position)

Srinivasan, Gopalan, Assistant Professor of Physics, effective August 15, 1988 (replacing a permanent faculty member)

Change of Status

Connellan, William W., from Adjunct Assistant Professor of Journalism, to Adjunct Associate Professor of Journalism, effective April 14, 1988

Macauley, William, from Associate Professor of Political Science to Associate Professor of Political Science and Acting Chair, Department of Political Science, effective May 2, 1988, through August 19, 1988

Meyer, David P., from Associate Professor of Education to Associate Professor of Education and Acting Chair, Department of Human Resource Development, effective May 2, 1988, through August 19, 1988

Williamson, Robert M., from Professor of Physics to Professor of Physics and Acting Chair, Department of Physics, effective August 29, 1988, through April 27, 1989

Leave of Absence

Brown, Judith K., Professor of Sociology, sabbatical leave from January 3, 1989, through April 27, 1989 (with half pay)

Dawson, James E., Associate Professor of Music, leave from August 29, 1988, through April 27, 1989 (with no pay)

Fullmer, Daniel H., Associate Professor of Linguistics and English, sabbatical leave from August 29, 1988, through December 16, 1988 (with full pay)

Halpin, John F., Assistant Professor of Philosophy, sabbatical leave from January 3, 1989, through April 27, 1989 (with half pay)

Rosen, Joan G., Associate Professor of English, sabbatical leave from January 3, 1989, through April 27, 1989 (with half pay)

Wang, Stuart S., Associate Professor of Mathematical Sciences, leave from August 29, 1988, through April 27, 1989 (with no pay)

Resignation (Information Item)

Desmond, Robert L., Professor of Engineering and Dean, School of Engineering and Computer Science, effective April 30, 1988

Feingold, Marcia, Assistant Professor of Mathematical Sciences, effective January 13, 1988

Snyder-Halpern, Rita, Adjunct Associate Professor of Nursing, effective July 30, 1988

Trustee Hartmann, seconded by Trustee Morris, moved approval of the recommendation. The motion was unanimously carried.

## Security Transactions

Mr. McGarry reported that three shares of Electronic Data Systems Corporation stock were given to Oakland by Mr. and Mrs. Louis Carrio on April 19, 1988. The value of the stock on the date of gift was $125.06. The University realized $113.69 in the sale of the stock.

Trustee Googasian, seconded by Trustee Hartmann, moved acceptance of the report. The motion was unanimously carried.

## Interim Budget Resolution for 1988-89

Mr. McGarry stated that because of the uncertainty of the State Appropriation for 1988-89 at this time, the General Fund Operating Budget will be delayed until after the beginning of the fiscal year (July 1, 1988). Therefore, it will be necessary to operate on an interim budget until a formal 1988-89 budget is adopted. He proposed that the 1987-88 budget will be continued into 1988-89 as an interim budget, modified only by previously approved contractual agreements and any other employee compensation agreements that fall within the guidelines established by the Finance and Personnel Committee of the Board of Trustees in the interim.

Mr. McGarry made the following recommendation:

RESOLVED, That the Board of Trustees authorizes a continuation General Fund Budget for 1988-89 at the level of the 1987-88 expenditure budget, adjusted for previously approved contractual agreements and any other employee compensation agreements that fall within the guidelines established by the Finance and Personnel Committee of the Board of Trustees in the interim, until adoption of a 1988-89 budget by the Board of Trustees.

Trustee Morris, seconded by Trustee Hartmann, moved approval of the recommendation.

Trustee Bemis stated that with the low funding levels being proposed in Lansing, the University's resources may fall short of the interim budget base of $53,520,397. He added that it is easier to make adjustments over a twelve-month period rather than a shorter period. With reduced State funding, along with the anticipated need for an increase in tuition, adjustments must be made soon. Trustee Bemis felt compelled to warn the Board of the potential fiscal problems that could result in the absence of reduced expenditures.

Chairman Handleman stated that the Board appreciated Trustee Bemis' concerns and would keep them in mind as the budget process develops.

The motion was voted on and unanimously carried.

Transfer of Banking Relationships

Mr. McGarry stated that in an effort to reduce the costs of Oakland's banking services, several full service banks in the area were invited to submit proposals detailing their costs. First of America, Comerica, National Bank of Detroit, and Manufacturers Bank submitted data. The University would save nearly $2,400 per year by transferring its general banking account from National Bank of Detroit to Comerica.

Mr. McGarry made the following recommendation:

RESOLVED, That the Board of Trustees approves the following resolutions submitted by Comerica, Inc.:

1. Opening and Maintaining a Deposit Account,

2. Facsimile Check Signing Devices,

3. Opening and Maintaining a Safekeeping Account and Purchasing and Selling Securities,

4. Funds Transfer Authorization and Agreement,

and, be it further

RESOLVED, That the Board of Trustees authorizes the Vice President for Finance and Administration to enter into the agreements set forth in these resolutions on behalf of the Board of Trustees, and, be it further

RESOLVED, That the resolutions be approved by legal counsel and be in accordance with the University's Affirmative Action Policy.

