



UNIVERSITY OF CENTRAL FLORIDA

## Foundation, Inc.

## UCF Foundation Board of Directors Investment Committee

Dec 7, 2023, at 1:45 PM EDT to 2:45 PM EDT

Hybrid Meeting

### Members Present:

Stuart Heaton, *Committee Chair*, Carrie Daanen, *Committee Vice Chair*, Debbie Claydon, Paul Gregg, Jimmy Ferrell, Barry Forbes, John Mahony, Kevin Miller

### Members Absent:

Steve Hanson, Roger Zlotoff

#### I. Welcome and Call to Order

Stuart Heaton, *Chair*, Investment Committee, called the meeting to order at 1:45 p.m., stating that the meeting was covered under the Florida Sunshine Law and the public and press were invited to attend. Roll call was performed, and quorum was confirmed.

#### II. Conflict of Interest Disclosure

No conflicts of interest were declared by committee members.

#### III. Minutes

Minutes from the October 26, 2023, Investment Committee meeting were unanimously approved as written.

#### IV. Action

Joseph Mera '03, *Director of Financial Planning & Analysis*, UCF Advancement & Partnerships presented the following items:

##### A. IC-1: Fiscal Year 2024-2025 Spending Distribution

Mera presented the spending rate and calculation for the endowment spending distribution. The rate for Fiscal Year 2023-2024 was set at 4%, resulting in an overall payout totaling \$9.1 million from the endowment pool. Mera discussed the endowment fee projected for Fiscal Year 2024-2025, amounting to \$4.5 million of the pool. Emphasis was placed on the endowment pool's capacity to sustain this fee at the current rate despite potential market volatility. It was highlighted that the full value of funds will be available beginning July 1, 2025.

Committee Advisor Gregg inquired about potential donor resistance of the 1.95% endowment fee. Mera acknowledged the existence of donor resistance, highlighting previous reduction discussions from the past rate of 2.25%. Ongoing discussions continue around the possibility of further reducing the endowment fee due to its impact on the investment portfolio. UCF's endowment fee aligns with those of other state university peers. Mera noted that UCF endowments are relatively smaller compared to those of larger state universities, influencing the fee's proportional impact.

Chair Heaton inquired about the historical trends in endowment spending distribution, correlating them with market returns and other related factors. Mera noted that historically there has been a correlation between spending distribution percentage and market returns. He highlighted that the payout rate in Fiscal Year 1999-2000 stood at 5.25%, marking a steady decline over time. Mera further specified that the payout rate remained consistent at 4% for several subsequent years.

**Motion:**

A motion was made by Director Forbes to approve recommendation to the Executive Committee the endowment spending rate of 4% for Fiscal Year 2024-2025 and to keep the endowment fee at 1.95%. Director Mahony seconded the motion. The motion passed unanimously.

Rod Grabowski, *Senior Vice President*, UCF Advancement & Partnerships, and *Chief Executive Officer*, UCF Foundation, Inc., expressed optimism for a reduction in the endowment fee, emphasizing the necessity for a three-to five-year budget model to facilitate long-term planning. Chair Heaton highlighted the necessity of monitoring the actual fee percentage across colleges with similar fund sizes.

**V. Discussion**

Weston Lewis, *Senior Vice President*, and Todd Carabasi, *Vice President*, Callan LLC presented the following items:

**A. DISC-1: Investment Performance for Period Ended September 30, 2023**

The committee was asked to review the portfolio performance summaries consisting of current asset allocations, market overview, fund summaries, and key performance benchmarks by Callan. Carabasi highlighted that the portfolio remains on target, despite negative returns for the quarter. However, he noted a consistent positive return year-to-date. As of September 30, 2023, the market value of the Endowed Funds Investment Pool stood at \$233 million, reflecting a quarter return of -2.07%. In comparison, the benchmark showed a -2.42% return for the same period. Carabasi emphasized that the endowment has consistently outperformed the benchmark in all periods covering the past five years, indicating robust performance relative to the benchmark. Carabasi cautioned the committee to anticipate market volatility in 2024 based on prevailing market conditions.

Director Forbes inquired about the fixed income strategy, specifically in relation to duration. Carabasi stated that the fixed income strategy is conservative with minimal interest rate risks. Lewis pointed out that the UCF Foundation has a lower-than-average duration as part of its fixed income strategy.

Committee Advisor Gregg inquired whether there are Callan clients opting to lock in at the current interest income rate. Carabasi explained that clients are doing so but not tactically.

Lewis provided the performance review, covering various aspects within the portfolio. Lewis highlighted that while the equity markets displayed losses in the first quarter of the fiscal year, they exhibited strong performance over an extended period. Notably, the endowment

consistently outperformed the benchmark in all periods spanning the past five years. Lewis provided an attribution analysis, emphasizing positive manager selection over the trailing year. Notably, real assets, real estate, and fixed income led this positive selection. The domestic equity demonstrated robust relative performance, positioning the portfolio in the top quartile over a three-year period. Similarly, international equity exhibited strong performance over an extended period. The fixed income composite continued to surpass its benchmark across all periods shown. This success was driven by the outperformance of the Loomis Core strategy and holdings in the Loomis Credit strategy, exceeding benchmark expectations.

Chair Heaton inquired about the performance status of Callan managers who might not be meeting standards. Lewis explained that Callan conducts quarterly internal committee meetings specifically dedicated to reviewing managers' performance and providing subsequent action plans. There are managers who underperform but this is not a constant trend.

Janelle Hom '10MA, *Director, Foundation Board Relations*, UCF Advancement & Partnerships, presented the following items:

**B. DISC-2: Investment Committee Charter Review**

Hom provided a review of the current investment committee charter for beneficial and/or needed amendments. Per its charter, the Investment Committee is tasked annually with reviewing its charter. The charter was last amended on February 1, 2019. Hom shared that there is no recommendation to make any amendments. Hom encouraged board members to ask questions regarding the charter as part of the ongoing review process.

**VI. Information**

The following informational items were provided to the committee. No questions or comments were offered by committee members.

- A. INFO – 1 Investment Committee Roster
- B. INFO – 2 Board Education & Engagement Program

**VII. New Business**

No new business was presented.

**VIII. Adjournment**

Chair Heaton adjourned the meeting at 2:35 p.m.

Approved by the Investment Committee on February 15, 2024.

Respectfully Submitted by:

Stuart Heaton

Stuart Heaton  
02/20/2024 10:08 EST

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Stuart Heaton P'17, *Chair*, Investment Committee

Minutes Prepared By: Ronney Demosthene, *Coordinator, Foundation Board Relations*, UCF Advancement & Partnerships