



WAYNE STATE UNIVERSITY

University Investments Overview

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Two Separate and Distinct Investment Pools:



WAYNE STATE
UNIVERSITY

CASH POOL

- Operated by the university
- University's operating funds



WAYNE STATE
UNIVERSITY
Foundation

COMMON TRUST FUND (CTF) ENDOWMENT

- Operated by the Wayne State University Foundation
- The endowment that annually distributes funds to support University activities



Roles and Responsibilities for Investment Pool Governance

3. Outsourced Chief Investment Offices (OCIO)

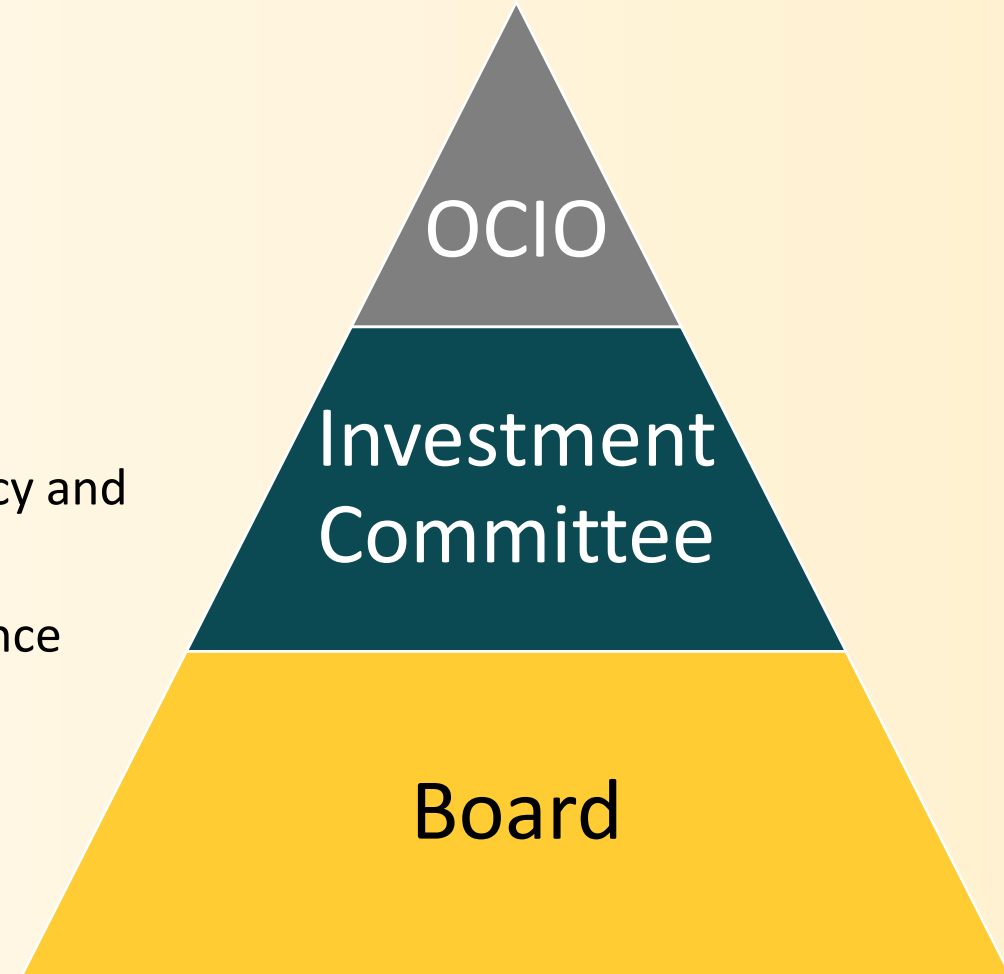
- Manages the day-to-day investment management and operations

2. Investment Committee

- Advise on investment-related decisions, including policy and strategic planning.
- Regularly reviews and evaluates investment performance

