

Finance and Investment Committee Meeting

Agenda

1 p.m. to 2 p.m., Friday, December 2, 2022

[Zoom](#)

- I. CALL TO ORDER
- II. ROLL CALL – Andrew Exner
- III. APPROVAL OF THE AGENDA (ACTION) – Charlie Faas
- IV. OLD BUSINESS (ACTION) – Charlie Faas
Approval of the Minutes from August 31, 2022
- V. NEW BUSINESS – Charlie Faas, Andrew Exner
 - A. Q1 FY2022-23 Grant and Contract Activity
 - B. Investment Performance Report as of June 30, 2022
 - C. Investment and Reserves Analysis
 - D. Research Organization Retiree Medical Trust (RORMT) Update
 - E. 403 (b) Plan Update
- VI. OTHER ITEMS
- VII. ADJOURNMENT

Roster — Finance and Investment Committee

Seat	Name	Term	F&I
1	Charlie Faas , Treasurer Vice President for Administration & Finance/CFO	Ex-Officio	● Chair
2	Richard Mocarski , Vice President Associate Vice President, Office of Research	Ex-Officio	●
3	Marc d'Alarcao Dean, College of Graduate Studies	May 2022 – 2026	●
4	Sheryl Ehrman Dean, Charles W. Davidson College of Engineering	May 2022 – 2026	●
5	Matthew Spangler Professor, Communication Studies, College of Social Sciences	July 2020 – 2024	●
6	Peace Lu Major: MS Speech-Language Pathology est. graduation 2023	November 2021 – 2022	●
7	Andrew Exner , Secretary (No vote) Executive Director, Research Foundation	Ex-Officio	●

proposals compared to prior year. The requested funds in these proposals represent a 40%, or \$80.5M, decrease compared to the prior year.

R. Mocarski noted that the increase was significant for a year which does not include NASA figures and that indicators like expenditures and awards are indicative of a positive trend. M. D'Alarcao noted that seeing the median proposal amount would be a helpful trend indicator. R. Mocarski indicated that an indicator of federal numbers would also be helpful.

B. FY2021-22 Financial Highlights (unaudited)

Total FY2021-2022 F&A revenue was \$8,577,535, which was 6.1% higher than the budgeted amount of \$8,080,643. Total F&A distributions to Academic Units are expected to be \$423,806, an increase of \$223,806 over the approved budget amount of \$200K. Audited financial statements will be presented at the September 15, 2022, Board of Directors meeting.

C. Administrative Percentage Threshold Calculation FY2021-22

The FY2021-22 AP is calculated as follows: General and Administrative Expenses of \$7,854,096 divided by Total Direct Costs of \$40,214,781 = 19.53%. As set by the SJSURF Board of Directors, and confirmed by the Finance & Investment Committee in March, 2022, a project/grant qualifies for an F&A return by having an F&A rate higher than 19.53%. The amount distributed to each qualifying project/grant is equivalent to the amount of total F&A indirect revenue generated by that project over and above 19.53%, less its proportionate share of the amount designated by the Board of Directors for the overall return for various operating expenses.

D. Facilities & Administration Returns Final Calculation for FY2021-22

The total F&A distribution for this year will be \$423,806. The RSCA accounts of the Principal Investigators/Project Directors receive 15% of the total allocation at \$63,571; Department Chairs/School Directors receive 15% of the total allocation at \$63,571; Colleges receive 35% of the total allocation at \$148,332; and the RSCA account for the Division of Research & Innovation receives 35% of the total allocation at \$148,332. Final distributed figures will be made available in the year-end report of the annual F&A distribution, which occurs in October 2022 after the year-end audit is complete.

E. Investment Performance Report as of June 30, 2022

The year-to-date UBS portfolio return as of June 30, 2022, was -13.55%, compared to the benchmark of -14.34%; the portfolio return was -9.15%, compared to the benchmark of -11.03%; the portfolio returns for five years, from June 30, 2017, to June 30, 2022, was 4.79%, compared to the benchmark of 3.47%.

