OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

November 10, 2016

TO: Southern Oregon University Board of Trustees, Finance and Administration Committee

FROM: Sabrina Prud'homme, University Board Secretary

RE: Notice of Regular Meeting of the Finance and Administration Committee

The Finance and Administration Committee of the Southern Oregon University Board of Trustees will hold a regular meeting on the date and at the location set forth below.

Topics of the meeting will include a vice president's report with a review of the financial dashboard, updates on enrollment information and discussion on the proposed committee meeting schedule. There also will be a discussion and action on the endowment investment policy and public university fund recommended investment policy change regarding the divestment of fossil fuels. Additional topics include a presentation of the fourth quarter endowment investment report, review of the updated pro forma, and a pension overview including total pension liability.

The meeting will occur as follows:

Thursday, November 17, 2016
4:00 p.m. to 6:00 p.m. (or until business concludes)
Hannon Library, DeBoer Room, 3rd Floor, Room #303

The Hannon Library is located at 1290 Ashland Street, on the Ashland campus of Southern Oregon University. **If special accommodations are required or to sign-up in advance for public comment, please contact Kathy Park at (541) 552-8055 at least 72 hours in advance.**

Board of Trustees
Finance and Administration Committee Meeting
November 17, 2016

Call to Order and Preliminary Business

Board of Trustees
Finance and Administration Committee Meeting

Thursday, November 17, 2016
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library

AGENDA

Persons wishing to participate during the public comment period shall sign up at the meeting.
Please note: times are approximate and items may be taken out of order.

	1	**Call to Order and Preliminary Business**	Trustee Slattery
	1.1	Welcome and Opening Remarks	
	1.2	Roll Call	Sabrina Prud'homme, SOU, Board Secretary
	1.3	Agenda Review	Trustee Slattery
	1.4	Consent Agenda: Approval of October 20, 2016 Meeting Minutes (Action)	
	2	**Public Comment**	
~ 10 min.	**3**	**Vice President's Report**	Craig Morris, SOU, Vice President for Finance and Administration
	3.1	Committee Dashboard Review	
	3.2	Enrollment Dashboard Review	Dr. Matt Stillman, SOU, University Registrar, and Kelly Moutsatson, SOU, Director of Admissions: Co-Executive Directors of Student Enrollment
	3.3	Proposed Revisions to Committee Meeting Schedule	Sabrina Prud'homme
	3.4	Other	Craig Morris
~ 10 min.	**4**	**Endowment Investment Policy (Action)**	Trustee Sevcik; Craig Morris; Penny Burgess, USSE, Director of Treasury Services

Board of Trustees
Finance and Administration Committee Meeting

Thursday, November 17, 2016
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library

AGENDA (continued)

~ 20 min.	**5**	**Public University Fund Recommended Investment Policy Change: Divestment of Fossil Fuels Strategy (Action)**	Craig Morris; Penny Burgess
~ 20 min.	**6**	**Endowment Investment Report, Fourth Quarter**	Penny Burgess
~ 25 min.	**7**	**Review of Updated Pro Forma**	Craig Morris; Mark Denney, Associate Vice President for Budget and Planning
~ 25 min.	**8**	**Pension Overview and Total Pension Liability**	Steve Larvick, Director of Business Services
~ 5 min.	**9**	**Future Meetings**	Trustee Slattery
	10	**Adjourn**	Trustee Slattery

Board of Trustees
Finance and Administration Committee Meeting

Thursday, October 20, 2016
4:00 p.m. – 6:00 p.m. (or until business concludes)
DeBoer Room, Hannon Library

MINUTES

Call to Order and Preliminary Business

Chair Nicholson called the meeting to order at 4:03 p.m. The committee welcomed Trustee Danny Santos to the meeting. Chair Nicholson also introduced and welcomed SOU's new Director of Community and Media Relations, Joe Mosely. Chair Nicholson announced that, following the conclusion of the meeting, members of the board and the retreat facilitator would meet for dinner at Callahan's Mountain Lodge.

The following committee members were present: Paul Nicholson, Lyn Hennion, Jeremy Nootenboom, April Sevcik, Dennis Slattery and Steve Vincent. Les AuCoin was absent. Trustees Bill Thorndike and Linda Schott (ex officio) also attended the meeting.

Other meeting guests included: Craig Morris, Vice President for Finance and Administration; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Janet Fratella, Vice President for Development; Dr. Matt Stillman, University Registrar, Co-Executive Director of Student Enrollment; Partha Chatterjee, Senior Budget Analyst; Shane Hunter, Senior Financial Management Analyst; Joe Mosley, Director of Community and Media Relations; Steve Larvick, Director of Business Services; Treasa Sprague, Administrative Services Coordinator; John Stevenson, User Support Manager; and Sabrina Prud'homme, Board Secretary.

Trustee Vincent moved to approve the September 15, 2016 meeting minutes as drafted. Trustee Sevcik seconded the motion and it passed unanimously.

Public Comment

There was no public comment.

Vice President's Report

Reviewing the financial dashboard, Craig Morris described a change in the processing of federal financial aid loans that impacts operating cash in a way that has SOU below the target for this indicator; disbursements were in October instead of September. Other indicators on the dashboard were on target, with labor a bit ahead on education and general (E&G).

Regarding enrollment, Dr. Matt Stillman said it has picked up significantly, with the vast majority being Advanced Southern Credit (ASC). At the end of the third week, enrollment was down 2.5 percent in FTE and 2 percent in SCH. SOU is ahead of the 4,282 FTE target and has eclipsed the 6,000 mark on headcount, both ahead of retrenchment metrics. Trustees will start to see preliminary numbers for the fall 2017 cycle. Responding to a question from Trustee Vincent, Dr. Stillman indicated the population from Klamath Community College enrollees is close to identical to last fall, as the university is still in the implementation phase of the staff rates program; he expects to see an uptick in the winter term.

Responding to Trustee Santos' questions regarding transfers, Dr. Stillman said transfers come from Rogue Community College primarily and Portland Community College second. He added that the enrollment numbers are essentially "in the books."

Responding to Board Chair Thorndike's inquiry about students who were unable to get free community college, Dr. Stillman said that everything is anecdotal right now but the HECC and provosts are looking at that. The expectation was that resident freshmen enrollment would increase sharply at community colleges but it is not playing out that way. Generally, the entire state seems relatively flat or down.

Mr. Morris updated the committee on four recent items. SOU invests its operating cash in the Public University Fund (PUF). Six of the seven universities bank their funds in the PUF and the Oregon State University (OSU) Board of Trustees is the fund administrator. That board sets policy on investment and is expected to vote on the issue of divesting fossil fuels from the PUF. Mr. Morris believed OSU presented the fossil fuel investment issue to that board's finance committee, which forwarded the matter to its board without recommendation. He added that SOU's board does not have a legal role to play as the OSU board has the fiduciary duty on this issue. Mr. Morris did not have any further information but said he would keep the committee informed.

Second, Mr. Morris mentioned that SOU held a campus budget forum the day before the meeting and would hold another on the following day. As is done with the board, the pro forma is used to discuss scenarios for the university's and the state's budget forecasts, including modeling the impact of the projected $1.3 billion shortfall.

Third, Mr. Morris mentioned his attendance at the Association for Advancement of Sustainability in Higher Education (AASHE) conference. He added that SOU's students gave an excellent presentation to a national audience on sustainable wellness and he commended the students. At the same conference, SOU staff presented on last year's Arbor Day accomplishment of having 500 volunteers to replant the arboretum.

Lastly, Mr. Morris invited Dr. Walsh to provide a HECC update. Dr. Walsh said the HECC asked SOU and the other universities to complete the framework, which is their evaluation document. The "bigs" did this in the past and received no feedback, so she is unsure how or if the information will be used. The framework comes prepopulated with data and Chris Stanek coordinates SOU's response, reaching out to content owners as relevant, such as the board secretary. There will be some back-and-forth between the university and the HECC until the framework is due in December.

First Quarter Forecast

Chair Nicholson introduced the item, saying budget transfers have been confusing in the past, partly due to nomenclature. He has asked staff to call transfers "subsidies" to describe more accurately how financial transfers between accounts actually function.

Steve Larvick discussed projected subsidies between the various fund types with a focus on athletics, explaining the support coming from other fund groups to athletics. He also discussed subsidies going to JPR and RVTV. Responding to a question on how support for those entities is determined, Mr. Morris indicated that, following a thorough process, RVTV's support has been set at $90,000 for several years and is for support to academic programs. Mark Denney added that the JPR support is for the executive and program directors' salaries and benefits. Regarding the housing subsidy, he explained it goes to the general fund in support of the service center, building maintenance and repair reserves. Mr. Morris added that subsidies will be a regular part of the periodic management report.

Turning to the periodic management report, starting with E&G, Mr. Larvick explained that enrollment was projected to be flat. The budgeted 3 percent increase in tuition and fees is offset by the 2.2 percent decrease in enrollment; revenues are projected to be in-line with the prior year. "Other" E&G revenue typically is going to come in at roughly $2 million annually. The prior year was higher due to land lease revenue from the North Campus Village that accumulated for a couple of years. SOU is now receiving these funds on a more consistent annualized basis. Overall, revenue is projected to come in slightly higher than the prior year, but under budget due to enrollment decreases. The E&G ending fund balance is projected to be about 13 percent.

Covering auxiliaries, Mr. Larvick explained that revenues primarily are up due to an increase in the student recreation center and incidental fees. However, lower enrollment resulted in decreases in housing occupancy by about 50 students, largely in Greensprings due to lower freshman enrollment, which negatively impacted revenues in housing, Supplies and Services (S&S), labor and "other." The ending fund balance for auxiliaries remains negative at -4.6 percent as a result of the ongoing deficit with athletic programs and internal loan balances to address the BOLI obligation.

Regarding designated operations, revenue and expenses are in-line with budget, with some shifting of budgets between labor and S&S for subsidies coming in to support JPR and RVTV. Overall, SOU is expected to utilize about $100,000 of the fund balance by the end of the year, still leaving roughly $1.2 million.

The ending fund balance across the all-current unrestricted fund is averaging about 9 percent when compared to total revenues of about $85 million.

Chair Nicholson asked if SOU has a mechanism to look at the E&G ending fund balance and take any corrective action. Mr. Morris indicated that SOU currently is focused on having conversations about the projected $1.3 billion shortfall in the state budget and what the future looks like. Trustee Slattery commented that the auxiliaries' deficit is fairly material and asked if SOU is able to figure out where that turns the other direction. Mr. Morris said there are balance sheet explanations and it is future trends are projectable.

Pro Forma Review

Mr. Morris introduced the topic by explaining that the public university support fund

(PUSF) is funded by the legislature at $665 million. Last spring, the budget request to the HECC was for $765 million, which is a break-even scenario for the seven public universities. The HECC put forth a $943 million request. However, when the seven university presidents were informed of the $1.3 billion projected shortfall, they agreed to model the impact of funding at a $616 million level, which represents the amount of PUSF funding to the universities in the shortfall scenario. Trustee Slattery asked if the shortfall scenario is the universities' position if Measure 97 does not pass. Mr. Morris said that he believes it is. He added that SOU will advocate for support at the $765 million level if the projected shortfall indeed happens, but the scenario SOU will end up in is unclear at this time. So, Mark Denney will model all of these scenarios for the board, as they were done for the campus in the previous day's budget forum.

Mr. Denney explained that each decision point for the campus, committee or state can be modeled. He gave a detailed explanation of assumptions populating the worksheet, including enrollment trends and how the model works. He then changed various assumptions using the various levels of state funding between $943 million and $616 million, the latter of which showed a negative fund balance as early as the second year of the next biennium. The prospect of raising tuition was discussed; it was noted that increasing tuition would be challenging for current students, possibly less so for new students unaccustomed to the current rates, and that in comparison to other Oregon Public Universities (OPUs), SOU would still be less expensive than most. Responding to a question from Trustee Hennion, Mr. Denney affirmed that it is quite likely the other OPUs would also need to raise tuition.

