

Jodi Neuman, Trillium Asset Management (via conference call)
Brian Pelkey, Morgan Stanley Consulting Group
Tim Candon, Morgan Stanley Consulting Group
Peter Sylvester, Morgan Stanley Consulting Group

1. Chair Hindes called the meeting to order at 2:10 p.m.

Chair Hindes reviewed the upcoming agenda and advised the committee that Vice Chair Chris Macfarlane will provide updates from the Finance Committee at future Board of Trustees meetings.

2. Consent agenda and approvals:
 - a. Minutes of December 1, 2017 meeting
 - b. The Sugarman of Vermont, Inc., Scholarship Endowment (Johnson State)
 - c. New VSC Policy 434, Merchant Credit Card Policy

President Elaine Collins provided a brief summary of the Sugarman of Vermont Scholarship Endowment and Chief Financial Officer Steve Wisloski provided a brief overview of the new VSC Policy 434. **Trustee Diamond moved approval of the consent agenda. The consent agenda was approved unanimously.**

3. Review and approval of amendment to VSC Policy 301 (Welcome Home)

Chancellor Spaulding provided an overview of the revision of VSC Policy 301 on determination of in-state residency for tuition purposes. The proposed revision of the policy would apply to any student that earned a high school diploma, or its equivalent, after January 1, 2015. The revision would allow a Vermonter, who earned a high school diploma or equivalent official credential in Vermont and was domiciled in another state thereafter, to receive in-state tuition in the VSCS without re-domiciling in Vermont for a year, as long as the student is living in Vermont when the student enrolls in the VSCS. By altering some of the residency requirements, this revised policy is intended to encourage former Vermonters to come back, attend a VSCS institution, and live in Vermont.

Chancellor Spaulding answered questions from the Trustees and said further changes could be made if needed.

Chair Hindes asked for motion to advance to full board adoption of amendment on page 15 of the committee materials minus the phrase “effective July 1 2018.” Trustee Milne moved, seconded by Trustee Lippert. The resolution pass unanimously.

4. Review and discussion of 2nd FY2018 financial reports

Chief Financial Officer Steve Wisloski presented the executive summary of the unrestricted revenues and expenses of the FY2018 finance reports and answered questions from the committee.

5. Review and discussion of admissions summary from February 1

Chief Financial Officer provided an overview of an admission summary and reviewed the charts discussing the weekly comparison between the colleges.

6. Discussion of preliminary FY2019-2021 budget projections

Chief Financial Officer Steve Wisloski presented the historical enrollment and demographic data.

Chancellor Spaulding explained the scenarios of the balanced budget at a system level and how the changes among the colleges have now adjusted that. The committee discussed strategies retaining students, budget preparations and marketing of the schools.

7. Discussion and recommendation regarding Fossil Free VSC request

a. Presentation from Trillium Asset Management, LLC

Castleton University Professor Brendan Lalor provided brief comments and introduced Lyndon State College Student Jason Kaiser who spoke about their Fossil Free VSC proposal. Mr. Kaiser gave brief introductory remarks and introduced Jodi Neuman from Trillium Asset Management who joined the meeting via conference call. Ms. Neuman presented their views on divesting from fossil fuels and answered questions from the group.

b. Presentation from Morgan Stanley

Brian Pelkey, Tim Candon and Peter Sylvester of Morgan Stanley provided a review the system's portfolio, and answered questions on their fossil free approach, considering changes to the investment portfolio to respond to environmental, social and governance issues.

Chief Financial Officer Steve Wisloski reviewed the February 7, 2018 memo he wrote on the subject and explained his reasoning. Chancellor Spaulding summarized the options and suggested adopting a moderate approach as presented and watching the results for a long enough period of time to gauge the efficacy of the approach.

Trustee Diamond moved to recommend approval by the Board of Trustees a "Plan for reallocating 20% of Portfolio to Fossil Free Approach" described by Morgan Stanley in today's presentation to screen 50% of the market value of three of the Endowment's passive index funds and one actively managed fund for fossil fuel related investments as follows:

Russell 1000 Growth index fund

Russell 1000 Value index fund

TFSE Developed Markets index fund
Thomas Partners

After discussion, the Committee voted to approve the resolution. Trustees Macfarlane and Milne voted against the resolution. The resolution was approved (5 in favor, 2 opposed) and recommended to the full Board.

c. Proposed changes to Investment Policy Statement

As stated in the memo regarding fossil fuel divestment from endowment, Chief Financial Officer Steve Wisloski recommended adoption of the updated investment policy, both to incorporate previously-identified suggested changes, and to state unambiguously that the Committee and Board are authorized to pursue environmental, social and governance (ESG) objectives in addition to maximizing risk-adjusted return. The Committee decided to take this agenda item up again at a future board meeting.

d. Discussion and next steps

No comments on next steps.

Chair Hinde adjourned the meeting at 5:18 p.m.