

VII. STANDING COMMITTEES

B. Finance, Audit & Facilities Committee

Adoption of University of Washington Investment Committee Statement of Principles

RECOMMENDED ACTION:

It is the recommendation of the Finance, Audit and Facilities Committee and the University of Washington Investment Committee (UWINCO) that the Board of Regents adopt the attached UWINCO Statement of Principles.

BACKGROUND:

The University of Washington Investment Committee (UWINCO) was established in May 2001 as an advisory committee to the Finance, Audit and Facilities (FAF) Committee to help oversee the investment programs of the University. A set of guidelines was established at the time to address the administrative functioning of the Committee. These guidelines are formalized in the recommended Statement of Principles with the following changes:

| | Statement of Principles | Original Guidelines |
|----------------------|---|---|
| Membership Term | Minimum three year term. No maximum term specified | Three years, renewable for two consecutive terms for a maximum term of nine years. |
| UWINCO Chair | Designated by the Chair of the Board from the UWINCO membership | FAF Chair or Regent designee |
| Conflict of Interest | Transactions with UWINCO members – explicitly allowed if conflict addressed through recusal process | Transactions with UWINCO members – implicitly allowed if conflict addressed through recusal process |

The UWINCO Statement of Principles will be reviewed annually and updated as needed.

Attachment

University of Washington Investment Committee Statement of Principles

University of Washington Investment Committee

Statement of Principles

The Board of Regents of the University of Washington is vested by statute with responsibility for the management of the properties of the University, including its investment programs. The Board of Regents delegates oversight responsibility of its investment programs to its Finance, Audit and Facilities Committee (FAF).

In recognition of the growth of the investment program in both size and complexity, the FAF Committee (then known as the Finance and Audit Committee or "FAC") established an advisory subcommittee in May 2001, the University of Washington Investment Committee ("UWINCO") to help it oversee investment programs. UWINCO is comprised of both Regent and non-Regent members. Non-Regent members are investment professionals whose expertise brings added perspective to the investment process at the University.

1. Membership and Terms:

UWINCO shall consist of no more than ten (10) members to be appointed by the Board of Regents. These appointments shall be based on recommendations submitted by the Chair of the Board of Regents after consultation with the Chair of UWINCO and the President of the University and his/her designee(s).

One or two UWINCO members shall be selected from the Board of Regents. The remaining UWINCO members shall be experienced investment professionals of varying backgrounds with close ties to the University. Criteria for non-Regent membership on UWINCO shall include investment expertise in such areas as private equity, hedge funds, international markets, real estate and institutional investing; access to desirable managers; strategic focus; and commitment to the University of Washington.

Regent and non-Regent members will be asked to make a minimum commitment of three consecutive years, renewable by the Board of Regents.

2. Functions:

UWINCO shall advise the Board of Regents (and/or its appropriate committee) and the President (and his/her designee) on matters relating to the management of the University's investment program. This includes, but is not limited to, the following: overall asset allocation, performance goals, new investment strategies, strategy implementation, manager identification, due diligence, and valuation policy.

3. Meetings:

Regular meetings of UWINCO shall be held quarterly. Special meetings may be called by the Chair, the President (or his/her designee) at any time.

4. Indemnification and Compensation:

The University shall indemnify UWINCO members to the fullest extent permitted by law and the standing orders of the Board of Regents. UWINCO members shall not be paid for service as Committee members.

5. Conflict of Interest: Regent members of UWINCO are governed by conflict of interest rules applicable to Regents. Non-Regent members shall comply with the following conflict of interest provisions:

- A. When a UWINCO member knows that the University is considering a transaction in which he or she has a beneficial interest, the member shall (1) alert the Senior Vice President (or successor official) of his or her potential beneficial interest and (2) not participate in the formulation or rendering of advice with respect to the transaction.
- B. Committee members shall not participate in the formulation or rendering of UWINCO advice where their participation could be influenced by financial or other considerations that would conflict or could reasonably appear to conflict with their UWINCO obligations to only consider the best interest of the University. Where a member is uncertain about the application of this rule to particular circumstances, he/she should consult the Chair of UWINCO and the Senior Vice President who may seek the advice of the Attorney General's Office as appropriate.
- C. Committee members may engage in investment transactions with the University if the Chair of UWINCO and the Senior Vice President (who may consult with the Attorney General's Office as he/she deems appropriate) determine that the UWINCO member has not participated in the formulation or rendering of UWINCO advice to the University regarding the transaction.

6. Chair and Vice Chair; Administrative Support:

The Chair of UWINCO shall be designated by the Chair of the Board of Regents. The Chair of UWINCO shall designate a Vice Chair from the Committee membership. During the absence of the Chair or while he/she is unable to act, the Vice Chair shall perform the duties and exercise the powers of the Chair. The SVP shall ensure that UWINCO has appropriate administrative support services, including secretarial assistance and record keeping.

7. Communication:

The Chair of the Committee and / or the CIO shall provide quarterly reports on the performance of the University's investment program to the Board of Regents (and/or its designated committee).

8. Amendments:

This Statement of Principles shall be reviewed annually and updated as needed. Amendments, additions, deletions or replacements, may be recommended by UWINCO. Such changes shall be subject to the approval of the President of the University and the Board of Regents.