Trustee Slattery questioned whether the $765 million "break-even" scenario is truly a break-even scenario for SOU. Mr. Denney said it does not represent a break-even scenario for SOU individually but, instead, for the seven institutions. Mr. Morris further explained that he understands the governor's office is considering putting forward its budget at the $1.3 billion deficit level with a restriction that the universities could raise tuition no more than 5 percent. As a result, he underscored that SOU will have serious challenges if current ballot measure #97 fails. Trustee Hennion asked to revisit the disparity of the break-even scenario. She wished to understand the formula because she thought it seemed unfair to SOU and asked if trustees could support SOU in its efforts to lobby for changes. Mr. Morris said SOU gets the worst treatment from the model than any of the OPUs. Portland State comes out on top and that benefit, which is set in a bill, would require new legislation to effectuate change. Conversations are happening to change that, potentially, but each university also is looking out for itself. Further, in the formula for completions, Eastern Oregon University received a subsidy, whereas SOU did not.

Mr. Morris explained that due to already lean and efficient operations as a result of retrenchment, SOU does not have anywhere to cut and the real answer is enrollment growth, which must be at the core of SOU's planning. SOU could improve completion metrics by 10 percent but if the other OPUs did so by 11 percent, SOU would underperform in that scenario. SOU must focus on how it will grow enrollment to help "manage our own backyard."

Trustee Hennion commented that if the 2017-19 biennium is impacted in the shortfall scenario, there may still be changes in the 2019-21 biennium. Mr. Morris said for the next two-year period, SOU has opportunity because it has built up its fund balance through strong planning in anticipation of certain budget impacts. President Schott added that even if SOU starts new recruitment and retention initiatives, it takes years for those to payoff. So, SOU may have to plan for three to four years of uncertainty in that scenario. Trustee Slattery said it seems like the 6 percent budget increase modeled for the committee can be some combination of enrollment and tuition; President Schott responded that she would feel better about building enrollment.

Chair Nicholson thanked Mr. Denney and Partha Chatterjee for continuing to develop the pro forma as a tool and said the pro forma, while useful, was less sophisticated before and was ancillary to the process. SOU will now use it as the driver of the process to use immediately as decisions are considered and will change the way SOU is able to make decisions. President Schott added that the pro forma is groundbreaking and none of the institutions where she has worked had anything like it. Mr. Denney thanked the committee and said there is more to come, as people will be able to "play" with it, understand scenarios and create their own "what ifs."

2016-17 Budget Process Debrief

Chair Nicholson said the purpose of this item was to review and reflect on how the committee worked on the budget last year. The committee can assess what did and did not work, adjust and identify topics the members feel they need to know more about. Chair Nicholson noted that when the board adopted its first budget, it had just been constituted as a board and was dependent on a process already in place. The trustees tweaked tiny parts of the budget process, had to learn a lot about it, and as a result, over the past year, had a much more in-depth understanding and greater involvement in the process. As trustees recounted the learning process, it was noted that some felt uncomfortable approving a large chunk of the budget before getting a sense of costs and other personnel expenses because information had to be provided earlier to the student aid office for financial aid packages. Mr. Denney added that tuition and fees timing cannot be pushed later because the registrar's office needs them.

The timing has been adjusted to talk about labor in May since a big chunk of the budget is labor and a big driver of that is the faculty workbook, which cannot be prepared earlier than April. It takes roughly a month to see how faculty labor fully impacts the labor budget. Mr. Morris clarified that SOU does not know what the bargaining process and state allocation will look like in future biennia.

Fiscal Year 2017 Budget Calendar and Role of the Committee in the Budgeting Process

Chair Nicholson said the purpose of the agenda item is to discuss the committee's role in the process and understand the informational needs so the staff can plan accordingly. He recalled there was some discomfort when the trustees discussed the possibility of enrollment being at least one percent higher than budgeted and feeling they should have a hand in deciding the priorities of the extra money generated. He acknowledged the board may not be in that situation this time and asked trustees, "What do we see as the board's role?" Trustee Vincent asked if there is or could be a percent and dollar variance threshold that could trigger board action. Trustee Hennion said it would be undesirable to be lobbied by everyone who has an opinion and felt it is incumbent upon the trustees to trust the staff, adding that when a strategic plan is in place, determining such priorities would be guided. Trustee Slattery suggested that having a budget debrief would be better situated in a month like July, as the time lapse is too long ago to recall. Chair Nicholson agreed and maintained that the question remains about how trustees might participate in developing creative ideas. Mr. Morris reminded the committee that the pro forma now can be a tool to use in this way and to follow the budget development. The model will be even more sophisticated and will be available to use. However, for the committee to get more involved than at its current level is a proposition involving much more than an hour or two per month; it would take days, as the budget is complex. His recommendation is to leave that level of detail to the president and staff, continue to have these conversations with the pro forma and jointly commit to not having any surprises.

Mr. Denney then walked the committee through the proposed monthly budget items as presented in the materials.

Discussion Regarding Committee Priorities and Interests
Chair Nicholson said this item relates to the prior conversation and the purpose was to get a sense of what the committee thought the top priorities were or should be this year. Trustee Hennion questioned whether the committee needed a student liaison to answer questions about the student fee process. Mr. Morris thought Trustee Nootenboom, as the ASSOU [Director of] Finance and Administration, could serve as that person. Trustee Slattery noted the distinction that, as a trustee, he is not a student representative.

Trustee Slattery commented that the board's Academic and Student Affairs and Finance and Administration Committees operate separately, but come together at board meetings and have shared interests. He asked if there is a good handle on implications of decisions being made in both committees and if the committees feel they know enough about the joint recommendations.

Trustee Santos expressed interest in retention, specifically related to budget and the funding formula.

Future Meetings
Chair Nicholson informed the committee that the following agenda items were slated for the next committee meeting: pension overview and pension liability; an investment report; the endowment investment policy, all with Penny Burgess; as well as budget development and the pro forma. He also noted that Trustee AuCoin asked for future exploration on the role of the development department in financially supporting the institution as a whole. Chair Nicholson informed the committee that he is unable to attend the committee meetings scheduled for November and December and that Trustee Slattery will chair the meetings in his stead.

Adjourn
Chair Nicholson adjourned the meeting at approximately 5:35 p.m.