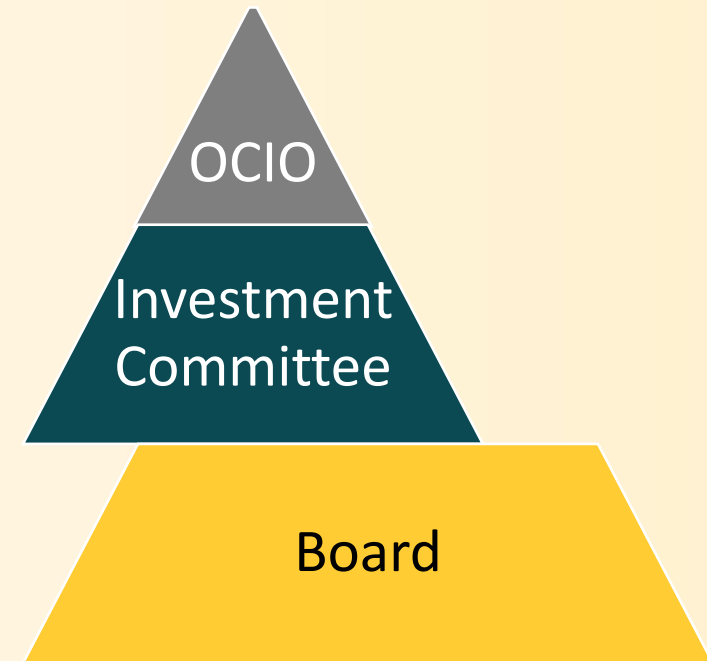
1. Board (or as Delegated)

- Provides oversight and adopts investment policy



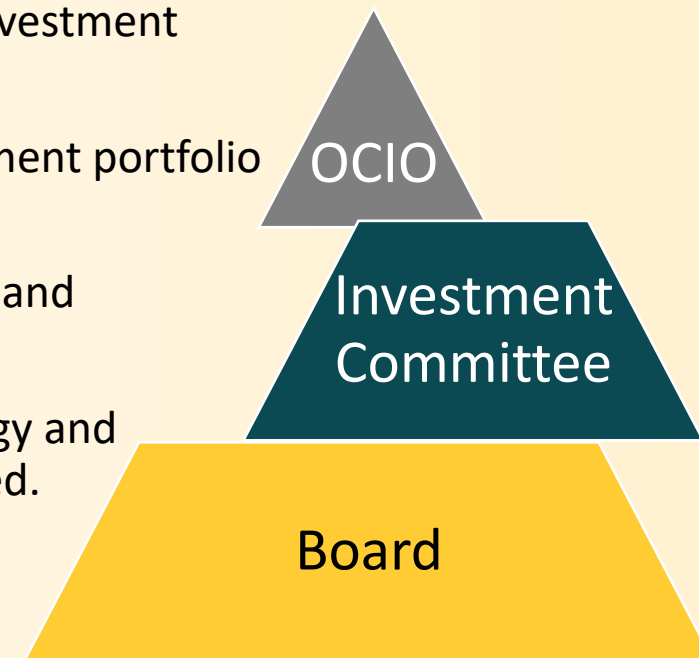
Investment Governance: *Role of the Board (or Designee)*

- ***Fiduciary: responsible for the stewardship of assets and safeguarding the organization's financial health through prudent oversight.***
 - Approves Investment Policy and Asset Allocation for the Pool.
 - Monitoring investment performance and compliance.



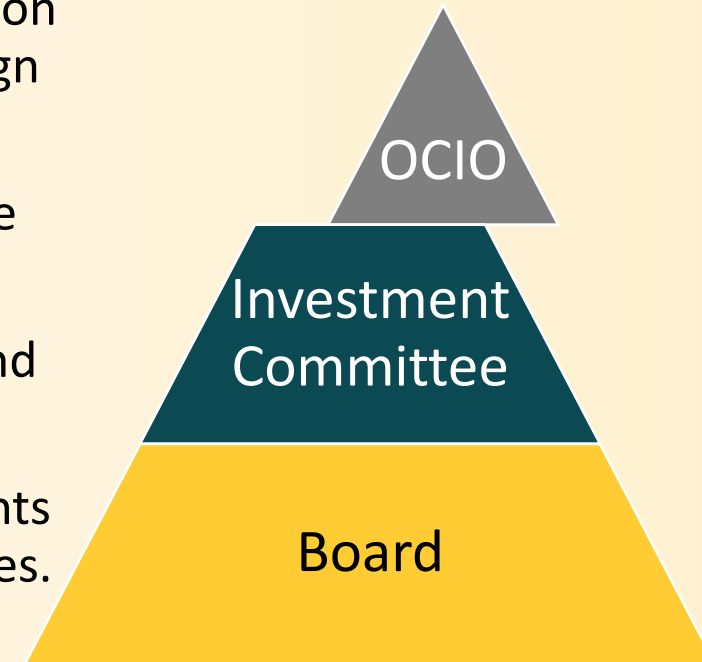
Investment Governance: *Role of an Investment Committee*

