



**SPECIAL MEETING OF THE WOU BOARD OF TRUSTEES**  
**MEETING NO. 65 – December 13, 2024**  
**1:00PM-2:00PM**

To observe this Meeting: [Zoom](#)  
Audio only, Call: 1-253-215-8782  
Meeting ID: 829 5836 8741 | Passcode: 628058

**AGENDA**

**I. CALL-TO-MEETING / ROLL CALL**

**II. CHAIR’S WELCOME**

**III. ACTION ITEM**

1) [Proposed Change of Investments of Quasi-Endowment Fund](#)(pg.2)

2) [Approval of Changes to the Board Statement on the Investment of Quasi-Endowment Funds:](#) (pg.3)

**IV. FINAL ANNOUCEMENTS**

**V. ADJOURNMENT**



## **Change of Investments - Western Oregon University Quasi-Endowment Fund**

The Western Asset Core Plus Bond (Fund) investment has been a core fixed-income holding in the quasi-endowment since its inception in early 2019 and a top recommendation by the investment team at the Oregon State Treasury (OST). The Fund's performance has lagged its benchmark since 2021, just prior to the start of the Federal Reserve's efforts to tame rising inflation by raising short-term interest rates by 5.25% over 15 months. The Fund has recently been placed on a watch list for potential replacement due to poor performance and tracking error in excess of the quasi-endowment funds investment policy guidelines of +/- 1.5%. The Fund's five-year average performance, net of fees, as of November 30, 2024, was negative 3.17%, underperforming its benchmark by 348 basis points.

In October 2024, the SEC launched an investigation into suspicious trading by the co-CIO (Chief Investment Officer) and one of the fund managers for the Fund. Western Asset placed the co-CIO on a leave of absence during the investigation. Following discussions with the management at Western Asset and their parent Franklin Templeton, OST guidance was to remain invested in the Fund, however, not invest new money.

On November 25, the SEC charged the former co-CIO (Ken Leech) with fraud for engaging in a multi-year scheme to allocate favorable trades to certain portfolios and was fired by Western Asset. Following discussion and guidance provided by OST, staff believe the headline risk and potential business risk warrants consideration of replacement of the Fund. [SEC.gov | SEC Charges Ken Leech, Former Co-Chief Investment Officer of Western Asset Management Co., with Fraud](#)

Prior to the SEC charges being filed, staff had planned to bring a recommendation to change investments based on underperformance to the Board in its February 2025 regular meeting. Given the allegations of fraud and the recent media attention noted above, staff recommends that immediate action be taken to protect the Quasi-endowment's value. OST has requested their consultant to provide alternative active fixed-income manager options for the Fund and is evaluating passive fixed-income exchange-traded funds. In the meantime, we believe it is prudent to sell the Fund and hold the proceeds in cash (invested in the OST Short Term Investment Pool that is currently yielding 4.85%) until a suitable alternative investment has been identified for consideration by the Board at its February 2025 meeting.

### Staff Recommendation:

Staff recommends that the Board of Trustees authorize staff to sell the Western Asset Core Plus Fund investment and hold the proceeds in cash until a suitable alternative investment has been identified for consideration by the Board.



## Proposed Change to the Board Statement on the Investment of Quasi-Endowment Funds

As staff evaluated potential actions to address this condition, it was noted that the current *Board Statement on the Investment of Quasi-Endowment Funds* (Investment Policy) does not contain any provisions that would allow staff to implement an immediate investment change in extraordinary situations such as this. In consultation with Penny Burgess, Treasury Management Services Director and Executive Director of University Shared Services Enterprises, staff have drafted a new provision (below) for the Board to consider for inclusion in the *Board Statement on the Investment of Quasi-Endowment Funds* that would allow the Vice President for Finance and Administration (or their delegates) in consultation with the President, to make immediate investment changes, after consultation with Board of Trustee leadership.

### Staff Recommendation:

Staff recommends that the Western Oregon University Board of Trustees accept the changes to the Board Statement on the Investment of Quasi-Endowment Funds as included in the docket material.



## **Board Statement on the Investment of Quasi-Endowment Funds**

### **1.0 Purpose of the Investment Portfolio**

The primary purpose of the investment portfolio is to maintain the purchasing power of the Western Oregon University Quasi-Endowment assets over the mid-but unspecified term, to support **scholarships** and other University programs.

### **2.0 Organization Fiduciary**

**WOU Board of Trustees** will be referred to as “The Board” throughout this Board Statement. The Board will engage an investment management consultant to manage the day-to-day investment decisions on the investment portfolio.

### **3.0 Investment Objective**

The Board desires that its quasi-endowment portfolio will grow, over time, at a rate exceeding the consumer price index and will achieve that growth at a steady rate over time at increments less volatile than the stock market indices. The Board believes that a diversified equity and fixed income portfolio has the best chance to achieve this objective. Because of the mid-term nature of the expected uses of this fund, the assets should be invested into a balanced portfolio of equities and fixed income.

### **4.0 Investment Time Horizon**

The expected investment horizon for this Plan is mid-but unspecified term with the Board having an authority to spend down the funds.

### **5.0 Targeted Rate of Return**

Over a five year market cycle, it is the goal of the Aggregate Plan Assets to achieve an average annual return, net of fees, of **5.0%**

The investment goals above are the objectives of the Aggregate Plan, and are not meant to be imposed on each individual investment account.



