


**MICHIGAN STATE**  
**U N I V E R S I T Y**

June 3, 2011

**MEMORANDUM**

**To:** Trustee Policy Committee

**From:** Fred L. Poston 

**Subject:** Investment Advisory Subcommittee Membership

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends that the Board of Trustees amend the Stipulations for the Selection and Participation of Outside Members of the Investment Advisory Subcommittee, adopted by the Board of Trustees at its meeting on October 20, 2006, to state that the Investment Advisory Subcommittee will have three outside members, instead of two, to clarify the nomination process for outside members, and to provide that the outside members of the Investment Advisory Subcommittee will serve staggered three-year terms, as shown on Attachment A hereto.



**BACKGROUND**

At its meeting in October, 2006 the Board amended Board Policy 01-01-09, Board of Trustees Committee Structure, to provide for the establishment of the Investment Advisory Subcommittee as a subcommittee of the Board Finance Committee. At the same time, it adopted a set of Stipulations for the Selection and Participation of Outside Members of the Investment Advisory Subcommittee. The first of those Stipulations stated, "The Investment Advisory Subcommittee will have two outside members."

The involvement of the outside members of the Investment Advisory Subcommittee has proven to be of great value in fulfilling the main purpose of the Investment Advisory Subcommittee, which, according to Board Policy 01-01-09, is to provide "knowledgeable, objective and independent advice to the members of the Finance Committee and MSU financial staff on strategic investment planning and policy [and] investment opportunities". The Finance Committee believes that adding another outside member to the Investment Advisory Subcommittee would provide additional assistance in meeting the University's investment goals.

OFFICE OF THE  
VICE PRESIDENT FOR  
FINANCE AND  
OPERATIONS

Fred L. Poston  
Vice President and  
Treasurer

Michigan State University  
412 Administration Building  
East Lansing, Michigan  
48824-1046

Phone 517.355.5014  
Fax 517.353.6772  
[www.vpfo.msu.edu](http://www.vpfo.msu.edu)

The Finance Committee also believes that adding a third outside member to the Investment Advisory Subcommittee makes it advisable to move to staggered terms of three years for outside members, as this will smooth out transitions when outside members change. No change is proposed in the maximum term for outside members, six years, so, upon adoption of a three-year term, each new outside member will be eligible for reappointment once, not twice.

Finally, the Finance Committee recommends clarifying the procedure for nominating outside members of the Investment Advisory Subcommittee to provide explicitly that at least two individuals will be nominated by the MSU Foundation Board for each vacancy for an outside member on the Investment Advisory Subcommittee.

If approved, the changes to the Stipulations will be effective prospectively. Hence, this Board action will not affect the appointments or terms of the two outside members presently serving on the Investment Advisory Subcommittee.

cc: L. Simon, K. Wilcox, R. Noto, B. Beekman, K. Lindahl, D. Brower,  
M. Haas, G. Klein

## Attachment A

### STIPULATIONS FOR THE SELECTION AND PARTICIPATION OF OUTSIDE MEMBERS OF THE INVESTMENT ADVISORY SUBCOMMITTEE

The Investment Advisory Subcommittee is a subcommittee of the Finance Committee. Its role is to aid the Finance Committee in the review and evaluation of investment opportunities and strategies.

The Investment Advisory Subcommittee includes select individuals who are not members of the Board of Trustees. The following stipulations apply to the participation of those outside members.

1. The Investment Advisory Subcommittee will have three outside members.
2. Each time the Investment Advisory Subcommittee has a vacancy for an outside member, the MSU Foundation Board will nominate at least two individuals to fill that vacancy. The Board of Trustees, in consultation with the President and the Vice President for Finance and Operations, will select the new outside member from those nominees.
3. Outside members will serve staggered three--year terms and may be re-appointed once.
4. Key qualifications for outside members include high ethical standards, wide-ranging institutional investment experience, ability to constructively debate issues, skill at asking pertinent questions to independently challenge investment opportunities, and established and beneficial affiliation with MSU.
5. Outside members will be required to comply with Board-approved conflict of interest standards for external members.
6. Outside members are expected to regularly attend Investment Advisory Subcommittee meetings in person or, when necessary, electronically.