- **Setting Investment Objectives:** Establishes clear investment objectives aligned with the organization's goals, risk tolerance, and time horizon.
- **Developing Investment Policy:** Formulates and maintains an investment policy statement (IPS) that outlines guidelines, strategies, and criteria for investment management.
- **Asset Allocation:** Determines the appropriate allocation of assets across various investment classes based on the organization's risk-return profile and long-term objectives.
- **Performance Monitoring and Reporting:** Evaluates the performance of the investment portfolio against established benchmarks and objectives.
- **Compliance and Governance:** Ensures compliance with relevant laws, regulations, and investment policies.
- **Strategic Review and Planning:** Conduct periodic reviews of the investment strategy and portfolio to assess progress toward goals and make strategic adjustments as needed.

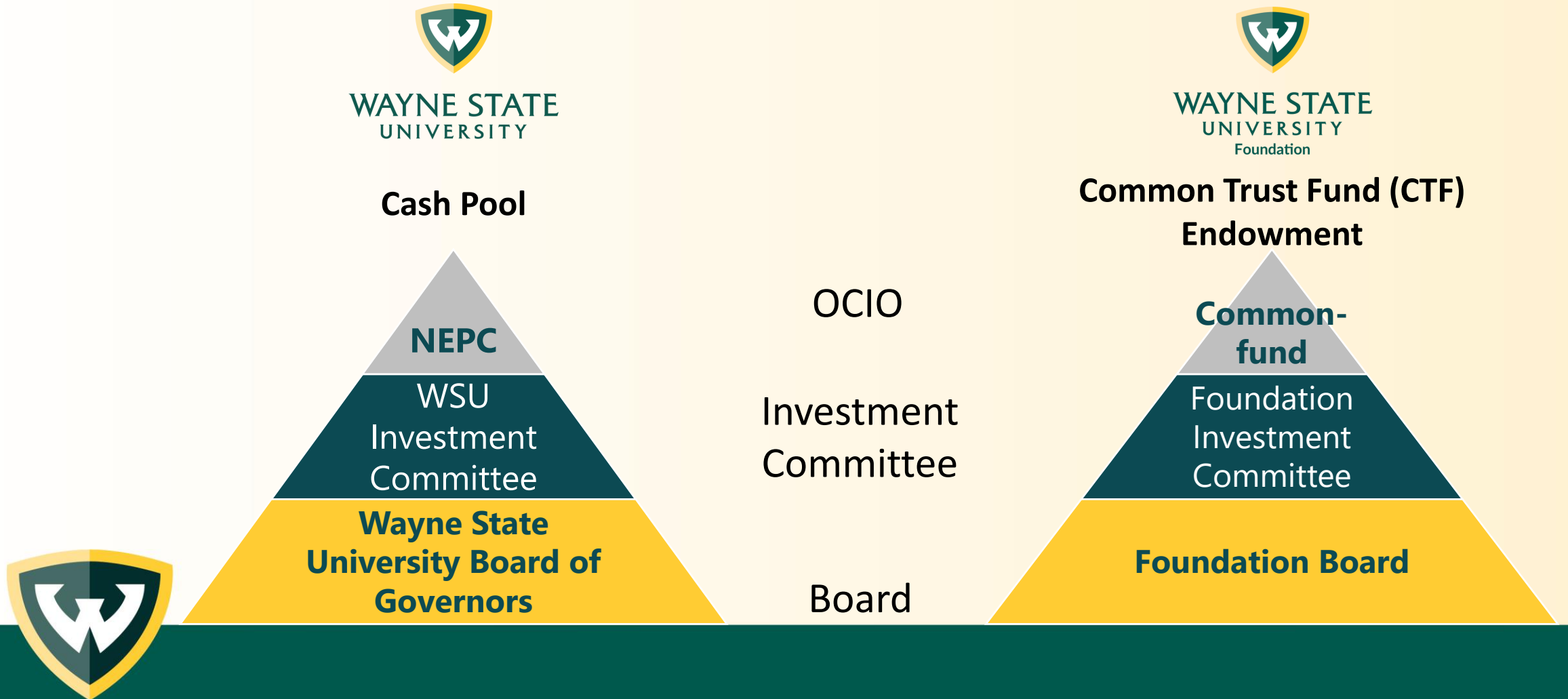


Investment Governance: *Role of an Outsourced Chief Investment Officer*

- **Investment Strategy Development:** Implement tailored investment strategies
- **Investment Portfolio Management:** Oversee the day-to-day management decisions
 - **Manager (and Fund) Selection and Due Diligence:** Conduct diligence on investment managers and strategies to identify opportunities that align with the client's investment objectives.
- **Risk Management:** Employ robust risk management frameworks to ensure that portfolios are aligned with the client's risk tolerance and objectives.
- **Reporting and Communication:** Provide regular performance reporting and communicate effectively with clients
- **Governance and Compliance:** Help clients navigate regulatory requirements and ensure compliance with relevant investment regulations and guidelines.



Investment Governance: *Two Pools with Distinct Oversight*



Wayne State University
Cash Pool



Cash Pool: *the University's Operating Funds*

- Cash Pool represents the working capital and cash reserves for the University.
 - The primary objective is to meet the day-to-day cash needs of the University.