### 6.0 Strategic Asset Allocation

<u>Asset Class</u>	<u>Minimum</u>	<b>TARGET</b>	<u>Maximum</u>
Cash & Equivalents	0%	<b>5%</b>	25%
Fixed Income	15%	<b>40%</b>	60%
US Equities	25%	<b>35%</b>	65%
International Equities – Developed	5%	<b>15%</b>	30%
Emerging Markets	0%	<b>5%</b>	10%
*Alternative Investments	-	-	-

<b>Equities: 55%</b>	<b>Fixed Income: 40%</b>	<b>Alternatives: 0%</b>	<b>Cash: 5%</b>
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\*Alternative investments would include REIT’s (Real Estate Investment Trusts), Commodities, Private Equity, Foreign Currency, Structured Products, and any other non-traditional asset class that the Board deems appropriate.

### 7.0 Fiscally and Socially Responsible Investing

The Board will not allow more than **10%** of the total portfolio value to be invested in fixed income securities with a Standard and Poor’s credit rating below “**A**” (or equivalent). The Board will not allow more than **5%** of the total portfolio value to be invested in fixed income securities with a Standard and Poor’s credit rating below “**BBB**” (or equivalent). The Board, at its discretion, may elect to invest some or all the funds in accordance with socially responsible investing.

### 8.0 Portfolio Rebalancing

The Portfolio will be reviewed at least semi-annually by the Investment Management Consultant to rebalance the portfolio back to the Board’s preferred asset allocation. The Board will review this Board Statement annually or more often as needed to ensure its continued appropriateness.

### 9.0 Investment Manager Performance Review and Evaluation

Performance reports generated by the Investment Management Consultant shall be reviewed by the Board, the Board’s Finance and Administration Committee, or the University’s Vice President for Finance and Administration or designee at least quarterly. The investment performance of total portfolios, as well as asset class components, will be



measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board intends to evaluate the portfolio(s) over a 3-5 year period, but reserves the right to terminate an investment manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Significant qualitative changes to the investment management organization. Investment managers shall be reviewed regularly regarding Performance, Personnel, Strategy, Research Capabilities, Organizational and Business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

## **10.0 Roles and Responsibilities**

### 10.1 ROLE OF THE BOARD

- Approve the selection of the investment managers and investment consultants and provide adequate oversight during their engagements.
- Review the performance of the Investment Managers to ensure the assets are invested within the guidelines of this Board Statement.
- Review this Board Statement for accuracy and completeness.
- Provide accurate, complete financial information to the Investment Managers and alert the Investment Managers to any significant changes to this information, including changes to the Board's financial objectives.
- Participate in periodic portfolio reviews with the Investment Managers.

### 10.2 ROLE OF THE INVESTMENT MANAGERS

- Prudently invest the portfolio assets within the guidelines of this Board Statement.
- Develop portfolio guidelines based on University's financial status, investment objectives, liquidity needs, tolerance for risk and investment time horizon.
- Provide the Board with portfolio reporting upon request.
- Recommend changes in asset allocation guidelines for this portfolio.
- Respond promptly to the Board's concerns and inquiries.

### 10.3 ROLE OF THE UNIVERSITY PRESIDENT, VPFA, AND THEIR DESIGNEES

- Exercise due diligence in checking the investment managers' and investment consultants' credentials and backgrounds prior to the board's selection.



- Contact the Investment Managers and the Investment Consultants with any questions or concerns regarding the investments.
- Monitor Investment performance on on-going basis
- Provide the Board with the attribution analysis based on Investment Managers' performance versus the benchmarks.
- Participate in monthly portfolio reviews with the Investment Management.

#### 10.4. ROLE OF THE INVESTMENT CONSULTANT

- Provide the VPFA and FAC with customized performance reports versus the benchmarks.
- Assist the VPFA with attribution analysis
- Contact the Investment Managers with any questions or concerns regarding the investments on the VPFA's behalf.

#### **10.5 IMMEDIATE REPLACEMENT OF AN INVESTMENT**

**In consultation with the President, the Vice President for Finance and Administration and/or Designee, may take immediate action, after consultation with Board leadership, to replace an investment when an extraordinary situation involving the Investment compromises the interests of the Quasi-Endowment and beneficiaries. Examples of such extraordinary situations include (1) an investment's rapidly deteriorating performance due to management turnover or regulatory issues or (2) situations involving an investment or its management, which subjects the Western Oregon University to significant reputational risk.**

**The purpose for recommending immediate replacement of an investment should be confined to situations where the VPFA or Designee believes (1) there is significant reputational risk to the university, or (2) that delaying replacement risks a significant reduction in the Quasi-Endowment's investment value. The VPFA and Investment Manager shall implement such replacement(s) within a reasonable period of time under the circumstances.**

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**11.0 Document History**

<b><u>Version</u></b>	<b><u>Changes</u></b>	<b><u>Date</u></b>
<b><u>1</u></b>	<b><u>Initial Version</u></b>	<b><u>Adopted by the Western Oregon University Board of Trustees at their October 17, 2018 meeting.</u></b>
<b><u>2</u></b>	<b><u>Includes Section 10.5</u></b>	<b><u>Prepared for Consideration of the Western Oregon University Board of Trustees at their December 13, 2024 Special Meeting</u></b>

**Approved on \_\_\_\_\_, 2024**

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**Chair of the Board**

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**Secretary of the University**