Public Comment

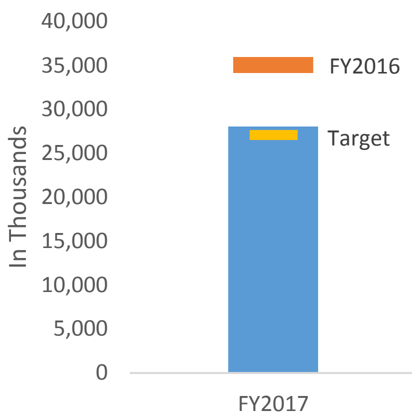
Vice President's Report

Financial Dashboard

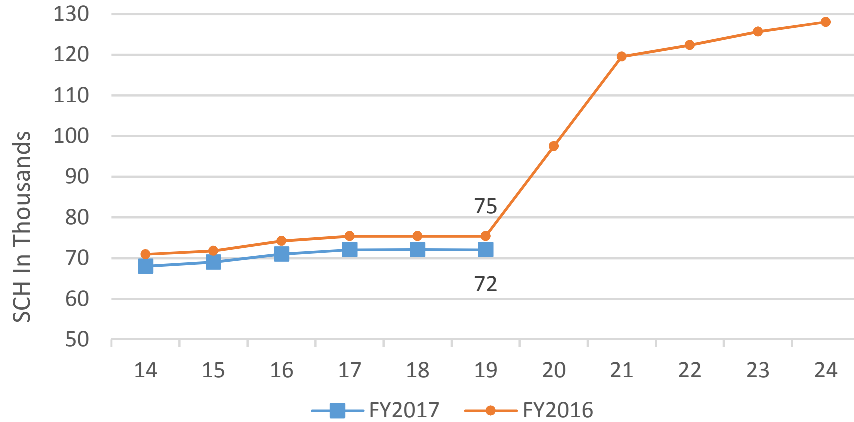
For FY17

As of October 31, 2016

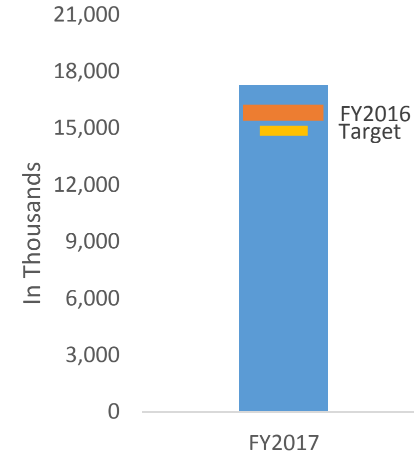
Public University Funds Operating Cash



Total Student Credit Hours by Week of the Fiscal Year



E&G Fund Balance



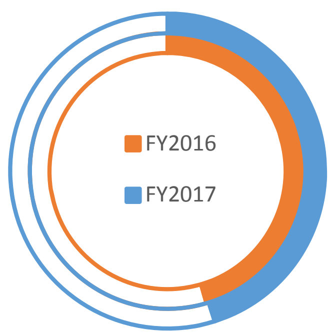
Reported Financial Ratios for FY16

Primary Reserve Ratio:
9.2% ✓

Current Ratio:
0.7:1

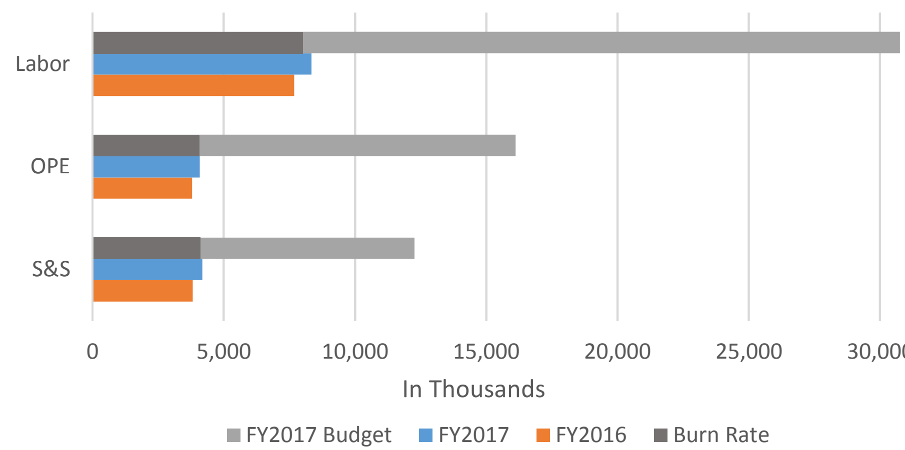
Debt Burden Ratio:
3.6% ✓

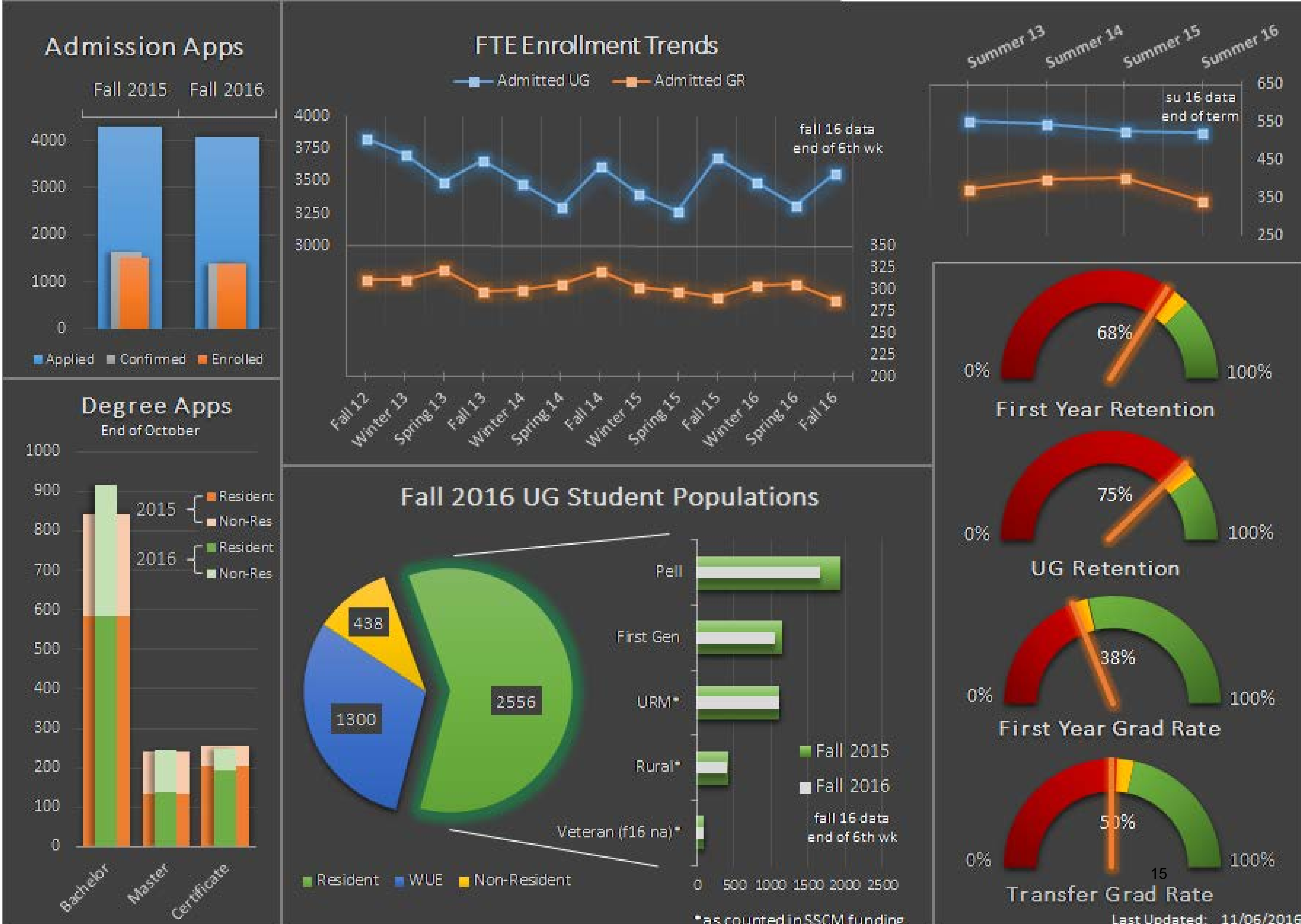
E&G YTD Revenues



FY2017 Collected 26,654,639
(45% of budget)

E&G YTD Select Expenses




Admission Apps
Fall 2015
Fall 2016
4000
3000
2000
1000
0
Applied
Confirmed
Enrolled
FTE Enrollment Trends
Admitted UG
Admitted GR
4000
3750
3500
3250
3000
350
325
300
275
250
225
200
fall 16 data end of 6th wk
Fall 12
Winter 13
Spring 13
Fall 13
Winter 14
Spring 14
Fall 14
Winter 15
Spring 15
Fall 15
Winter 16
Spring 16
Fall 16
Summer 13
Summer 14
Summer 15
Summer 16
650
550
450
350
250
su 16 data end of term
Degree Apps
End of October
1000
900
800
700
600
500
400
300
200
100
0
2015
Resident
Non-Res
2016
Resident
Non-Res
Bachelor
Master
Certificate
Fall 2016 UG Student Populations
438
1300
2556
Resident
WUE
Non-Resident
Pell
First Gen
URM*
Rural*
Veteran (f16 na)*
Fall 2015
Fall 2016
fall 16 data end of 6th wk
0
500
1000
1500
2000
2500
*as counted in SSCM funding
68%
0%
100%
First Year Retention
75%
0%
100%
UG Retention
38%
0%
100%
First Year Grad Rate
50%
0%
100%
Transfer Grad Rate
Last Updated: 11/06/2016

SOUTHERN OREGON UNIVERSITY BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE MEETING
NOVEMBER 17, 2016

ENROLLMENT & ADMISSIONS OVERVIEW
KELLY MOUTSATSON - DIRECTOR OF ADMISSIONS & CO-EXECUTIVE DIRECTOR OF STUDENT ENROLLMENT
DR. MATT STILLMAN – UNIVERSITY REGISTRAR & CO-EXECUTIVE DIRECTOR OF STUDENT ENROLLMENT

FALL 2016 4TH WEEK OFFICIAL CERTIFIED ENROLLMENT DATA:

- Total Headcount down 2.0% (-127 raw)
- Total FTE down 2.6% (-115 raw)
- Non-residents up fractionally (+8 raw)
- Students of Color up fractionally (+8 raw)
- California showing solid growth (+85 raw, +7.5%)
- WUE SCH up fractionally (+1.5%)
- Klamath Community College transfers up 92.3% (+12 raw)
- Rogue Community College transfers up 4.6% (+7 raw)

FALL 2016 7TH WEEK INTERNAL ENROLLMENT DATA:

- Total Headcount down 2.3% (-141 raw)
- Total FTE down 2.6% (-114 raw)
- Well ahead of end of term Retrenchment targets (+2.2% for Headcount, +1.8% for FTE)

ENROLLMENT EFFORTS:

- Active marketing and direct outreach push for Winter term registration
- Providing academic course schedule in advance has been a huge success
- Cleaning up Financial Aid processes and data to benefit students directly
- Seeking statewide data on Fall enrollment and sorting out impact of Oregon Promise
- Carefully considering recommendations for enrollment plan, especially vis a vis student mix

FALL 2017 PRELIMINARY ADMISSIONS DATA (45 WEEKS FROM START OF FALL TERM):

- Strongest start of a cycle we have ever seen
- Applications up 23.4% (+139 raw)
- Admits up 60.2% (+127 raw)
- Especially strong early signs from Oregon residents (applications up 40.4%, +59 raw)
- Both primary and tertiary (Portland) showing solid growth

ADMISSIONS EFFORTS:

- Significantly increased attention to local high schools
- Portland regional counselor gaining traction
- Raider on the Spot program going very well
- Largest Preview Day in SOU history

Discussion Item: Proposed Committee Meeting Schedule

<table>
<tr><th colspan="4">PROPOSED COMMITTEE SCHEDULE FOR CONSIDERATION</th></tr>
<tr><th>MEETING:</th><th>Board of Trustees
(Currently Unchanged)</th><th>Academic and Student Affairs</th><th>Finance and Administration</th></tr>
<tr><td>FREQUENCY AND DAY:</td><td>Third Fridays
Once per quarter</td><td>Third Thursdays,
Once per quarter</td><td>Third Thursdays
• January – June, monthly
• July – December, with per quarter dates</td></tr>
<tr><td>TIME:</td><td>12:00 – 5:00 p.m.</td><td>TBD: Up to four hours
Possibly: 10:00 a.m. – 2:00 p.m.</td><td>4:00 p.m. (End Varies)</td></tr>
<tr><td rowspan="10">DATES:</td><td rowspan="3">October 21</td><td>October 20</td><td>October 20: 4-6pm</td></tr>
<tr><td>November 17 (Cancelled)</td><td>November 17: 4-6pm</td></tr>
<tr><td>December 15 (Cancelled)</td><td>December 15 (Cancelled)</td></tr>
<tr><td rowspan="3">January 20</td><td rowspan="3">January 19</td><td>January 19: 4-6pm</td></tr>
<tr><td>February 16: 4-5pm
Budget focus only</td></tr>
<tr><td>March 16: 4-5pm
Budget focus only</td></tr>
<tr><td rowspan="3">April 21
June 16</td><td rowspan="3">April 20
June 15</td><td>April 20: 4-6PM</td></tr>
<tr><td>May 18: 4-5pm
Budget focus only</td></tr>
<tr><td>June 15: 4-6pm</td></tr>
<tr><td>TBD</td><td>TBD with board meeting</td><td>TBD with board meeting</td></tr>
</table>

Narrative

Academic and Student Affairs

Once per quarter, longer duration: It was determined that the committee could meet once per quarter, with dates coinciding with those of the full board. However, the duration of these meetings could be extended up to four hours if needed. These meetings also could occur earlier in the day. Time is still TBD based on committee's availability and potentially, the Finance and Administration Committee's Schedule.

Finance and Administration

It was determined that the FAC needs frequent meetings to carry out its work, but the need for this is greatest during the budget cycle. So, their proposed schedule would be more complicated, though still less frequent.

1. **Where there is no change in the day, time, or occurrence:** The committee would continue to hold its two-hour meetings in conjunction with quarterly board meetings on Thursdays from 4-6pm.
2. **Proposed change to meetings in the 1st half of the calendar year:** During the most active budget months of January through June, in months in which no quarterly meeting of the board takes place (i.e., February), committee meetings would still take place, but would only be for one hour and would only deal with budget items (i.e., no investment report, no periodic management report, etc.).
3. **Proposed change to meetings in the second half of the calendar year:** From July through December, there would be no intermittent monthly meetings--only meetings that coincide with those of the full board (i.e., October) (See #1 above)

Endowment Investment Policy (Action)

Investment Policy, SOU Endowment Fund

POLICY PROVISIONS

Policy Statements

1. Introduction

   This statement governs the investment of the Southern Oregon University Endowment Fund (the "Fund").

   This statement is set forth in order that the Board, the Investment Advisor, its investment managers and others entitled to such information may be made aware of the Policy of the Fund with regard to the investment of its assets.

   This statement of investment policy sets forth the following:

   A. There will be a clear understanding by the Board, the Investment Advisor and staff of the investment goals and objectives of the portfolio.

   B. The Board and management have a basis for evaluation of the investment managers.

   C. The investment managers be given guidance and limitation on investing the funds.

   It is intended the objectives in this policy to be sufficiently specific to be meaningful, but flexible enough to be practical. It is expected that the policy and objectives will be amended as necessary to reflect the changing needs of the endowment; however, all modifications shall be made in writing and approved by the Board.

2. Southern Oregon University Endowment Fund

   The Fund is permanent and expected to operate in perpetuity, so these funds will be invested long-term. It is important to follow coordinated policies regarding spending and investments to protect the principal of the Fund and produce a reasonable total return.

3. Responsibility of the Board

   The role of the Board is to recommend broad investment goals to the Investment Advisor, including spending rate information and to provide input into the asset allocation process.

4. Investment Advisor Responsibility

The Investment Advisor, and/or a designee, serves as consultant to the Board and will have the responsibility and authority to establish the asset allocation for the Fund and approve the retention and termination of all investment managers. The Investment Advisor, and/or a designee, will recommend to the Board a specific asset mix reflecting judgments of the investment environment as well as the specific needs of the Fund. Other duties assigned to the Investment Advisor, and/or a designee, include:

A. Recommending professional investment managers;
B. Negotiating and/or monitoring Fund investment expenses;
C. Monitoring investment managers, on an ongoing basis;
D. Assuring proper custody of the investments; and
E. Reporting to the Board, on a quarterly basis, the Fund's investment results, its composition and any other information the Board may request.

5. Spending Policy

The amount of endowment return available for spending (distribution) is based on a percentage of the average unit market value of the 20 quarters preceding the current fiscal year. The distribution per unit (under Exhibit A) is determined by the Board. The distribution amount per unit is multiplied by the current number of units and any additional units added during the current year as new endowment money comes into the Fund. This shall be exclusive of investment management fees.

6. Investment Policy Guidelines

A. Asset Allocation

The most important component of an investment strategy is the allocation among the various classes of securities available to the Fund. The Investment Advisor, in consultation with the Board, will establish the target asset allocation for the investments that will mostly likely achieve the investment goals of the Fund, taking into consideration the appropriate level of portfolio risk.