 - The secondary objective is to generate income to support the budget while protecting the principal and maintaining sufficient liquidity.
 - The pool comprises allocations to cash, fixed income, equities, alternatives, and real assets.
- Inflows are primarily tuition and fees, state appropriations and sponsored program research funding.
- Outflows are mainly payroll, disbursements, and debt service payments.
- The market value fluctuates daily depending on timing of inflows and outflows. On September 30, 2023, the value of the cash pool was approximately \$618 million¹. [Cash Pool performance is reported annually to the board.](#)



1. Includes proceeds from Series 2018, 2019, and 2020 debt issuances

Cash Pool: Governance

- Board of Governors approves the asset allocation and monitors performance
 - The Board approved the current asset allocation in 2018
 - The approved allocation was an effort to enhance the income and returns of the pool - improving the reserves and the overall financial condition of the University
 - The asset allocation segregates the Cash Pool into three tiers, each with a separate asset allocation with targeted thresholds and/or ranges. Each tier has distinct objectives and eligible investments.
- The Investment Committee has oversight of the Cash Pool and the OCIO. The Committee, in conjunction with the OCIO, recommends to the Board the guidelines for the Cash Pool
- Treasurer is delegated by the Board of Governors, under the supervision of the President, the responsibility for the investment of all University funds, including operating funds, working capital, and gifts.



Cash Pool Governance: NEPC

Outsourced Chief Investment Officer (OCIO)

NEPC IS A PRIVATE, EMPLOYEE-OWNED INVESTMENT ADVISORY FIRM FOUNDED IN 1986

- Selected by Wayne State University as OCIO in 2018
- An independent fiduciary that provides comprehensive and customized Outsourced Chief Investment Officer (OCIO) services
- All revenue derived from consulting and OCIO fees
- Serve various clients, including public funds, insurance, Taft-Hartley, Insurance, and Endowments/Foundations.

