

**MINUTES OF JUNE 12, 2008
AUDIT/COMPLIANCE AND INVESTMENT COMMITTEE
BOARD OF REGENTS, STATE OF IOWA
SCHEMAN BUILDING, ROOMS 230-240
AMES, IOWA**

Committee Members

Jack Evans (Chair)
Bonnie Campbell
Jenny Connolly

Robert Downer
Ruth Harkin
Craig Lang

David Miles
Rose Vasquez

Staff Members

Andrea Anania, Bob Donley, Patrice Sayre, Todd Stewart

Others

Mike Dudkowski, Wilshire Associates Incorporated

The corresponding docket memorandum for each agenda item, an integral component of the minutes, is available on the Board of Regents website: www2.state.ia.us/regents. Copies of these memoranda can also be obtained from the Board Office by calling 515-281-3934.

Chair Evans called the meeting to order at 9:38 a.m.

Minutes of the April 30 meeting were approved. (see ACTION at end of Minutes)

Mike Dudkowski from Wilshire Associates, investment advisor to the Board and to the Regent institutions, gave an overview of the Investment and Cash Management report for the quarter ended March 31, 2008, noting that the continued decline in the dollar is somewhat offset by improved international markets. Since March 31, Mr. Dudkowski has seen some rotation in the market and expects the second quarter to be different.

Mr. Dudkowski further reported that the Asset Allocation Plan review continues, with a draft plan to be ready in July for review with Regents institutions and brought to the August Board of Regents meeting for final review and approval. He anticipates a shift in Real Estate allocation to occur.

Commenting on endowment fund manager performance, the investment advisor stated that not many of the current managers have a five-year history with the Regents. Wilshire is watching Artisan closely; after three years he expected to see some positive results but believes as they are an aggressive fund that will occur. Under the operating account review, Dudkowski said CommonFund has underperformed last quarter, but has since reversed.

President Miles noted that Private Equity is substantially lower than allocation policy parameters and asked what the levels of commitments to private equity are at this point. Mr. Dudkowski replied that the intent is to make annual commitments to build slowly to the plan rate of 5%, otherwise Regents will be subject to vintage performance – performance reflective of the environment of the time. Wilshire continues diversify over time and to work with the universities to fund at that level.

President Miles asked how much had been committed to Private Equity and Mr. Dudkowski later provided the sum of \$10.6 million for SUI and \$6.75 million for ISU.

Regent Lang questioned if it was standard policy to wait three years for positive performance as in the case of Artisan. Mr. Dudkowski answered that a market cycle of three years is not unusual; sooner than that is too short a time to make conclusions unless there is a qualifying event such as a manager leaving. Regent Lang stated disappointment in seeing poor results too often and wished for a better way to target performance. Mr. Dudkowski agreed and reiterated the time frame needed.

Chair Evans asked the Committee to receive the Investment and Cash Management Report for the Quarter ended March 31, 2008.

Chair Evans asked the institutions to reschedule the inter-institutional meeting cancelled on June 11 to continue work on the asset allocation plan and to discuss the SUI diversified pool strategy at the rescheduled meeting.

Chair Evans suggested to the Committee that the evaluation of fund managers be delegated to the inter-institutional group, with all Regents being invited to participate.

Final agenda item was the request by Chair Evans to adopt the Committee calendar.

Recommendations to the Board:

- ◆ Receive the report from Regent Jack Evans, Chair of the Audit/Compliance and Investment Committee;
- ◆ Receive the Investment and Cash Management Report for the Quarter ended March 31, 2008;
- ◆ Request approval that the evaluation of fund managers be delegated to the inter-institutional group, with all Regents invited to participate; and
- ◆ Request approval of the Audit/Compliance and Investment Committee calendar.