The risk/return profile shall be maintained by establishing the following long-term "target" strategic asset allocations:

Asset Class	Policy	Target	Benchmark
Global Equities	70-80%	75%	MSCI ACWI IMI Net
Fixed Income	20-30%	25%	Barclays Aggregate
Cash	0-3%	0%	91 Day T-Bill

B. Investment Time Horizon

In making investment strategy decisions for the Fund, the focus shall be on a long-term investment time horizon that encompasses a complete business cycle (usually three to five years). An interim evaluation will be performed by the Investment Advisor, and/or a designee, if a significant change in fees, manager personnel, investment strategy or manager ownership occurs.

While the quantitative assessment of managerial competence will be measured over a complete market cycle, the Board anticipates that the Investment Advisor will make period qualitative assessments as well. Specific qualitative factors considered by the Investment Advisor may include, but are not limited to, fundamental changes in the manager's investment philosophy, changes in the manager's organizational structure, financial condition and personnel, and any changes, relative to peers, in a manager's fee structure.

7. Prudence and Ethical Standards

A. Prudence

All participants in the investment process shall act responsibly. The standard of prudence to be applied by the Board, the Investment Advisor, selected designees, SOU staff and external service providers shall be the “prudent investor” rule, which states: "Investments shall be invested and the investments managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements and laws governing each investment fund."

B. Ethics and Conflicts of Interest

Board members, Investment Advisory staff, selected designees, SOU staff and external service providers involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. These parties are required to reveal all relationships that could create or appear to create a conflict of interest in their unbiased involvement in the investment process.

8. Investment Objectives

The investment objective of the Fund is to seek consistency of investment return with emphasis on capital appreciation over long periods of time, since the Fund will operate in perpetuity. In keeping with the performance goals included in the Policy, achievement of this objective shall be done in a manner that, over a long-term planning horizon, will meet the spending rate established by the Board (under Exhibit A) and maintain the purchasing power of the principal.

9. Manager(s) Responsibilities

A. Legal Compliance - The investment manager(s) is (are) responsible for strict compliance with the provisions of their investment management agreement.

B. Authority of Investment Manager(s) in the Managed Accounts - Subject to the terms and conditions of this Policy and the investment management agreement, manager(s) shall have full discretionary authority to direct investments of assets in the managed accounts. The Investment Advisor, and/or a designee, will recommend changes to this Policy when the advisor(s) views any part of this Policy to be inconsistent with overall market, economic conditions, or investment policies.

   The Investment Advisor directs all managers to vote proxies and to vote them in the best economic interest of the Fund. When requested, managers will report to the Investment Advisor regarding how proxies were voted.

   Meetings between Fund managers and the Investment Advisor will occur consistent with the policies established for the Investment Advisor's other managers, to discuss items including, but not limited to, the manager's performance, outlook, and investment decision process.

10. Reporting Requirements

Investment results will be regularly monitored by the Investment Advisor, selected designees and Board staff.

A representative of the Investment Advisor, and/or a designee, shall report investment results, or other information, to the Board no less frequently than annually, if requested. Any material non-compliance with the Investment Policy, Guidelines and Objectives of the Fund or with the investment management agreement will be reported to the Board immediately.

11. Investment Guidelines

A. Cash: The Fund shall maintain minimal cash, consistent with short-term requirements. Short term cash will be invested in a liquid cash equivalent investment.

B. Fixed Income: Fixed-income securities, for purposes of these guidelines, shall mean mortgage-backed securities, U.S. government securities, investment-grade domestic or global corporate bonds, and other fixed income securities, such as certificates of deposit and commercial paper. The objective of this component of the Fund is to preserve capital in keeping with prudent levels of risk, through a combination of income and capital appreciation. Realization of income will be subordinate to safety, liquidity, and marketability (i.e., securities should be readily marketable). This component of the Fund shall adhere to the following criteria:

   1. Average portfolio credit quality shall be A or better;

2. With the exception of U.S. Government and Agency issues, no more than 10 percent of the bond portfolio, at market value, will be invested in the securities of a single issuer or 5 percent of the individual issue;
3. Below investment grade bonds shall not exceed 15 percent of the bond portfolio; and
4. Non-U.S. bonds shall not exceed 20 percent of the bond portfolio.

Fixed-income managers have full discretion over the allocation between long-term, intermediate, and cash equivalent investments.

C. Equities

1. **Objective**: The objective of the equity portfolio is to enhance total return by investing in a broadly diversified portfolio of domestic and international stocks.

2. **Strategy**: Hold a fully invested, diversified portfolio of global equity securities, including emerging markets.

3. **Permitted Holdings**: Publicly traded domestic and international common stock, and other financial instruments consistent with the guidelines of the investment management agreements.

4. **Diversification**: The Investment Advisor shall recognize the need for diversification to minimize the risk of significant losses to the Fund. Diversification by capitalization, style, and sector distribution shall be obtained through the selection of complementary investment managers, or index strategies. Not more than 5 percent of the market value of any investment fund will be invested in any single issuer or security, unless part of an index fund.

5. **Portfolio Restrictions**: There will be no engagement in short sales, purchases on margin, or investments in options, futures, or private placements unless consistent with the underlying investment management agreements.

D. Performance

Performance expectations for each of the asset classes are described in Exhibit A.

12. Asset Custody and Securities Lending

Custodial responsibility for all securities is to be determined by the Board or its designee(s).

13. Conclusion

Implementation of this Policy, including investment manager selection, shall be the responsibility of the Investment Advisor, subject to the necessary approvals from the Board.

This Policy shall be reviewed by the Board at least every two years.

EXHIBIT A

Spending Policy

The distribution rate for the Fund is up to 4 percent of the five-year moving average unit market value.

Performance Monitoring

Global equities are expected to match the performance of the passive benchmark assigned.

Fixed income accounts are expected to exceed the return of the Barclays Capital Aggregate Bond Index by 0.5 percent (after fees) over a market cycle for core bond investments.

Public University Fund Recommended Investment Policy Change: Divestment of Fossil Fuels Strategy (Action)

(Materials in this section updated 11/14/16)

Public University Fund

1. Proposed Investment Strategy Changes
   - Fossil fuel divestment
   - Future investment restrictions
2. Effect on Portfolio Characteristics
   - Estimated yield
   - Estimated management fees
3. Recommended Investment Policy Changes
   - Fossil fuel restriction
   - Custom benchmark defined
   - Modified active management parameters

Public University Fund
Proposed Investment Strategy Changes

	Portfolio Strategy	Investment Pool/Fund	Investment Objective	Investment Allocation Range [1]
Current Investment Strategy	Liquidity	Oregon Short-Term Fund	Daily liquidity; maturity of securities average < 1 year	35-40%
	Core	Oregon Interm-Term Pool	Monthly liquidity; maturity of securities average 3-5 years	35-40%
		PUF Long-Term Pool	Monthly liquidity; maturity of securities average 5-7 years	20-25%
Proposed Investment Strategy	Liquidity	Oregon Short-Term Fund	Daily liquidity; maturity of securities average < 1 year	35-40%
	Core	New Fossil Fuel Free Fund	Monthly liquidity; maturity of securities average 3-5 years (75%), 6-7 years (25%)	60-65%

[1] Based upon an average quarterly cash and investment balance of $512,000,000 measured between July 2015 and June 2016

Public University Fund
Recommended Investment Policy Changes

- **To incorporate the fossil fuel restriction and investment strategy changes:**
  - ✓ *Portfolio Rule 3* - The Portfolio Allocation and Risk Profile table is modified to reflect the new Fossil Fuel Free portfolio;
  - ✓ *Portfolio Rule 4* – The O.I.T.P and the L.T.P. are eliminated as permitted holdings;
  - ✓ *Portfolio Rule 8* – An additional rule is added to restrict investment of fossil fuel related securities as defined by the Carbon Underground 200 (C.U. 200) list. The C.U. 200 list of restricted issuers will be updated each calendar year-end for constituent changes. Any existing holdings from issuers that appear on the C.U. 200 list subsequent to purchase will be held until maturity;
  - ✓ *Portfolio Rule 10* – A custom benchmark to measure the performance of the new portfolio strategy is defined as: Bloomberg Barclays U.S. Aggregate 3 to 5 year index (75%) and Bloomberg Barclays U.S. Aggregate 5 to 7 year index (25%);

- **To modify the active management parameters:**
  - ✓ *Portfolio Rule 7* –The average modified duration variance of the new Fossil Fuel Free portfolio compared to the custom benchmark is set at +/- 10 percent. The current policy average modified duration variance is +/- 20 percent;
  - ✓ *Portfolio Rule 10* – The performance expectations have been revised to performing "in-line" with the stated custom benchmark from the current "outperform" the stated benchmark.

Public University Fund Investment Policy Changes

BACKGROUND

The six participating universities in the Public University Fund (Fund), including Southern Oregon University (University), have requested a change in the Fund's investment strategy to divest from current fossil fuel related securities and restrict future investment of assets into fossil fuel related securities, specifically, the Carbon Underground's 200 global oil, gas and coal companies (C.U. 200). The current investment policy does not restrict investment into C.U. 200 companies.

To address the participant's request, Oregon State University (OSU), in its role as the Designated University, collaborated with the Oregon State Treasury (State Treasury), OSU's investment advisor, PFM and the University Shared Services staff to design a portfolio strategy to incorporate the fossil fuel restrictions, while maintaining a low-cost, total return strategy similar to the present Fund's investment strategy.

Because the Oregon Intermediate-Term Pool and Long-Term Pool policies do not restrict investment into the C.U. 200, a new separately managed account will be established by the State Treasury to fulfill the fossil fuel free mandate. The State Treasury will transfer the Fund's proportional share of securities, meeting the investment policy guidelines, held in the Intermediate-Term Pool and the Long-Term Pool into the new separately managed account. Cash will be received for any securities held which appear on the current C.U. 200 list and reinvested into securities from approved sectors. The investment strategy for the new account will blend the strategies from the Intermediate-Term Pool and the Long-Term Pool into one Core investment account which incorporates the fossil fuel free security restriction. The maturity target for the underlying securities is between three to seven years, heavily weighted towards the three to five year maturities.

The liquidity allocation will remain invested in the Oregon Short-Term Fund. The State Treasury is the primary cash investment option for multiple State agencies banking with State Treasury, which precludes any request to restrict fossil fuel investments from this specific fund. While the State Treasury investment policy does not restrict investment into fossil fuel related securities, the State Treasury fixed income investment team has indicated there are no plans to purchase new securities from the energy or coal sector. The State Treasury currently holds a 1.1 percent allocation to securities from the C.U. 200 list and are scheduled to mature over the next 18 months. The present expectation is for the Oregon Short-Term Fund's fossil fuel security allocation to decline to zero by March 2018.

The recommended Fund investment strategy is designed to reduce total fossil fuel exposure from 1.7 percent to 0.4 percent, resulting in a 75 percent reduction upon creation. The strategy includes anticipated future divestment from the remaining fossil fuel securities over the following 18 months, lowers annual investment fees by 13 percent, and is estimated to return a net income yield of 1.6 percent, comparable to the present investment strategy.

Summary	Market Value	Est. Annual Income	Est. Yield	Annual Mgmt Fees	Invest. Mgmt. Fee Rate	Est. Net Income	Est. Net Income Yield	Fossil Fuel Market Value	Fossil Fuel Alloc.
PUF Portfolio (Avg Balance)	$ 515,900,000	$7,984,900	1.57%	$ 140,084	0.027%	$7,633,816	1.50%	$8,817,600	1.71%
Recommended Portfolio (Avg Balance)	$ 515,900,000	$7,984,900	1.57%	$ 121,728	0.024%	$7,652,172	1.50%	$2,171,400	0.42%

Estimates based upon data available in May 2016

The State Treasury and the Oregon Investment Council, recommend the following changes to the Fund's investment policy. The changes reflect the requested investment restrictions, portfolio changes to incorporate the investment restrictions, modifications to active management parameters to reduce variances to the benchmark and formatting revisions to streamline the policy.