F. Investment and Reserves Analysis

The Investment and Reserves analysis is based on actuals as of June 30, 2022, and compares them with those of the period ending March 31, 2022. Total investments decreased by \$3,126,234 due to the reduction in overall market value of accounts. Investments in excess of legal claims decreased by \$1,805,801 to \$6,796,883 due to the reduction in investment value, offset by regular spending for the quarter from various custodial accounts, and the \$500,000 payment to SJSU in support of the Interdisciplinary Science Building. The gap between total operational liabilities and reserves, and the amount of investment in excess of legal claims now shows a funding surplus of \$66,157, down from \$1,871,958 at the end of the previous quarter.

G. Research Organization Retiree Medical Trust (RORMT) Update

The Research Organization Retiree Medical Trust last met on Tuesday, July 19, 2022. An Investment Management Report was provided by Payden & Rygel and the current plan administrator, Vimly Benefits Solutions, presented a financial report and membership report. Net Assets Available for Benefits decreased \$1,061,834 over the quarter ending June 30, 2022, due to market performance of investments.

Management has selected plans for its new captive, self-funded health benefits plan. Exiting the CalPERS program will allow SJSURF to eliminate RORMT eligibility for new employees starting in 2023, insulate employees from the upcoming CalPERS rate increases and allows them to provide more tailored benefits options. The selected plans map almost identically to what the majority of active employees and retirees now select from CalPERS.

Over time, the other post-employment benefits (OPEB) liability calculated by our actuary will go down substantially and reduce the annual contribution required under board designated funds. This benefit is not a competitive advantage for SJSURF's hiring strategy nor will it impact our ability to attract and retain employees since all current employees will remain in the program.

A. Exner explained the two-tier levels of insurance—a pool which covers an initial percentage of medical costs incurred and then a reinsurance program that covers another percentage. A cost-benefit analysis was conducted comparing CalPERS premiums to the worst case scenarios of the captive, self-funded program and the results showed lower costs for the SJSU Research Foundation and employees.

H. 403(b) Plan Update

The San José State University Research Foundation Retirement Plan Committee last met on August 10, 2022. A quarterly investment review was provided by CAPTRUST, and the current plan administrator, TIAA, presented a financial and administrative report. As of June 30, 2022, total plan assets were \$94,466,491, compared to December 31, 2020, when the total plan assets were \$111,812,651. Each investment option was

benchmarked and evaluated in accordance with the guidelines detailed in the Investment Policy Statement.

Selection and approval was made to change to a per participant administration fee of \$165 effective October 1, 2022, which equates to a 12 basis point fee equivalent based on the member modeling. This is a reduction from the previous 18 basis point administration fee and accompanies a new tiered participant fee that was previously selected for its equitable cost allocation. The administration fee model ensures that the plan avoids any potential shortfall situations in the future.

VI. OTHER ITEMS

There we no other items.

VII. ADJOURNMENT

M. d'Alarcao motioned to adjourn. R. Mocarski seconded.

The meeting was adjourned at 2:33 p.m.

The next SJSU Research Foundation Finance and Investments Committee Meeting will be held via Zoom at 1 p.m., Friday, December 2, 2022.

DATE: December 2, 2022

TO: SJSU Research Foundation Finance and Investment Committee

FROM: Charlie Faas, Finance and Investment Committee Chair
Andrew Exner, Executive Director, SJSU Research Foundation

RE: V. NEW BUSINESS (ACTION) – Charlie Faas, Andrew Exner
A. FY2022-23 Grant and Contract Activity

INFORMATION ITEM ACTION ITEM

AWARDS

The Research Foundation received a total of 74 awards in Q1 (July-September) of FY2022-23 valued at \$14.8M, which represents a decrease of \$7.8M, or 35%, compared to the same period last year. The number of new proposals during the quarter is 82 as compared to 106 in the same period last year.