Trustee Bemis, seconded by Trustee Morris, moved approval of the resolution.

Trustee Hartmann asked if all other services were relatively equal. Mr. McGarry responded affirmatively.

The motion was voted on. Trustees Bemis, Googasian, Handleman, Morris and Sharf voted affirmatively. Trustees Hartmann and Sims abstained from voting due to a potential conflict of interest.

(Note: The Bank resolutions are on file in the Office of the Board of Trustees.)

Board of Trustees Meeting Dates for 1988-89 Fiscal Year

Mr. John De Carlo, Vice President for Governmental Affairs, Secretary to the Board of Trustees, and General Counsel, stated that the Board is required by the Michigan Open Meetings Act to establish and publish formal Board meeting dates for each calendar or fiscal year. The dates recommended fall on the traditional second Wednesday of each month. The recommended dates are as follows:

Wednesday, July 13, 1988
Wednesday, August 10, 1988
Wednesday, September 14, 1988
Wednesday, October 12, 1988

Wednesday, November 9, 1988
Wednesday, December 14, 1988
Wednesday, January 11, 1989
Wednesday, February 8, 1989
Wednesday, March 8, 1989
Wednesday, April 12, 1989
Wednesday, May 10, 1989
Wednesday, June 14, 1989

Trustee Hartmann stated that she has conflicts with the proposed meeting dates of September 14, 1988; November 9, 1988; February 9, 1989; and April 12, 1989. She proposed alternate dates as follows: change September 14 to September 7, change November 9 to November 16, change February 8 to February 16, with no alternate for April 12, 1989, at this time.

Mr. De Carlo noted that there was a legal requirement to approve the calendar at this meeting. The dates can be changed at a later time. He requested that the Trustees review their calendars to determine if there are other conflicts.

Trustee Morris, seconded by Trustee Sims, moved approval of the recommendation. The motion was voted on and unanimously carried.

Recommendation for Approval of Degree Candidates, April 27, 1988

Mr. Kleckner presented the Degree Candidates list of April 27, 1988, for those undergraduate and graduate students who have completed academic work at Oakland University.

Trustee Hartmann, seconded by Trustee Morris, moved the approval of the list. The motion was unanimously carried.

Other Items

Trustee Morris stated that the present meeting would be Trustee Bemis' last as a member of the Board of Trustees at Oakland University as he is the State Superintendent for Public Instruction designate and will commence his new responsibilities in July. Trustee Morris stated that the Trustees were proud of Trustee Bemis' appointment but would miss his presence on the Board. He added that Trustee Bemis has made a tremendous contribution to Oakland by serving on the Board.

Trustee Bemis stated that he has enjoyed being on the Board and he has learned much about higher education. He added that his respect for Oakland University continues to grow, and he commended the University community for continually caring about the students. He reiterated his concern that Oakland proceed cautiously and prudently with financial decisions, and it should always keep in mind that it is a public institution in existence to serve the public. Trustee Bemis stated that the State Board of Education has given him the charge to become more active in higher education. He looks forward to working closely with the University in his new capacity.

Trustee Bemis commended and thanked each Trustee and Trustee Emeritus Wallace Riley for their efforts and involvement toward the good of Oakland University. He added that Oakland is blessed to have a Board of Trustees that cares about the students, the community and the mission of the University. He thanked the Vice Presidents, President, Provost and the University staff.

Trustee Sims requested that the record show that the Trustees expressed their appreciation and thanks to their colleague and friend, Trustee Bemis.

Chairman Handleman stated that the Trustees will not only miss Trustee Bemis' fiscal prudence and expertise, but they will also miss his presence. He wished him well in his new endeavor.

President Champagne stated that Professor Kenneth Hightower, Biomedical Science, has recently suffered the tragic loss of his son, Benjamin, a 17-year-old high school student, to an automobile accident. Professor Hightower is a distinguished member of Oakland's faculty and a prominent and well-thought of member of the area. President Champagne stated that Benjamin was an "ideal student" at Adams High School. The Board expressed its deepest sympathies and condolences to the Hightower family.

## Authorization of a Closed Session

Mr. De Carlo stated that a closed meeting is requested for strategy and negotiations sessions connected with the negotiation of the collective bargaining agreement with the AAUP. Section 8(c) of the Open Meetings Act provides that a public body may meet in a closed session for this purpose.

Mr. De Carlo called the roll for authorization of a closed session immediately following the adjournment of the current meeting.

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| Donald Bemis | yes |
| Phyllis Law Googasian | yes |
| David Handleman | yes |
| Patricia Hartmann | yes |
| Ken Morris | yes |
| Stephan Sharf | yes |
| Howard Sims | yes |

The closed meeting was approved and was scheduled to be held in the Meadow Brook Room of the Oakland Center.

Trustee Googasian, seconded by Trustee Hartmann, moved adjournment of the formal meeting. The motion was unanimously carried. The meeting was adjourned at 5:22 p.m.

Submitted,

John De Carlo, Secretary
Board of Trustees

Approved,

David Handleman, Chairman
Board of Trustees