RECOMMENDED CHANGES

- Portfolio rule changes to incorporate the fossil fuel restriction:
  - *Portfolio Rule 3* - The Portfolio Allocation and Risk Profile table has been modified to reflect the new fossil fuel free portfolio. The new portfolio combines elements of the current Intermediate-Term and Long-Term portfolio strategies into one managed account. The target weighted average maturity for the underlying securities is 3-7 years;
  - *Portfolio Rule 4* – The Oregon Intermediate-Term Pool and the Long-Term Pool are eliminated as permitted holdings;
  - *Portfolio Rule 8* – An additional rule has been added to restrict investment of fossil fuel related securities as defined by the C.U. 200 list. The compliance monitor list of restricted issuers will be updated each calendar year-end based upon constituent changes to the C.U. 200 list. Any existing holdings from issuers that appear on the C.U. 200 list subsequent to purchase will be held until maturity;
  - *Portfolio Rule 10* – A custom benchmark to measure the performance of the new portfolio strategy is defined as: Bloomberg Barclays U.S. Aggregate 3 to 5-year index (75%) and Bloomberg Barclays U.S. Aggregate 5 to 7-year index (25%).

- Portfolio rule changes to modify active management parameters:
  - *Portfolio Rule 7* –The average modified duration variance of the new fossil fuel free portfolio compared to the custom benchmark is set at +/- 10 percent. The current policy average modified duration variance is +/- 20 percent;
  - *Portfolio Rule 10* – The performance expectations are modified to performing "in-line" with the stated custom benchmark from the current "outperform" the stated benchmark.

NEXT STEPS

The recommended policy changes have been communicated to all Fund participants and it is anticipated that all participants will seek their Board's approval for investment in the new strategy prior to the end of January 2016. Implementation of the new investment strategy is anticipated the first calendar quarter of 2017.

The amended policy will become effective upon the approval of OSU's Board of Trustees, due to their role as the Designated University for the Fund. An initial review of the policy and fossil fuel divestment request was conducted on October 20, 2016 with follow-up discussions scheduled for December 2016. A final review by the OSU Board of Trustees is schedule for January 21, 2016.

Oregon Investment Council
Policy Directive

Policy No.:	INV 405
Date:	~~09/01/2015~~ 9/14/16
Division:	Investments
Title:	Oregon Public University Fund Investments
Owner:	Tom Lofton, Investment Officer
References:	OST Policy 4.03.05

INTRODUCTION & OVERVIEW

~~**Summary Policy Statement**~~

~~The Oregon Investment Council (OIC or Council) approves the investment policy for the Oregon Public University Fund (PUF).~~

Purpose ~~and Goals~~

The ~~goal~~purpose of this policy is to direct~~provide guidance to~~ Oregon State Treasury ~~(~~(“OST~~)~~”) investment staff ~~regarding~~to maximize total return (i.e., principal and income) within ~~the~~ stipulated risk parameters and subject to ~~the~~ approved investments as prescribed in these ~~investment~~ ~~of PUF~~guidelines.

Applicability

Classified represented, management service, unclassified executive service.

Authority

~~**293.726 Standard of judgment**~~Subject to the terms and ~~**care in investments;**~~ conditions of this policy and under the authority of ORS Chapter 293, the designated OST Fixed Income Investment Officer(s) ("investment ~~**in corporate stock.**~~

~~(1)~~staff") shall have full discretionary power to direct the investment ~~funds shall be invested and the investments of those funds managed as a prudent investor would do, under the circumstances then prevailing and in light of the purposes, terms, distribution requirements~~, exchange, liquidation and reinvestment of Oregon Public University Fund (“PUF”) assets. The Oregon Investment Council (OIC) and ~~laws governing each~~ OST expect that investment ~~fund.~~

~~(2) The standard stated in subsection (1) of this section requires the exercise of reasonable care, skill and caution, and is to be applied to investments not in isolation but in the context of each~~staff will recommend ~~guideline~~ changes any time these guidelines are inconsistent with PUF investment ~~fund’s investment portfolio and as a part of an overall investment strategy, which should incorporate risk and return~~ objectives ~~reasonably suitable to the particular investment fund.~~

~~(3) In making and implementing investment decisions, the Oregon Investment Council and the investment officer have a duty to diversify the investments of the investment funds unless, under the circumstances, it is not prudent to do so.~~

~~(4) In addition to the duties stated in subsection (3) of this section, the council and the investment officer must:~~

~~(a) Conform to the fundamental fiduciary duties of loyalty and impartiality;~~

~~(b) Act with prudence in deciding whether and how to delegate authority and in the selection and supervision of agents; and~~

~~(c) Incur only costs that are reasonable in amount and appropriate to the investment responsibilities imposed by law.~~

~~(5) The duties of the council and the investment officer under this section are subject to contrary provisions of privately created public trusts the assets of which by law are made investment funds. Within the limitations of the standard stated in subsection (1) of this section and subject to subsection (6) of this section, there may be acquired, retained, managed and disposed of as investments of the investment funds every kind of investment which persons of prudence, discretion and intelligence acquire, retain, manage and dispose of for their own account.~~

~~(6) Notwithstanding subsection (1) of this section, not more than 50 percent of the moneys contributed to the Public Employees Retirement Fund~~ , market conditions or ~~the Industrial Accident Fund may be invested in common stock, and not more than 65 percent of the moneys contributed to the~~ other ~~trust and endowment funds managed by the Oregon Investment Council~~economic or ~~the State Treasurer may be invested in common stock~~financial considerations.

~~(7) Subject to the standards set forth in this section, moneys held in the Deferred Compensation Fund may be invested in the stock of any company, association or corporation, including but not limited to shares of a mutual fund. Investment of moneys in the Deferred Compensation Fund is not subject to the limitation imposed by subsection (6) of this section. [1967 c.335 §7; 1971 c.53 §1; 1973 c.385 §1; 1981 c.880 §12; 1983 c.456 §1; 1983 c.466 §1; 1987 c.759 §1; 1993 c.18 §59; 1993 c.75 §1; 1997 c.129 §2; 1997 c.179 §22; 1997 c.804 §5; 2005 c.294 §1]~~

~~**293.731 Council to formulate and review investment policies; exception.** Subject to the objective set forth in ORS 293.721 and the standards set forth in ORS 293.726, the Oregon Investment Council shall formulate policies for the investment and reinvestment of moneys in the investment funds and the acquisition, retention, management and disposition of investments of the investment funds. The council, from time to time, shall review those policies and make changes therein as it considers necessary or desirable. The council may formulate separate policies for any fund included in the investment funds. This section does not apply to the Oregon Growth Account, the Oregon Growth Fund, the Oregon Growth~~

~~Board, the Oregon Commercialized Research Fund, the Oregon Innovation Fund or the Oregon Innovation Council. [1967 c.335 §8; 1993 c.210 §20; 1999 c.42 §1; 1999 c.274 §18; 2001 c.835 §9; 2001 c.922 §§15a,15b; 2005 c.748 §§15,16; 2012 c.90 §§22,32; 2013 c.732 §8]~~

POLICY PROVISIONS

Definitions
None.

A. Policy Statements

1. Funds meeting OST requirements are eligible for segregated investment management by the OST Investment Division and its investment officers according to and within the guidelines established and approved by the OIC. Investments shall be authorized by an OST investment officer and documented in accordance with OST policies and procedures.

2. Funds shall be invested in accordance with the policies and procedures outlined in this policy and in accordance with statute established by HB 4018, section 7.

B. Compliance Application and Procedures

1. OST shall provide an investment compliance program to accomplish the following objectives: a) monitor and evaluate portfolios, asset classes, and other investment funds to determine compliance with OST policies and contractual obligations; b) identify instances of non-compliance and develop appropriate resolution strategies; c) provide relevant compliance information and reports to OST management and the OIC, as appropriate; and d) verify resolution by the appropriate individual or manager within the appropriate time frame.

2. **Resolution of Non-Compliance.** If PUF investments are found to be a) out of compliance with one or more adopted investment guidelines or b) managed inconsistently with governing policy and objectives, OST investment staff shall bring the investments into compliance as soon as is prudently feasible. Actions to bring the portfolio back into compliance and justification for such actions, including documentation of proposed and actual resolution strategies, shall be coordinated with the OST investment compliance program and communicated with the Designated University.

C. Portfolio Rules for the Public University Fund

1. Scope: These rules apply to the investment of funds from all eligible and approved PUF participants ~~in the Public University Fund (“PUF”)~~, and are established under the authority of, and shall not supersede, the requirements established under ORS Chapter 293 and HB 4018 of Oregon Laws 2014.

2. Objective: Provide adequate liquidity for PUF participants' cash flow requirements. Manage the portfolio to maximize total return over a long-term horizon within ~~the~~ stipulated~~desired~~ risk parameters.

3. Portfolio Allocation and Risk Profile: Allocation parameters listed in the table below are intended as~~to be~~ general guidelines, not hard limits subject to OST Compliance monitoring.

~~Strategy Type~~	~~Name~~	~~Allocation~~	~~Objective~~	
~~Liquidity~~		~~**Short-Term**~~	~~The purpose of the short-term portfolio is to assure adequate cash for operations. Investment management efforts shall be conducted to maintain an allocation to the short-term portfolio equivalent to not less than approximately six (6) months of average monthly operating expenses. This short-term portfolio allocation may also be determined using the results of a cash flow analysis.~~	~~Principal preservation~~
~~Core~~		~~Intermediate-Term~~	~~Investment management efforts shall be conducted to allocate to The intermediate-term portfolio any cash balances in excess of those necessary to meet the requirements for the short-term portfolio. Funds allocated to the intermediate-term portfolio should not exceed $300 million.~~	~~Exceed the Oregon Intermediate Term Pool benchmark's total return over a 3-year trailing period.~~
		~~Long-Term~~	~~Investment management efforts shall be conducted to allocate to the long-term portfolio any cash balances in excess of those necessary to meet the requirements for the short-term portfolio. Funds allocated to the long-term portfolio should not exceed $120 million.~~	~~Exceed the benchmark's total return over a 5-year trailing period.~~

Portfolio	**Objective**	**Allocation**
Liquidity	Assure adequate cash for operations.	**Short-Term** Funds invested in the Oregon Short Term Fund ~~(OSTF)~~. Target allocation of funds based upon aggregated university participant annual cash flow forecasts. Absent ~~of~~ cash flow forecasts, the target allocation will be based upon a minimum of six months' estimated operating expenses.
Core	Actively managed to achieve a diversified portfolio of investment grade bonds invested over longer ~~investment~~ horizons than permitted~~available~~ in ~~the~~ OSTF. Based on historical market performance, total returns generated over extended periods are~~it is~~ anticipated ~~that the total returns generated over extended periods will~~o be greater than returns realized in shorter-~~-~~maturity ~~vehicles~~strategies.	**Intermediate** Investments with a maturity or weighted average life from three years and above.

