



### **Financial Affairs Advisory Committee (FAAC)**

Minutes of Meeting: 3/29/23

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Approved: 4/26/23

Present: James Gulvas (Chair), Geoffrey Chatas (VP and CFO), Erhan Bayraktar, Francine Dollins, Erik Lundberg, Dan Nemser, Romesh Saigal, Pamela Wong, Ya Sha (Alex) Yi

Absent: Nancy Allee, Riya Chakravarty, Ragini Vittal

Guests: Erik Lundberg, Chief Investment Officer

Faculty Senate Office: Ann Marshall

**2:02pm-2:05pm:** Call to Order, Approval of Agenda and Minutes

The agenda was approved. The minutes for the February meeting were approved.

**2:05pm-2:58 pm: UM investments and their management, discussion with Chief Investment Officer Erik Lundberg**

Summary: Erik Lundberg, Chief Investment Officer, provided a presentation and answered questions about how UM endowment funds are invested and managed.

The 2022 endowment fund total was \$17.3 billion and is managed by an office of about twenty-eight investment professionals. There are more than 12,000 specific endowments that are managed with a single investment strategy. Erik Lundberg's team also collaborates with other UM departments, such as Financial Operations and the Tax Department.

Investment fees for the funds are less than .1% across all funds. Erik's team hires a range of investment managers and the fees vary by the manager's specialty, i.e. a bond manager's fund is lower than a manager who brings a higher value to the investments, with fees ranging roughly from .01% to 2%.

The funds had a 41% gain from 2020-2021 and held this value, with a slight increase, from 2021-2021, performing better than most peer institutions. Investments that have done well and have been resilient during inflation include real estate and natural resources. Natural resources includes investments aimed at lowering the carbon footprint, in line with UM's goals of carbon neutrality. The choice of funds is informed by consulting with industry experts, many of them UM grads, and then the Regents approve the benchmarks. UM invests in both private and public equities. The 20-year performance by type of investment was shown, which can also be helpful for considering long-term future trends.

The amount spent from the investments is approved by the Regents, which is at about 4.5% over a 7-year average controlling for inflation. The spending rules are set to minimize the fluctuations in order to have a mostly stable income for UM entities that rely upon the funds. The endowment is about 6-8% of the total UM budget and all of the endowment is



earmarked. Almost every gift to UM is designated to an area and so money (e.g 5%) donated to Ross, LSA, or Flint is restricted to be spent (e.g. 5%) for the purpose it was donated for. While UM has one of the largest endowments, UM also has a very large student body. It was recently reported that Princeton has financial freedom, meaning that their very large endowment, spent across a much smaller pool of students, will cover a much larger percent of their operating budget.

Action: Discussion and presentation. Presentation slides will be shared with FAAC members.

**2:58pm: Closing Chair Remarks**

Next meeting and final meeting of the semester is April 26th, with guest Tom Finholt, Vice Provost for Academic and Budgetary Affairs.

**3:00pm: Adjournment**

Respectfully submitted,

Ann Marshall  
Faculty Governance Coordinator  
Faculty Senate Office