NEPC OCIO Statistics

\$109 B
Assets Over
Seen

107
Clients

239
Investment
Programs



Cash Pool: Board-Approved Investment Policy Asset Allocation

Liquidity Tiers - Asset Allocation					
Asset Class	Liquidity Pool (TIER 1)	Liquidity Reserve Pool (Tier 2)	Diversified Pool (Tier 3)	Total Portfolio	Tier 3 Policy Ranges
Cash	100%			30%	
Fixed Income		100%	30%	56%	+/- 7%
Equities			45%	9%	+/- 7%
Hedge Funds			10%	2%	+/- 5%
Real Assets			15%	3%	+/- 5%
Total	100%	100%	100%	100%	

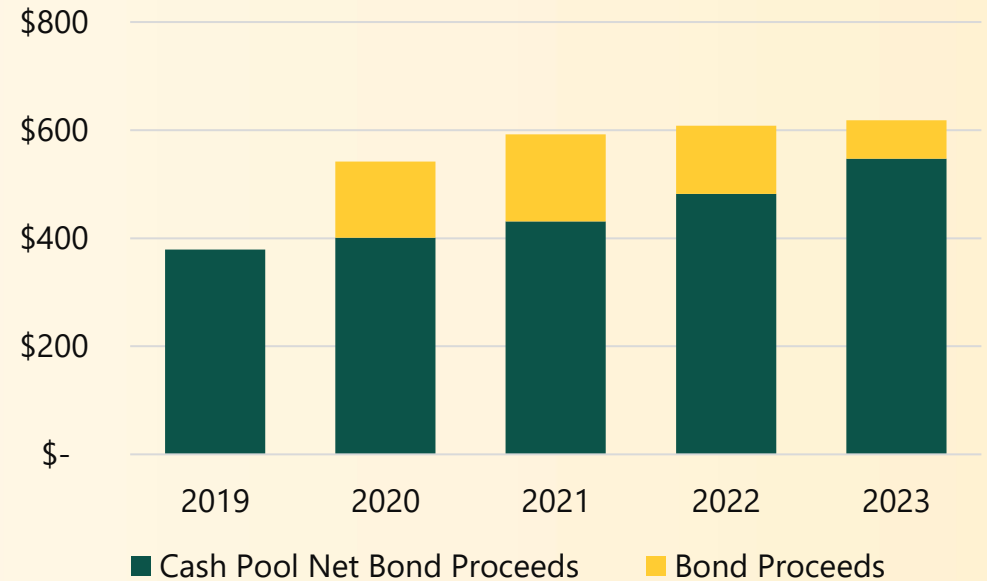
Diversified Pool (Tier3) provides equity exposure for the Cash Pool



Cash Pool: Meeting Institutional Cash Needs

- The investment policy return objective for the Cash Pool is to generate an average annual nominal return of at least 4.0% over the intermediate investment horizon (3 – 5 years).
- Investments are in funds that combine capital from numerous investors in portfolios comprising various financial instruments.
 - Reduce risk
 - Specialized investment management
 - Cost Efficiency
 - No direct holdings in individual companies*

Cash Pool Balance
FY 2019 – FY2023



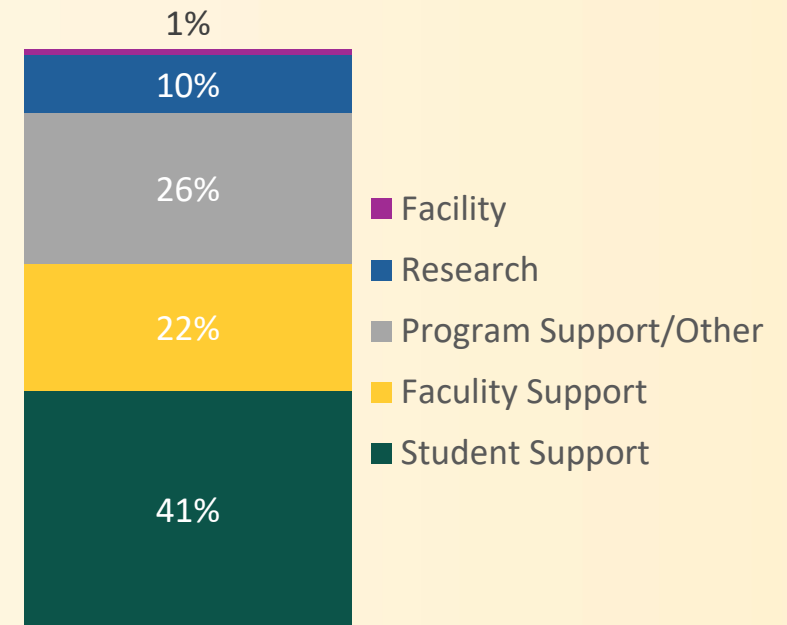
Wayne State University Foundation:
Common Trust Fund - Endowment