PROPOSALS

The Research Foundation submitted a total of 82 proposals, valued at \$42.25 M in Q1 (July-September) of FY2022-23. This represents a decrease of 23%, or 24 proposals, compared to the same period last year. The requested funds in these proposals represent a 6%, or \$2.5M, decrease compared to the same period last year.

Quarterly Proposal/Award Summary

Proposal Data

	Proposal Count	Requested Funding
Q1 FY2022-23	82	\$42,252,421
Q1 FY 2021-22	106	\$44,735,501
Actual Change	-24	(\$2,483,080)
Percent Change	-23%	-6%

Award Data

	Proposal Count	Funding Amount
Q1 FY2022-23	74	\$14,826,558
Q1 FY 2021-22	93	\$22,661,120
Actual Change	-19	(\$7,834,562)
Percent Change	-20%	-35%

Faculty Data

Number of Faculty Submitting	
Q1 FY2022-23	94
Q1 FY 2021-22	116
Actual Change	-22
Percent Change	-19%

Award Amount (Quarterly)	Years				
	2023		2022		Year over Year
	College	Q1	Mean \$	Q1	
Business	\$ 408,773	\$ 136,258	\$ 1,677,269	\$ 559,090	24%
Contracted Services			\$ 325,571	\$ 325,571	0%
Curriculum and Assessment			\$ 150,231	\$ 75,116	0%
Education	\$ 157,795	\$ 52,598			0%
Engineering	\$ 1,603,150	\$ 145,741	\$ 1,611,479	\$ 179,053	99%
Health and Human Sciences	\$ 228,382	\$ 76,127	\$ 1,983,708	\$ 661,236	12%
Humanities & The Arts	\$ 20,000	\$ 20,000	\$ 126,590	\$ 42,197	16%
Office of Research	\$ 243,397	\$ 121,699			0%
Professional & Global Studies	\$ 633,305	\$ 633,305	\$ 428,703	\$ 428,703	148%
Science	\$ 5,599,732	\$ 151,344	\$ 8,255,405	\$ 155,762	68%
Social Sciences	\$ 5,782,025	\$ 481,835	\$ 7,434,340	\$ 464,646	78%
University Library	\$ 150,000	\$ 150,000	\$ 158,049	\$ 158,049	95%
VP/Provost Academic & Student Affairs			\$ 509,776	\$ 509,776	0%
Grand Total	\$ 14,826,558		\$ 22,661,120		

College	Proposal Amount (Quarterly)				
	2023		2022		Year over Year
	Q1	Mean \$	Q1	Mean\$	
Business	\$ 4,281,384	\$ 611,626	\$ 912,754	\$ 182,551	469%
Curriculum and Assessment	\$ -	\$ -	\$ 16,434	\$ 16,434	0%
Education	\$ 527,670	\$ 175,890	\$ 4,660,936	\$ 776,823	11%
Engineering	\$ 6,524,443	\$ 343,392	\$ 9,408,540	\$ 409,067	69%
Health and Human Sciences	\$ 693,697	\$ 173,424	\$ 7,091,565	\$ 1,181,928	10%
Humanities & The Arts	\$ 20,000	\$ 20,000	\$ 757,157	\$ 108,165	3%
President's Office	\$ 1,691,709	\$ 1,691,709			0%
Professional & Global Studies	\$ 1,088,147	\$ 217,629	\$ 2,339,036	\$ 467,807	47%
Science	\$ 23,378,010	\$ 667,943	\$ 16,185,225	\$ 425,927	144%
Social Sciences	\$ 4,047,361	\$ 578,194	\$ 3,308,527	\$ 254,502	122%
University Library	\$ -	\$ -	\$ 55,327	\$ 27,664	0%
Grand Total	\$ 42,252,421		\$ 44,735,501		

DATE: December 2, 2022

TO: SJSU Research Foundation Finance and Investment Committee

FROM: Charlie Faas, Finance and Investment Committee Chair
Andrew Exner, Executive Director, SJSU Research Foundation

RE: V. NEW BUSINESS – Charlie Faas, Andrew Exner
B. Investment Performance Report as of June 30, 2022

INFORMATION ITEM ACTION ITEM

Attached is the UBS Client Review report for the Research Foundation portfolio as of June 30, 2022.

