

UNIVERSITY PLANNING COMMITTEE
Meeting Minutes
 January 15, 2020

Attendees

Paul Caron
 Rick Cupp
 Michael Feltner
 James Gash
 Rick Gibson
 Darren Good
 Gary Hanson
 Keith Hinkle

Connie Horton
 Sara Jackson
 Lee Kats
 Rick Marrs (chair)
 Marilyn Misch
 Tim Perrin
 Pete Peterson
 Phil Phillips

Jeff Pippin
 Steven Potts
 Mark Roosa
 June Schmieder-Ramirez
 Michael Shires
 Nicolle Taylor
 Deryck van Rensburg
 Helen Williams

Absent

Lisa Bortman
 Greg Ramirez
 Michael Shires

Observers

Juliano Bonavia
 Lauren Cosentino
 Danny DeWalt
 Ildiko Hazak
 Jonathan See
 Jody Semerau

I. Call to Order and Devotional

Provost Marrs called the University Planning Committee meeting to order at 8:33 a.m. on January 15, 2020 in the Seaver Board Room at Pepperdine University – Malibu campus. Deryck van Rensburg presented devotional thoughts.

Pete Peterson and Helen Williams moved and seconded approval of the minutes for December 18, 2019, which were adopted.

II. Employee Benefits Cost and Projected Increases; Employee Compensation and Market Comparison

Lauren Cosentino shared that the benefit cost per benefited employee for FY21 will be \$33,338. She continued by presenting the medical premium history versus the salary history. Health care reform has increased costs dramatically. The employee medical premiums increased since FY11. Employees share more of the cost. Pepperdine continues to stay competitive. The medical plan premium renewal increase was 8.10%. Lauren Cosentino noted that Kaiser's plan has become very rigid. The Vivity HMO plan offers seven premier hospitals. Pepperdine has great options today. The medical premium cost for FY20 is 84.37%. Lauren Cosentino shared the 2019 Aon health value initiative employer subsidy data. She continued presenting the current plans including, PPO HSA, Advantage HMO, Kaiser HMO and Vivity HMO. The government PPO is the most expensive plan. There will be open enrollment in October – November 2020. The medical trend is 6-9% increase. One committee member asked if there are any issues left to address. Lauren Cosentino replied that the distrust in HSA was high, but the high deductible plan is more understandable now. This year the deductible did not have to be raised. Gary Hanson pointed out that a new platform was created, which reduced administrative costs. Lauren Cosentino commented that great feedback was received on this new platform. There is also a 1-800 customer service number to answer any questions.

Lauren Cosentino continued to present the compensation considerations. She noted that Human Resources works closely with Finance. The Equal Pay Act and the California Fair Pay Act allows for wage rate differences based on seniority, merit, education and experience. Human Resources works with an outside compensation consultant. A faculty and staff pay analysis was completed by Conduent Consultants. Every job was reviewed. A pay equity tool was created where salaries of similar positions are easily compared across the University based on factors like experience, education, tenure and level of responsibility. Finally, Lauren Cosentino discussed the minimum wage increase schedule comparing Los Angeles County and the state of California.

III. Investment Management Overview

Jeff Pippin presented the current market conditions. He shared the endowment payout amounts in dollars and as a percent of operating expense. Endowment paid out \$31 million in 2010. In 2019, the endowment payout has declined to \$26 million. Jeff Pippin continued by presenting the 10-year growth of overall endowment. Endowment has paid out \$332 million. The cumulative return was discussed next. Until 2008, endowment was beating every benchmark. In 2008, the market crash happened. In December 2018, there was a big drop for stocks but Pepperdine's endowment did not go down. In the last 10 years, Pepperdine has maintained its generational equity. Jeff Pippin continued by presenting the endowment relative performance. The diversified portfolio lowers the risk. Since 1998, Pepperdine's endowment

pool has outperformed the 70/30 portfolio. Jeff Pippin continued by sharing the core beliefs. Diversification pays off and value bias, price paid is crucial to excellent returns. Markets go in long term cycles and mean revert over time. He commented that in terms of bonds, the interest rate is at the lowest point in history. Different strategies are called for when markets are historically expensive.

Next, Jeff Pippin discussed the strategy including, diversifying portfolio, co-investments, portable Alpha, liquidity provider and unique access to investments. He commented that 10% of the investments was taken out of the stock market and put in a diversified portfolio. The goal is to have consistent and stable returns. Jeff Pippin continued by discussing the role of asset classes including, marketable equities, fixed income, hedge funds, real assets and private equity. He noted that 40% of the portfolio is private equity. The allocation of assets was presented next. He continued discussing the co-investment program. The program started in 2015. The co-invest portfolio is 10% of total endowment. The co-investment program has one of the best managers. The current value of the portfolio is \$115 million. The annualized rate of return is 32%. One committee member commented that endowment payout is critical, and he asked when will the endowment expected to increase. Jeff Pippin responded that typical institutions see 10% endowment return. The growth of endowment comes from gifts. Pepperdine tries to raise more money for the endowment fund.

IV. Fundraising/Gift Revenue

Keith Hinkle presented Pepperdine's fundraising efforts and gift revenue. In the last four years, the average cost to raise a dollar was 22 cents. The EAB cohort's cost to raise a dollar was 23 cents last year. Keith Hinkle continued to present on return on investment and unrestricted giving. He commented that the University never hit the budget. PGBS and School of Law hit their budgets. He commented that the University is trying to cut expenses. Total giving by gift type was discussed next. Keith Hinkle presented a chart showing the amounts of new committed gifts, cash received and unrestricted gifts. He noted that Pepperdine has to get more productive. Large gifts are more favorable. The trend is to receive more money from less donors. The University invested heavily in participation. As of now, the total giving is \$72 million. The estimated total giving for FY20 is \$85 million. Keith Hinkle noted that the momentum is fantastic. The goal for the cost to raise a dollar is 15 cents. One committee member asked what did the School of Law do differently. Keith Hinkle responded that the School of Law has a trajectory that is moving up. They had a big picture of transformation thinking. Also, the former dean is still raising money. It is one of Pepperdine's strongest area. Keith Hinkle commented that donor count is going up. The Give2Pepp giving campaign helped to increase the donor count. One committee member commented that it would be interesting

to see if seniors give, as alums, would they give again. Keith Hinkle commented that there is a Senior 5 for 5 Campaign at Seaver. In the program, seniors pledge to give \$5 for 5 years.

V. Adjournment

The meeting was adjourned at 10:02 a.m. The next meeting of the University Planning Committee will convene at 8:30 a.m. on February 19, 2020 in the Seaver Board Room.