Foundation Endowment: *Donor Funded Perpetual Support*

- The endowment is a source of perpetual support for the donor’s designated purpose
- Goal is to preserve ***intergenerational equity***, which is where current and future beneficiaries benefit equally from the endowment.
- In 1949, the University received its first documented endowment to support students—the Mackenzie Scholarship Fund—beginning a 75-year history of endowed giving.
- Approximately 2,000 individual endowments – supporting a wide range of initiatives across campus
- Market value of \$507 million at Sept. 30, 2023.
[Endowment performance is reported annually to the board.](#)

Endowment Support by Category



Endowment Governance:

Wayne State University Foundation

THE FOUNDATION PROMOTES ADVOCACY AND GENERATES MEANINGFUL FINANCIAL SUPPORT FROM PRIVATE SOURCES AS AN ESSENTIAL SUPPLEMENT TO STATE APPROPRIATIONS, TUITION, AND RESEARCH-RELATED INCOME.

- Wayne State University Foundation was established by the University's Board of Governors in 2000
 - Encourage financial support from private sources
 - Manage the Consolidated Trust Fund (CTF) endowment
- The Foundation is a distinct nonprofit 501(c)(3) corporation and separate legal entity from WSU
 - Partners with the Division of Development and Alumni Affairs in realizing Wayne State's overall advancement objectives
- The Foundation Investment Committee manages the investments of the CTF (endowment)
 - The Investment Committee comprises financial experts with a deep commitment to WSU including diverse members of the campus community – alumni, donors, and senior executives.
 - Oversees the Outsourced Chief Investment Officer (OCIO)



Endowment Governance: Commonfund

Outsourced Chief Investment Officer (OCIO)

COMMONFUND HAS OVER 50 YEARS OF EXPERIENCE SUPPORTING INVESTMENT NEEDS IN HIGHER EDUCATION

- Selected by WSUF Board as the OCIO in 2022
- Founded from a \$2.8 million Ford Foundation granted in 1971 to establish The Common Fund for Nonprofit Organizations (Commonfund).
 - The idea was born out of concerns over the lagging investment returns of college endowments compared to growing operating budgets in the late 1960s.
- Asset Undermanagement \$27.8 billion¹



1. As of March 31, 2024. Excludes Canadian Clients



Endowment: WSUF approved Investment Policy Asset Allocation

Asset Class	Range MIN	Target	Range MAX
EQUITY	40%	60%	70%
Global Equity	20%	33%	60%
Private Capital ¹	0%	27%	40%
FIXED INCOME	10%	20%	30%
Cash	0%	0%	5%
Core Bonds	0%	13%	30%
Credit	0%	2%	10%
Private Credit ¹	0%	5%	10%
DIVERSIFYING	0%	10%	20%
Diversifying Strategies	0%	10%	20%
REAL ASSETS	0%	10%	20%
Private Real Estate ¹	0%	8%	12%
Real Estate	0%	2%	12%
Asset Class Total		100%	



1. Definition: Investments that do not provide the opportunity for redemption requests at least annually. Typically, Illiquid Investments are expected to have an investment period of multiple years, often exceeding 10 years.

Endowment: *Investing for the Long-term*

- Investment objective to achieve an inflation-adjusted return sufficient to support the spending policy, preserving intergenerational equity with moderate risk.
 - 5.5% is the long-term return target (net fees and inflation)
 - 6.7% was the 5-year return as of 9/30/23
- Investments are in funds that combine capital from numerous investors in portfolios comprising various financial instruments.
 - Reduce risk
 - Specialized investment management
 - Cost Efficiency
 - *No direct holdings in individual companies*



Conclusion

- Many foundations and universities our size use an OCIO to provide the financial expertise to manage their portfolios
 - Oversee the day-to-day management decisions
 - Manager (and Fund) Selection and Due Diligence are two of their key responsibilities
- Each relevant Board approves policy, asset allocations and reviews investment performance
- No one at either the university or the foundation is involved with the day-to-day investment (fund) management