4. Permitted Holdings

~~Short-Term Portfolio:~~

- Securities eligible for inclusion or included in the designated performance benchmark(s) unless explicitly restricted in this policy.
- The Oregon Short-Term Fund ~~(~~("OSTF~~);~~") ~~and~~
- ~~Any securities eligible for purchase in the OSTF~~. Underlying investments of the OSTF are excluded from restrictions in this policy. The OSTF is governed by the OIC and OST-adopted policies and guidelines as documented in OIC Policy INV 303.
- Securities eligible for purchase by the OSTF unless explicitly excluded by this policy.~~.~~

~~Intermediate-Term Portfolio:~~

- ~~Any holdings eligible for the Short-Term Portfolio;~~
- ~~The Oregon Intermediate-Term Pool (OITP); and~~

- ~~Any securities eligible for purchase in OITP which is governed by the OIC and OST-adopted policies and guidelines as documented in OIC Policy INV 404.~~

~~Long-Term Portfolio:~~

- ~~Any holdings eligible for the Intermediate-Term Portfolio;~~

- Obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities, including inflation-indexed obligations with stated maturities less than 15.25 years.~~;~~
- ~~Non-U.S. Government Securities and their Instrumentalities;~~
- Non-U.S. government securities and Instrumentalities with a minimum rating of one or more of Aa2/AA/AA by Moody's Investors Services, Standard & Poor's or Fitch, respectively, and with a stated maturity less than 15.25 years at the time of purchase.
- Municipal debt with a minimum rating of one or more of A3/A-/A- by Moody's Investors Services, Standard & Poor's or Fitch, respectively, and with a final maturity less than 15.25 years at the time of purchase.~~;~~
- Corporate indebtedness with minimum investment grade ratings by one or more of Moody's Investors Services, Standard & Poor's or Fitch, respectively, and with a stated maturity less than 15.25 years at the time of purchase.~~;~~
- Asset-backed securities rated AAA at the time of purchase.~~ with a weighted average life of less than 5.25 years;~~
- Commercial mortgage-backed securities (CMBS) rated AAA at the time of purchase.~~ with a weighted average life of less than 5.25 years; and~~
- U.S. agency residential mortgage-backed securities (MBS) and U.S. agency ~~residential mortgage-related securities~~commercial mortgage-backed obligations ("CMO")~~ with a weighted average life of less than 5.25 years~~.

5. Diversification

The portfolio should be adequately diversified consistent with the following parameters:

- No more than 3% of portfolio par value may be invested in a single security with the ~~notable~~ exception of obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities; and
- No more than 5% of portfolio par value may be invested in the securities of a single issuer with the ~~notable~~ exception of obligations issued or guaranteed by the U.S. Treasury or by U.S. federal agencies and instrumentalities.
    - Maximum market value exposures shall be limited as follows:

- U.S. Treasury Obligations 100%
- U.S. Agency Obligations 50%
- U.S. Corporate Indebtedness 50%
- Municipal Indebtedness 30%
- Asset-backed Securities (ABS) 20%
- Mortgage-backed Securities (MBS) 40%
- Commercial Mortgage-backed Securities (CMBS) 10%
- Structured Securities (Combined ABS, MBS and CMBS) 50%

- Issuer ~~and~~, security, and sector-~~-~~level restrictions shall not apply to OSTF ~~or OITP~~ holdings.

6. Counterparties
A list of all broker/dealer and custodian counterparties shall be provided ~~annually to the Designated University~~upon request.

7. Strategy
- Maintain an average (measured by market value) credit rating in the Core allocation of A- or better~~at least A-, excluding OSTF and OITP holdings~~. If a security is rated by more than one rating agency, the lowest rating is used to determine the average rating.~~;~~
- ~~In the Long-Term Portfolio,~~ Maintain an average modified duration level of +/- 1~~2~~0% of the custom ~~fixed income~~ benchmark ~~up to a maximum of 7.5 years; and~~.
- ~~Structure maturities to provide reinvestment opportunities that are staggered. No more than 15% of the long-term portfolio should mature in a single, 3-month time period. This stipulation is intended to be a general guideline, not a hard limit subject to OST Compliance monitoring.~~

8. Investment Restrictions

- All investments will be in U.S. dollar denominated securities.~~;~~
- All investments will be non-convertible to equity.~~;~~
- Collateralized debt obligations (CDO), Collateralized Loan obligations (CLO) and Z-tranche investments are not permitted.~~;~~
- Investments in Alt-A, sub-prime, limited documentation or other "sub-prime" residential mortgage pools are not permitted. There shall be no use of leverage in any investments (excluding use of securities in a securities lending program). Structured securities such as ABS, MBS and CMBS shall not be considered as using leverage.~~;~~
- For newly issued securities with unassigned ratings, "expected ratings" may be used as a proxy for assigned ratings up to 30 business days after settlement date.~~;~~ ~~and~~
- Investments in issuers identified by the Carbon Underground 200 published by the Fossil Free Indexes LLC ("FFI").
  - This restricted security list will be updated annually at calendar year-end and enforced for all new security purchases.
  - Exposures to issuers added to the Carbon Underground 200 subsequent to purchase may be held to maturity.
- ~~Maximum market value exposures (excluding underlying holdings in OSTF and OITP) shall be limited as follows:~~

  - ~~U.S. Treasury Obligations 100%~~

~~U.S. Agency Obligations~~	~~50%~~
~~U.S. Corporate Indebtedness~~	~~50%~~
~~Municipal Indebtedness~~	~~30%~~
~~Asset-backed Securities (ABS)~~	~~20%~~
~~Mortgage-backed Securities (MBS)~~	~~30%~~
~~Commercial Mortgage-backed Securities (CMBS)~~	~~10%~~
~~Structured Securities (Combined ABS, MBS and CMBS)~~	~~50%~~

9. Policy Compliance
   - OST Investment Staff will submit a written action plan to the Designated University regarding any investment downgraded by at least one rating agency to below investment grade within 10 days of the downgrade. The plan may indicate why the investment should continue to be held and/or outline an exit strategy~~;~~ ~~and~~.
   - OST Staff will consult with the Designated University, on a pre-trade basis, if an investment trade or trades will result in a cumulative net loss greater than 1% over 3 months prior to trade settlement date.

10. Performance Expectations/Reviews~~:~~
    - E~~Over a 5-year trailing period, the Long-Term portfolio~~xcluding the short-term allocation, the Core allocation is expected to ~~out~~perform in-line with the following custom benchmark:
      - 75% Bloomberg Barclays U.S. Aggregate 3-5 Year Index; and

    - 25% Bloomberg Barclays U.S. Aggregate 5-7 Year Index.~~;~~
- OST will provide the Designated University with a monthly report of all non-passive compliance violations of this policy’s guidelines.~~; and~~
- Investment reviews between OST investment staff and the Designated University will occur quarterly and focus on the following elements:
    - Performance relative to objectives;
    - Adherence to this policy; and
    - Trading activity.

Exceptions
None.

Failure to Comply
Failure to comply with this policy may be cause for disciplinary action up to and including dismissal.

The Carbon Underground 200™ 2016

Rank	Coal Companies	Coal Gt CO_2	Rank	Oil and Gas Companies	Oil Gt CO_2	Gas Gt CO_2	Total O&G Gt CO_2
1	Coal India	43.104	1	Gazprom	6.856	37.213	44.069
2	Adani Enterprises	27.809	2	Rosneft	12.617	4.158	16.776
3	China Shenhua Energy	23.143	3	PetroChina	3.821	4.244	8.066
4	Inner Mongolia Yitai Coal	11.756	4	ExxonMobil	4.678	3.281	7.960
5	China Coal Energy	9.492	5	Lukoil	5.816	1.299	7.115
6	Mechel	9.483	6	BP	3.979	2.409	6.388
7	Exxaro Resources	9.433	7	Royal Dutch Shell	2.346	2.649	4.995
8	Public Power	9.339	8	Petrobras	3.742	0.608	4.349
9	Glencore	8.692	9	Chevron	2.441	1.604	4.045
10	Peabody Energy	8.059	10	Novatek	0.513	3.416	3.928
11	BHP Billiton	7.834	11	Total	2.077	1.755	3.833
12	Evraz	6.102	12	Tatneft	2.491	0.060	2.551
13	Mitsubishi	5.635	13	ENI	1.507	0.997	2.504
14	BUMI Resources	5.566	14	ConocoPhillips	1.522	0.937	2.459
15	Bukit Asam (Persero)	5.320	15	ONGC	1.547	0.823	2.371
16	Yanzhou Coal Mining	5.093	16	Statoil	1.039	0.797	1.836
17	Shanxi Xishan Coal and Electricity	4.570	17	CNOOC	1.066	0.413	1.478
18	Rio Tinto	4.351	18	Sinopec	0.950	0.413	1.362
19	Anglo American	4.259	19	Canadian Natural Resources	0.828	0.297	1.124
20	Kuzbasskaya Toplivnaya	4.186	20	Bashneft	1.007	0.000	1.007
21	Open Joint-Stock Raspadskaya	3.933	21	Inpex	0.514	0.358	0.871
22	DaTong Coal Industry	3.808	22	Occidental	0.658	0.184	0.842
23	Alliance Resource Partners	3.748	23	Repsol	0.315	0.719	1.034
24	Arch Coal	3.731	24	EOG Resources	0.579	0.209	0.788
25	Jindal Steel & Power	3.596	25	Suncor Energy	0.773	0.002	0.775
26	China Cinda Asset Management	3.409	26	Anadarko Petroleum	0.400	0.328	0.728
27	Alpha Natural Resources	3.385	27	Ecopetrol	0.525	0.190	0.714
28	Vale	3.310	28	Antero Resources	0.178	0.520	0.698
29	Severstal	3.218	29	BHP Billiton	0.278	0.392	0.670
30	Westmoreland Coal	2.632	30	Marathon Oil	0.525	0.134	0.660
31	Teck Resources	2.575	31	Devon Energy	0.331	0.317	0.648
32	Jastrzębska Spółka Węglowa	2.513	32	Imperial Oil	0.616	0.022	0.638
33	Lu'an Environmental Energy	2.439	33	BASF	0.205	0.384	0.589
34	Tata Steel	2.435	34	Apache	0.394	0.187	0.581
35	Adaro Energy	2.207	35	EQT	0.041	0.497	0.538
36	AGL Energy	2.144	36	Range Resources	0.180	0.342	0.522
37	CONSOL Energy Inc.	1.919	37	Chesapeake Energy	0.181	0.329	0.510
38	Cloud Peak Energy	1.886	38	Noble Energy	0.189	0.302	0.492
39	South32	1.845	39	Continental Resources	0.297	0.172	0.468
40	Sasol	1.823	40	Cabot Oil & Gas	0.023	0.428	0.451
41	Yancoal Australia	1.811	41	YPF	0.271	0.167	0.438
42	Beijing Haohua Energy Resource	1.775	42	Hess	0.333	0.085	0.417
43	Whitehaven Coal	1.740	43	OMV	0.256	0.129	0.385
44	CCX Carvão da Colômbia	1.736	44	Cenovus Energy	0.348	0.037	0.385