- The year-to-date portfolio return as of September 30, 2022, was -16.03%, compared to the benchmark of -18.40%.
- The portfolio return for the year ending September 30, 2022, was -12.26%, compared to the benchmark of -15.32%.
- The portfolio return for five years, from September 30, 2017, to September 30, 2022, was 3.59%, compared to the benchmark of 1.95%.

SJSU | RESEARCH FOUNDATION

DATE: December 2, 2022

TO: SJSU Research Foundation Finance and Investment Committee

FROM: Charlie Faas, Finance and Investment Committee Chair
Andrew Exner, Executive Director, SJSU Research Foundation

RE: V. NEW BUSINESS – Charlie Faas, Andrew Exner
C. Investment and Reserves Analysis

INFORMATION ITEM ACTION ITEM

This analysis is based on actuals as of September 30, 2022, and compares them with those of the period ending June 30, 2022.

- Total investments increased by \$158,053 due to regular operation funding and receivables during the period.
- The gap between operational liabilities and reserves and the amount of investment in excess of legal claims now show a funding surplus of \$451,525.

Investments	6/30/2022	9/30/2022	Description
Non-Restricted			
LAIF-Local Agency Investment Fund-current	\$3,264,817	\$4,021,388	Cash
UBS	\$16,741,377	\$16,187,190	1) Cash - \$444K 2) Equities - \$7.6M 3) Fixed Income - \$8.1M
Restricted			
UBS Alternative Off-shore	\$2,040,065	\$2,056,850	Private Equity
RBC - Math & Computer Science Dept	\$2,043,110	\$1,981,994	1) Cash & Money Market - \$342K 2) Equities - \$743K 4) Taxable Fixed Income - \$628K 5) Other Assets - \$268K
Total Investments	\$24,089,369	\$24,247,422	

Custodial Accounts	6/30/2022	9/30/2022
Affiliate Funds		
IGS	\$1,722,312	\$2,015,383
I-House	\$1,056,887	\$1,139,544
Timpany Center	\$127,586	\$149,600
MLML	\$1,024,841	\$856,494
Other aggregated campus programs	\$2,671,142	\$2,436,899
RSCA Fundings R&I Division (51-2400-)	\$1,338,746	\$1,319,305
Contribution to Science Building (FY22)	\$500,000	\$0
Dean's + chairs IDC distribution (51 fund)	\$1,879,790	\$1,797,040
P.I.'s IDC distribution (53 funds)	\$748,299	\$750,324
Cost Share, Board Initiative and Faculty Start-up Funds (55 funds)	\$615,193	\$554,005
Subtotal Affiliate Funds	\$11,684,796	\$11,018,595
External Sponsor Directed		
Third Party Trust (Court Appointed Trustee-PG&E Pollution Settlement-aka Mussel Watch)	\$208,372	\$208,372
RBC - Math & Computer Science Dept	\$2,043,110	\$1,981,994
Pre-funded grants & workshops	\$3,176,485	\$3,176,485
Subtotal Sponsor Directed	\$5,427,967	\$5,366,851
Mandatory Contributions		
Fringe Benefit Pool Carry forward per Regulation	\$500,059	\$500,059
Capital calls for alternative investments	\$179,666	\$179,666
Subtotal Mandatory Contributions	\$679,725	\$679,725
Total Custodial Accounts Against Investment Portfolio	\$17,292,486	\$17,065,171
Total Investments	\$24,089,369	\$24,247,422
Investments in Excess of Legal Claims	\$6,796,883	\$7,182,251

