

MINUTES OF AUGUST 8, 2013, COMMITTEE MEETING

**SUN ROOM, MEMORIAL UNION
IOWA STATE UNIVERSITY
AMES, IOWA**

Committee Members

Nicole Carroll
Milt Dakovich
Robert Downer

Ruth Harkin
Larry McKibben
Katie Mulholland

Bruce Rastetter (Interim Chair)
Subhash Sahai
Hannah Walsh

Board Office

Patrice Sayre
Todd Stewart

Others

Mary Mosiman, Auditor of State
Andy Nielsen, Deputy Auditor of State

Interim Chair Rastetter called the meeting to order at 9:30 a.m.

Minutes of June 5, 2013, Committee Meeting

- MOVED by CARROLL, SECONDED by HARKIN, to approve the minutes of the June 5, 2013, Committee meeting. MOTION APPROVED UNANIMOUSLY.

FY 2013 State Audit Plan

Interim Chair Rastetter welcomed Auditor of State Mary Mosiman and Deputy Auditor of State Andy Nielsen.

Auditor Mosiman said Deputy Auditor Nielsen discussed the June 30, 2013, audit plan with President Rastetter, President Pro Tem Mulholland, Chair Downer, Executive Director Stewart, and Executive Director Donley on a recent conference call.

Auditor Mosiman then highlighted recent professional accounting changes that have occurred over the last year; discussed anticipated audit scopes, approaches, and deliverables; covered anticipated timelines and staffing plans; and concluded with comments on anticipated hours and fees.

- The Committee received the plan by GENERAL CONSENT.

FY 2013 State Audit Reports

Auditor Mosiman provided highlights on the comments reported in the FY 2013 state audit reports for the University of Iowa, Iowa State University, University of Northern Iowa, Iowa Braille and Sight Saving School and the Board Office; no comments were reported in the Iowa School for the Deaf report.

She said all responses were positive, all are headed in the right direction, and follow up will be performed.

- The Committee received the reports by GENERAL CONSENT.

Internal Audit Director Report

FY 2013 AUDIT PROGRESS AND FY 2014 INTERNAL AUDIT PLANS

Internal Audit Director Todd Stewart summarized the progress reports for FY 2013 and the internal audit plans for FY 2014.

- By GENERAL CONSENT, the Committee received the progress reports for the universities' FY 2013 audit plans.
- MOVED by DOWNER, SECONDED by HARKIN, to recommend that the Board approve the internal audit plans for FY 2014. MOTION APPROVED UNANIMOUSLY.

INTERNAL AUDIT REPORTS ISSUED

Internal Audit Director Todd Stewart summarized the audit reports presented this month.

- The Committee received the reports by GENERAL CONSENT.

Fund Manager Issues

Chief Business Officer Patrice Sayre explained the proposals.

- MOVED by SAHAI, SECONDED by MCKIBBEN, to recommend that the Board approve:
 - ▶ Bank Loans as a new Fixed Income sub asset class for the diversified operating, intermediate diversified, and long-term portfolios of SUI and ISU (only SUI maintains an intermediate diversified portfolio). For each portfolio, the proposed sub asset class target allocation is 5% (range of 0-10%) with a corresponding decrease in the Core Fixed Income sub asset class.
 - ▶ Adding product offerings by any of the following finalist candidates for bank loan investment management. Pending Board approval of this new Fixed Income sub asset class, these strategies will be used in the diversified operating, intermediate diversified, and long term portfolios of SUI and ISU (only SUI maintains an intermediate diversified portfolio.)
 - ◆ Guggenheim Partners Asset Management
 - ◆ ING Investment Management
 - ◆ Western Asset Management

MOTION APPROVED UNANIMOUSLY.

Asset Allocation

Chief Business Officer Patrice Sayre explained the proposal.

- MOVED by DAKOVICH, SECONDED by CARROLL, to recommend that the Board approve a reduction in the fixed income duration exposure in the long term pool. This would be accomplished by changing the fund manager guidelines for the two fixed income managers, Reams and Chicago Equity. The benchmarks for Reams and Chicago Equity separately managed fixed income accounts would be changed from the Barclay's Aggregate Index to the BofA Merrill Lynch 1-3 Year Government/Corporate Index (or similar index).

MOTION APPROVED UNANIMOUSLY.

Interim Chair Rastetter adjourned the meeting at 9:53 a.m.

The corresponding docket memorandum for each agenda item, an integral component of the minutes, is available on the Board of Regents website: <http://www.regents.iowa.gov/>. Copies of these memoranda can also be obtained from the Board Office by calling 515-281-3934. Audio of the meeting is also available on the web site.