45	New Hope	1.705	45	Encana	0.142	0.222	0.364
46	ITOCHU	1.562	46	Woodside Petroleum	0.046	0.318	0.363
47	NACCO Industries	1.527	47	Southwestern Energy	0.015	0.322	0.337
48	Resource Generation	1.389	48	KazMunaiGas EP	0.306	0.026	0.333
49	Huolinhe Coal	1.387	49	Whiting Petroleum	0.289	0.036	0.326
50	PGE	1.386	50	Husky Energy	0.197	0.114	0.311
51	Neyveli Lignite	1.296	51	CONSOL Energy	0.027	0.276	0.302
52	Shanghai Datun Energy Resources	1.293	52	PTT	0.076	0.196	0.272
53	Tongchuan Mining	1.273	53	Murphy Oil	0.173	0.092	0.265
54	Coal of Africa	1.245	54	SK Innovation	0.263	0.000	0.263
55	Aspire Mining	1.238	55	Linn Energy	0.117	0.143	0.260
56	Indika Inti Corpindo	1.182	56	California Resources	0.211	0.039	0.250
57	Datang International Power Generation	1.147	57	Sasol	0.166	0.081	0.247
58	PT. Golden Energy Mines	1.100	58	Pioneer Natural Resources	0.168	0.074	0.242
59	Mitsui	1.016	59	Concho Resources	0.156	0.084	0.239
60	Bandanna Energy	0.971	60	QEP Resources	0.099	0.115	0.214
61	Berau Coal Energy	0.942	61	Crescent Point Energy	0.198	0.016	0.214
62	Kangaroo Resources	0.938	62	EP Energy	0.154	0.051	0.205
63	Open Joint Stock Novolipetsk Steel	0.865	63	WPX Energy	0.081	0.119	0.200
64	Wesfarmers	0.837	64	Tourmaline Oil	0.027	0.168	0.195
65	New World Resources	0.824	65	Newfield Exploration	0.113	0.071	0.184
66	Meijin Energy	0.784	66	Mitsui	0.073	0.109	0.182
67	Mongolian Mining	0.767	67	MEG Energy	0.180	0.000	0.180
68	United RUSAL	0.764	68	Cimarex Energy	0.084	0.083	0.167
69	Jizhong Energy	0.742	69	SM Energy Company	0.093	0.069	0.161
70	ALLETE	0.723	70	Lundin Petroleum	0.155	0.005	0.160
71	Moreton Resources	0.708	71	Det Norske	0.158	0.000	0.158
72	Monnet Ispat & Energy	0.706	72	Santos	0.020	0.130	0.150
73	Sable Mining Africa	0.679	73	Memorial Resource	0.069	0.078	0.148
74	Vedanta	0.674	74	Oil India	0.096	0.049	0.145
75	ArcelorMittal	0.668	75	Ultra Petroleum	0.014	0.127	0.141
76	Coal Energy	0.588	76	Maersk	0.138	0.000	0.138
77	Shanxi Asian American Daning Energy	0.567	77	GDF SUEZ	0.039	0.097	0.136
78	Hwange Colliery	0.562	78	Energen	0.110	0.024	0.134
79	Energy Australia	0.552	79	Seven Generations Energy	0.070	0.062	0.132
80	Steel Authority of India	0.551	80	National Fuel Gas	0.014	0.117	0.131
81	Indo Tambangraya Megah (Banpu)	0.550	81	MOL	0.079	0.051	0.131
82	PT. Bayan Resources	0.524	82	JX Holdings	0.052	0.073	0.124
83	LG International	0.519	83	Denbury Resources	0.120	0.002	0.122
84	Vimetco	0.512	84	Polish Oil & Gas	0.031	0.091	0.122
85	Kinetic Mines and Energy	0.507	85	ARC Resources	0.045	0.074	0.118
86	Hallador Energy	0.504	86	Oando Energy	0.051	0.064	0.114
87	Southern Copper	0.496	87	Galp Energia	0.100	0.013	0.113
88	Black Hills	0.495	88	SandRidge Energy	0.052	0.061	0.112
89	Matra Eromu ZRT (RWE Power)	0.491	89	Peyto E&D	0.007	0.102	0.110
90	Huadian Power International	0.472	90	Centrica	0.031	0.077	0.108
91	FirstEnergy	0.463	91	Birchcliff Energy	0.011	0.096	0.107
92	Prairie Mining	0.428	92	TAQA	0.057	0.048	0.106

93	Tata Power	0.424	**93**	DNO International	0.103	0.000	0.103
94	African Rainbow Minerals	0.418	**94**	Xcite Energy	0.100	0.001	0.101
95	Rhino Resource Partners	0.411	**95**	Freeport-McMoRan	0.086	0.015	0.101
96	Feishang Anthracite Resources	0.389	**96**	Oil Search	0.021	0.079	0.100
97	Golden Eagle Energy	0.386	**97**	PDC Energy	0.062	0.036	0.098
98	Semirara Mining and Power	0.378	**98**	Painted Pony Petroleum	0.008	0.088	0.095
99	Barmer Lignite Mining	0.369	**99**	Great Eastern	0.000	0.095	0.095
100	Up Energy Development	0.355	**100**	Gulfport Energy	0.008	0.085	0.093

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All companies in the Carbon Underground 200™ are investable as of July 11, 2016. The rankings are based on calculated carbon emissions data using reserves reported as of May 31, 2016. The ranking are adjusted for company mergers and acquisitions as of May 31, 2016.

For information on subscribing to an enhanced list with tickers, exchanges and updates email CU200@fossilfreeindexes.com

Endowment Investment Report

Report on Investments – as of June 30, 2016

Market Background

(Provided by Callan Associates, Oregon Investment Council consultant)

Macroeconomic Environment

The second quarter of calendar year 2016 was reasonably uneventful and markets were relatively placid until June 23, when British voters narrowly approved the Brexit (British Exit) referendum. Investor complacency was replaced with shock, and markets reacted fiercely. Volatility spiked, global bond yields fell sharply, the pound hit a thirty-one-year low with a record intra-day swing of more than 10.0 percent, stock markets plunged, and gold surged. Two trillion dollars were erased from global equity markets in one day, marking the largest daily loss ever. While markets stabilized to some degree in ensuing days, much uncertainty remains around virtually every aspect of this unexpected outcome, and we can expect continued volatility as the process unfolds over the foreseeable future. Following the vote, the United Kingdom (U.K.) was downgraded by Standard & Poor's (S.&P.) and Fitch to AA and, while the full implications of this decision will be unknown for some time, economic conditions in the U.K. are widely expected to deteriorate with monetary easing likely sometime this summer.

While Brexit has taken a near-term Federal Reserve rate hike off the table, the U.S. economy appeared to gain some momentum after a sluggish first quarter. First quarter Gross Domestic Product (G.D.P.) was revised to a +1.1 percent increase from +0.8 percent, but remained weaker than the +2.4 percent rate in 2015. Retail sales rose 0.5 percent in May following a 1.3 percent jump in April, and housing remained a bright spot with existing home sales up 4.5 percent in May, the highest since 2007. Manufacturing continued to firm following last year's weakness; the Institute of Supply Management Composite Index of manufacturing activity increased to 53.2, marking a 16-month high. However, inflation remained tame with the Federal Reserve's favored measure, the Personal Consumption Expenditures Index, up only 0.9 percent year-over-year through May. Headline Consumer Price Index was also benign at +1.0 percent year-over-year; ex-Food & Energy +2.2 percent despite higher energy prices. In stark contrast to most economies overseas, the Atlanta Federal Reserve predicts a healthy +2.7 percent G.D.P. report for the second quarter of calendar year 2016.

At its June meeting (prior to the Brexit vote), the Federal Open Market Committee opted to leave rates unchanged, given worries over a surprisingly weak labor report in May and amid an uncertain global economic picture. While a June rate hike seemed plausible going into the month, the employment report released in early June was unexpected. Non-farm payrolls increased by only 38,000, the smallest since 2010 and well below estimates for a gain of 155,000. Given a shrinking labor force participation rate (62.6 percent), the unemployment rate actually fell to 4.7 percent. The Federal Reserve's most recent "dot plot" continues to imply two rate hikes in 2016, but the number of hikes expected in 2017 and 2018 was modestly reduced. Further, longer term projections for the Federal Reserve Funds rate came down from 3.25 percent to 3.0 percent.

While Brexit completely overshadowed everything else that happened during the quarter, continued efforts by the European Central Bank (E.C.B.) to stimulate euro zone economies should not go unnoticed. As a part of its asset purchase program, the E.C.B. began buying corporate bonds on June 8, 2016 and had purchased nearly €5 billion as of quarter-end, including purchases from troubled issuers such as Volkswagen and Telecom Italia. The average yield on investment grade European corporate debt dropped to less than 1 percent, a record low, according to data from Bank of America (B.ofA.) Merrill Lynch. Global bond yields across many developed markets also hit all-time lows, and the German 10-year bund closed the quarter at -0.13 percent. In Switzerland, the entire stock of government debt now trades at negative yields, and negative yielding government debt swelled to nearly $12 trillion in the wake of the results of the referendum. Euro zone countries continued to grapple with ten percent unemployment, and, while Japan posted a relatively good first quarter G.D.P. number (+1.9 percent), it faces growing challenges from a strengthening yen, and its two percent inflation goal remains elusive. Core consumer prices fell 0.4 percent in May (year-over-year), the biggest drop since April 2013.

Equity Market Results

In spite of the late quarter fireworks from the European Union, U.S. equity benchmark performance was positive for the quarter but masked significant volatility. The S.&P. 500 staged a strong recovery in the wake of the sharp Brexit-related decline in late June and closed up 2.5 percent for the quarter. At quarter end, the Index stood just 1.5 percent below its all-time high (May 21, 2015). Mid and small capitalization stocks outperformed the S.&P. 500 by a modest margin in the quarter as the Russell Mid Cap Index gained 3.2 percent and the Russell 2000 Index rose 3.8 percent. Value exceeded Growth across market capitalizations with the largest difference seen in large caps as the Russell 1000 Value Index outperformed its growth counterpart by 4.0 percent.

The excess return of value over growth was largely attributable to sector performance. The two largest growth sectors, Technology (29 percent of the Russell 1000 Growth) and Consumer Discretionary (21 percent), were the only two sectors to post negative returns in the quarter. The two sectors were down 2.8 percent and 0.9 percent, respectively. Conversely, Energy, with a healthy 14 percent weight in the Value Index and virtually no representation in the growth benchmark, was the strongest performing sector, up 12 percent. Interest rate-sensitive sectors such as Utilities and Telecom, both more prominently represented in the value indices, benefited from the sharp decline in interest rates and were up roughly 7 percent for the quarter. Financials (+2.1 percent) nearly matched the S.&P. 500 return, a positive considering the impact of Brexit on most of the large U.K. banks. Barclays, Royal Bank of Scotland and Lloyds Banking Group all posted sharp declines: –12 percent, -26 percent and –22 percent, respectively. Real Estate Investment Trusts (+7.4 percent) benefited from the decline in interest rates and U.S. economic stability. Energy Infrastructure Master Limited Partnerships (M.L.P.s) continued to rebound strongly along, with oil prices up sharply for the quarter. The Alerian M.L.P. Index surged 19.7 percent for the quarter.

International developed markets continued on their negative trajectory in the second quarter with a –1.5 percent return (Morgan Stanley Capital Index (M.S.C.I.) – Europe, Australasia and Far East Index (E.A.F.E.)), while emerging markets held on to post a +0.7 percent (M.S.C.I. Emerging Markets Index). For the calendar year, emerging markets have outperformed both international developed and U.S. stocks, yet maintain a price-to-book value near the financial crisis low. With the brewing economic turmoil in Europe, it was little surprise that Switzerland was the strongest performing European country (+2 percent), while Italy (–10 percent) and Spain (–8 percent) were among the worst performers. Canada (+3.4 percent) was the best performing country in the E.A.F.E. Among the emerging markets, commodity producers such as Brazil (+14 percent) and Russia (+4 percent) benefited from the rebound in oil prices.

Fixed Income Market Results

Interest rates were range-bound for much of the quarter but fell sharply after the surprise outcome from the referendum in the U.K. The ten-year U.S. Treasury approached record lows, closing the quarter at 1.49 percent, nearly 30 basis points lower than the previous quarter and nearly 80 basis points below the calendar year-end level. The ten-year Treasury returned 3.0 percent for the quarter and is up nearly 8 percent for six months. The Barclays Aggregate Index gained 2.2 percent, bringing its 2016 result to +5.3 percent. Long duration assets posted double-digit returns with the Barclays Long U.S. Government/Credit +6.6 percent for the quarter and +14.3 percent for six months. Given very strong performance in April, high yield was the best performer for the quarter; the Barclays High Yield Index returned +5.5 percent for the quarter and is up 9.1 percent thus far this calendar year.

Yields dropped to record lows overseas, and the German ten-year bund ended the quarter at -0.13 percent, seemingly poised to march even lower. The E.C.B. began purchasing corporate bonds in early June, driving corporate bond yields in the Euro zone to record lows. Nearly 40 percent of the B.ofA. Merrill Lynch Global Government Bond Index (which includes all Euro members) carries a negative yield. The Barclays Global Aggregate ex-U.S. returned +3.4 percent (+2.7 percent hedged) for the quarter. The dollar lost ground versus the safe-haven yen, which surged more than 8 percent versus the greenback over the quarter but gained versus the euro (–2 percent) and pound (–7 percent). Emerging markets debt indices also posted solid returns for the quarter. The dollar-denominated J.P. Morgan Emerging Market Bond Global Diversified Index returned +5.0 percent, and the local currency J.P. Morgan Global Bond Emerging Market Global Diversified Index logged a +3.0 percent result.