Operational Liabilities and Reserve	Planned	Unfunded	Purpose
Legal Liabilities			
Payroll tax liability	\$568,090	\$0	The CARES Act permitted employers to defer payment of payroll taxes. Deferred amounts are legal obligations and due in full by December 31, 2022. Can be split into two payments. First payment of \$568,090 was paid in 2021. Second payment by December 31, 2022
Postretirement (RORMT) Liability	\$2,602,636	\$0	The RF has contributed \$800,000 to RORMT during the end of 2021 as part of its fringe benefit proposal. This in addition to amounts dictated by CalPers funding schedules.
Board Designated Reserves			
F&A-Indirect Cost Rate (IDC) Proposal	\$200,000	\$0	The current rates have been extended through fiscal year 2024. A full rate proposal will be prepared and submitted before the current extension expires.
Capital Assets Replacements	\$400,000	\$0	Major equipment and software acquisition (e.g. ERP acquisition per auditor recommendation)
Operating Reserve	\$2,820,000	\$0	The forecast operating reserve is 20 days of daily expenses at \$141K per day.
Disallowed Grant Expenses	\$90,000	\$0	Contingency to cover potential disallowed expenses by granting agencies, resulting from agency review and audits.
Venture & General	\$50,000	\$0	Cover costs of investigating new RSCA opportunities; Early Career Investigator Awards (ECIA), etc...
Total Operational Liabilities and Reserves	\$6,730,726		
Investments in Excess of Legal Claims	\$7,182,251		
Total Unfunded Amounts		\$0	
Surplus/(Shortfall)	\$451,525		

SJSURF has a \$5M line of credit with UBS at an interest rate of 1.85%. This line is available to provide liquidity during times of limited cash flow such as government shut down or short-term reduction in funded activity.

DATE: December 2, 2022

TO: SJSU Research Foundation Finance and Investment Committee

FROM: Charlie Faas, Finance and Investment Committee Chair
Andrew Exner, Executive Director, SJSU Research Foundation

RE: V. NEW BUSINESS – Charlie Faas, Andrew Exner
D. Research Organization Retiree Medical Trust (RORMT) Update

INFORMATION ITEM

ACTION ITEM

The Research Organization Retiree Medical Trust last met on October 25, 2022. An Investment Management Report was provided by Payden & Rygel and the current plan administrator, Vimly Benefits Solutions, presented a financial report and membership report. Net Assets Available for Benefits decreased \$426,819 over the quarter ending September 30, 2022, due to the market performance of investments.

Management has completed open enrollment for its new captive, self-funded health benefits plan. A pre-funding expense for the active employee and retiree plans will be made in the current quarter in preparation for the planned commencement on January 1, 2023. Contracts have been executed for benefits and claims administration in combination with administrative procedures for HR employees handling benefits administration.



DATE: December 2, 2022

TO: SJSU Research Foundation Finance and Investment Committee

FROM: Charlie Faas, Finance and Investment Committee Chair
Andrew Exner, Executive Director, SJSU Research Foundation

RE: V. NEW BUSINESS – Charlie Faas, Andrew Exner
E. 403(b) Plan Update

INFORMATION ITEM ACTION ITEM

The San José State University Research Foundation Retirement Plan Committee last met on August 10, 2022. A quarterly investment review was provided by CAPTRUST, and the current plan administrator, TIAA, presented a financial and administrative report. As of June 30, 2022, total plan assets were \$94,466,491, compared to December 31, 2020, when the total plan assets were \$111,812,651. Each investment option was benchmarked and evaluated in accordance with the guidelines detailed in the Investment Policy Statement.

A report on plan assets for the quarter ending September 20, 2022 will be presented at the next investment review meeting on December 14, 2022. Shailendra Baghel, SJSURF's new Director of Finance and Accounting, will be added to the Retirement Plan Committee at that same meeting.