Municipal bond yields hit historic lows in the quarter-end flight to quality. Benchmark 30-year AAA bond yields dropped to 2.1 percent, according to Thomson Reuters Municipal Market Data, the lowest rate in the 35 years that the curve has been published. The muni curve flattened and lower quality outperformed as investors continued to stretch for yield. The Barclays Muni Bond Index returned +2.6 percent for the quarter. Demand remained robust with strong inflows continuing for 28 consecutive weeks. In credit news, President Obama signed a bill allowing Puerto Rico to begin on a restructuring package, following the commonwealth's default on a July first payment on its general obligation debt. Illinois was downgraded to BBB during the quarter but finally reached a deal on a six-month spending plan.

Other Asset Results

Commodities were the best performing asset class. Oil prices firmed to $48/barrel, an increase of more than 25 percent from the previous quarter. The energy-heavy S.&P. Goldman Sachs Commodity Index rose 12.7 percent, while the more balanced Bloomberg Commodity Index rose 12.8 percent. Broadly, commodities rallied more than 12 percent and turned in their best quarterly results since the fourth quarter of 2010. The gains were broad-based, with energy, agriculture and precious metals all advancing more than 10 percent. Gold continued its strong run, rising nearly 7 percent and pushing year-to-date gains to nearly 25 percent, the best performance anywhere in the capital markets.

Closing Thoughts

The quarter ended with a Brexit-induced bang, leaving no shortage of uncertainty and virtually guaranteeing elevated volatility in coming months. Economies around the world are on divergent paths, and global politics have emerged as an equally important influence on markets. Nonetheless, prudent asset allocation with appropriate levels of diversification and a long-term perspective remain Callan's recommended course.

Public University Fund

(Prepared by the Public University Fund Administrator)

The Public University Fund (P.U.F.) earned a total return of 1.0 percent for the quarter and 2.5 percent for the fiscal year ending June 30, 2016. The Oregon Short-Term Fund outperformed its benchmark for the quarter and the fiscal year by 10 and 40 basis points, respectively. The Oregon Intermediate-Term Pool (O.I.T.P.) outperformed its benchmark for the quarter by 20 basis points while underperforming its benchmark for the fiscal year by 60 basis points. The Long-Term Pool (L.T.P.) underperformed its benchmark for the quarter and fiscal year by 10 basis points and 140 basis points, respectively.

In late June, a fiscal fourth quarter P.U.F. investment performance review was conducted by Oregon State Treasury Fixed Income Portfolio Manager, Tom Lofton, with University staff and its investment advisor. For a second quarter in a row, fixed income markets posted strong returns as the ten-year U.S. Treasury approached record lows, returning 3.0 percent for the quarter and long-duration assets, as tracked by the Barclays Long U.S. Government/Credit Index, returned 6.6 percent for the quarter. The fiscal year underperformance of the O.I.T.P. was due to an underweight in longer duration (maturity) securities compared to the benchmark. The relative underperformance by the L.T.P, during the quarter and fiscal year, is due to an underweight in longer duration securities compared to the benchmark and an underweight in the mortgage-backed securities sector. As of June 30, 2016, the O.I.T.P. and L.T.P. average portfolio duration was 2.6 years and 3.7 years, respectively, compared with each pool's policy benchmark's average portfolio duration of 3.0 years and 4.1 years, respectively. Mr. Lofton has been reluctant to extend the average portfolio duration, from current levels, due to the present low interest rate environment. Mr. Lofton believes U.S. interest rates will move higher, in the coming months.

Southern Oregon University Endowment Fund

(Prepared by Oregon State Treasury)

The SOU Endowment Fund returned 1.7 percent for the quarter, greater than the policy benchmark by 28 basis points. The Fund ended the quarter with a balance of $2.1 million.

The majority of the Fund's return is allocated to an index strategy and only 30 percent of the portfolio is "actively" managed. The 30 percent fixed income allocation is the Western Asset Core Plus Bond Fund. For the three months ended June 30, the Western Asset account outperformed the Barclays U.S. Aggregate Bond Index by approximately 70 basis points. A net underweight duration stance was a small detractor to relative performance. Issue selection was very beneficial with the bulk of the gains emanating from the banking, basic industry and sovereign sectors. Sector allocation was also a contributor given the overweight to the finance sector and an underweight to sovereign bonds. The Blackrock All-Country World position returned 1.2 percent during the period, besting its benchmark by 10 basis points.

Southern Oregon University

Investment Summary

as of June 30, 2016

(Net of Fees)

	Quarter Ended 6/30/2016	Prior Fiscal YTD	Current Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
SOU Operating Assets Invested in Public University Fund									
Oregon Short - Term Fund	0.2%	0.5%	0.6%	0.6%	2.9%	1.7%	$ 8,091,712	30.6%	[1]
Benchmark - 91 day T-Bill	0.1%	0.0%	0.2%	0.1%	0.1%	1.1%			
Oregon Intermediate - Term Pool	1.4%	1.5%	3.1%	N/A	N/A	N/A	11,594,454	43.9%	[1]
Benchmark - Barclay's U.S. Aggregate 3-5 Yrs.	1.2%	1.2%	3.7%	2.4%	2.0%				
[2] Combined Historical Returns				2.4%	2.8%				
P.U.F. Long - Term Pool	1.5%	2.4%	4.5%	N/A	N/A	N/A	6,743,078	25.5%	[1]
Benchmark - Barclays' U.S. Aggregate 5-7 Yrs.	1.6%	2.7%	5.9%	3.7%	3.7%				
[2] Combined Historical Returns				3.3%	3.5%				
Total Public University Fund Investment	1.0%	1.4%	2.5%				$ 26,429,244	100.0%	
SOU Endowment Assets									
BlackRock A.C.W.I. I.M.I. B	1.2%	1.1%	-3.5%	6.5%	5.8%	N/A	$ 1,501,701	70.3%	
Benchmark - M.S.C.I. A.C.W.I. I.M.I Net	1.1%	0.8%	-3.9%	6.1%	5.4%				
Western Asset Core Plus Bond Fund	2.9%	2.2%	6.6%	5.2%	5.0%	6.3%	626,076	29.3%	
Benchmark - Barclays Aggregate Index	2.2%	1.9%	6.0%	4.1%	3.8%	5.1%			
Cash	0.2%	0.5%	0.6%	0.6%	2.9%	1.7%	3,855	0.1%	
Benchmark - 91 day T-Bill	0.1%	0.0%	0.2%	0.1%	0.1%	1.1%			
							2,131,632	99.7%	
Arrowstreet Tax Reclaim Receivable							4,853	0.3%	
Total SOU Endowment Assets	1.7%	2.6%	-0.2%	6.9%	6.7%	4.9%	$ 2,136,485	100.0%	
[3] Recommended Policy Benchmark	1.4%	3.4%	-0.8%	N/A	N/A	N/A			

[1] The Public University Fund (P.U.F.) policy guidelines define investment allocation targets based upon total participant dollars committed. Core balances in excess of liquidity requirements for the participants are available for investment in the Intermediate-Term Pool and the Long-Term Pool. Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

[2] The historical returns presented combine the investment returns from the predecessor fund with the investment returns of the P.U.F., for investments with an identical mandate. The predecessor fund commingled all public universities operating assets into a cash and investment pool.

[3] Recommended Policy Benchmark Composition: 70% M.S.C.I A.C.W.I I.M.I Net , 30% Barclays Aggregate Bond Index.

Note: Outlined returns underperfomed their benchmark.

Review of Updated Pro Forma

Southern Oregon University
Budgeted Operations Pro Forma

(in thousands of dollars)	2015-17 Biennium			2017-19 Biennium		2019-21 Biennium	
	2015-16 ACTUAL (000's)	2016-17 BUDGET (000's)	2016-17 FORECAST (000's)	2017-18 FORECAST (000's)	2018-19 FORECAST (000's)	2019-20 FORECAST (000's)	2020-21 FORECAST (000's)
Budgeted Operations							
State Appropriations	20,263	20,639	20,639	18,253	18,998	18,800	19,568
State Appropriations: ETIC/SELP	434	415	415	415	415	415	415
One-time Classified Staff Funding		469	469				
Tuition, net of Remissions	34,736	35,614	34,738	36,144	37,046	37,927	38,798
Other	2,632	1,860	1,937	1,888	1,935	1,981	2,027
Other Adjustments to Revenue							
Total Revenues & Transfers In	58,065	58,997	58,197	56,700	58,394	59,123	60,808
Personnel Services	(44,562)	(47,838)	(46,450)	(52,662)	(54,364)	(56,715)	(58,724)
Vacancy Adj.		1,000		1,105	1,139	1,184	1,221
Other Adj. to Labor							
Net Personnel	(44,562)	(46,838)	(46,450)	(51,557)	(53,225)	(55,531)	(57,503)
Supplies & Services	(9,271)	(8,535)	(8,609)	(8,781)	(8,957)	(9,136)	(9,319)
Program Investment		(582)	(582)	(250)	(250)	(250)	(250)
Other adjustments to S&S							
Total Expenditures & Transfers Out	(53,833)	(55,955)	(55,641)	(60,588)	(62,432)	(64,917)	(67,072)
Net from Operations and Transfers	4,232	3,043	2,556	(3,888)	(4,038)	(5,793)	(6,264)
Net Transfers	(2,103)	(1,846)	(1,921)	(1,774)	(1,827)	(1,850)	(1,903)
Change in Fund Balance	**2,129**	**1,196**	**635**	**(5,662)**	**(5,865)**	**(7,643)**	**(8,167)**
Beginning Fund Balance	4,759	6,885	6,885	7,520	1,858	(4,007)	(11,650)
Ending Fund Balance	6,885	8,081	7,520	1,858	(4,007)	(11,650)	(19,817)
% Operating Revenues	**11.9%**	**13.7%**	**12.9%**	**3.3%**	**-6.9%**	**-19.7%**	**-32.6%**
	Ending fund balance projections @ PUSF = $765M			**10.4%**	**7.2%**	**1.8%**	**-4.4%**
Retrenchment Plan	7.8%	10.2%	10.2%	11.0%			

Under Construction

Pension Overview and Total Pension Liability

Factors Changing Pension Liability

- Moro Court Decision
  - Removed the caps on COLA increases for retirees. The State was attempting to cap the COLA increase to about 1.5%.
  - Increased the net present value of the future liability.
- Earnings on Investments
- Changes to Actuarial Tables

Change in Net Pension *Expense*

6-30-2015 to 6-30-2016

	FY2015	FY2016	Change in Operating Expenses	FY2015 Net Pension Asset	FY2016 Net Pension Liability	Change Due to Pension Liability
OPERATING EXPENSES						
Instruction	$ 25,931,769	$ 33,167,424	$ 7,235,655	$ (3,014,672)	$ 4,008,776	$ 7,023,448
Research	679,305	591,932	(87,373)	(46,317)	75,416	121,733
Public Service	2,986,584	3,857,624	871,040	(243,924)	370,644	614,567
Academic Support	5,682,914	7,598,712	1,915,798	(586,372)	784,008	1,370,380
Student Services	4,448,481	5,931,630	1,483,149	(407,182)	706,313	1,113,495
Auxiliary Programs	14,618,056	15,715,729	1,097,674	(493,775)	1,076,897	1,570,671
Institutional Support	7,581,666	11,090,490	3,508,824	(716,441)	1,223,753	1,940,194
Operation and Maintenance	3,979,581	5,622,302	1,642,721	(371,884)	700,483	1,072,367
Student Aid	5,857,464	6,054,443	196,979	-	-	-
Other Operating Expenses	4,383,793	8,148,625	3,764,832	(9,274)	26,606	35,880
Total Operating Expenses	$ 76,149,613	$ 97,778,911	$ 21,629,298	$ (5,889,841)	$ 8,972,895	$ 14,862,736
Increase Excluding Pension Liability			$ 6,766,562			
Net Increase in Capital Projects			$ 3,533,912			

Future Meetings

Adjourn