

1974

## Board of Trustees Finance Committee April 17, 1974

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UNIVERSITY OF MAINE  
BOARD OF TRUSTEES

April 17, 1974  
Portland, Maine

FINANCE COMMITTEE

PRESENT: Chairman James H. Page, Robert R. Masterton, George S. Cunningham and Clerk Margaret R. Dexter. Staff: Herbert L. Fowle, Harry W. Gordon and David I. Carter.

The Committee interviewed Lionel D. Edie and Company, Inc. during a morning session.

Lionel D. Edie.

James Ruf and Joel D. Anastasi represented Lionel D. Edie. They presented a brief history of the Company. They urged that clients stay with a company through a market cycle such as 1969 through 1972. They stated that their staff was adequate and that Mr. Ruf who handles a portion of the University fund has about 15 accounts. They stated that they would have the bond portfolio managed by bond experts and the equity portion by an equity expert. They reviewed Edie's market performance - section 5 in the book.

Mr. Ruf stated that he has 25% of the University portfolio he manages in a cash position and that he is currently realizing 10% -- mostly in commercial paper. He also stated that since the September meeting his approach to the account has been more conservative.

In answer to Committee questions about controls, they replied that the company was small and informal and that while they have a "distinct profile" and "two grid diversification schedule" they do not "strait jacket" their counselors.

They stated that they would be agreeable to using Maine brokers to place orders but that they would promptly inform the University should a more favorable execution be possible elsewhere.

A mix of approaches, both fundamental and statistical, is used by the company and they would recommend "selected" exposure in the equity market as conditions improve.

They stated that 5% income plus appreciation was not unreasonable. Their fee schedule was presented and a quick calculation of annual cost is approximately \$27,000.

In closing they emphasized an evaluation of goals spelling out the needed percentage of income and appreciation.

After the lunch break the Committee briefly discussed the insistence by a Maine bank that it be considered to manage the investment portfolio. They also briefly discussed the budget and deferred a more complete review until later in the day.

The Committee met with representatives of Putnam Capital Management, Inc.

Putnam Capital Management, Inc. was represented by John McMurtrie and Alfred A. Lagan who opened by stating that their company would want a written statement of investment objectives.

They outlined their company history and their philosophy of management to include: - growth and earnings. They stated that the University account would be invested in a compact list of securities - no more than 18 to 20.

They stressed the structured approach to controls including daily, weekly, monthly and quarterly report meetings and evaluations.

While Putnam has no internal economists on its staff, they retain the services of people like Theodore White and Allan Greenspan. Putnam's orientation is fundamental, backed by a computer department and a technical department. They insist on a visit with clients once a year, provide quarterly reports and are available for quarterly visits.

Research analysts at Putnam receive 30 to 40% of their income from incentive bonuses based on the results of their predictions compared to market results. Putnam uses cash reserves to control market volatility.

They reported that their bond department has outperformed the Solomon Brothers report last year, and listed attractive areas for investing now.

They agreed to keep the brokerage business in Maine but said they would report "harshly" if they felt the executions were poor. Based on their fee schedule a quick calculation would put annual cost at about \$28,500.

The Committee discussed the four investment management firms they had interviewed and there was agreement that Standish Ayer and Wood and Lionel D. Edie & Company, Inc. would be dropped from consideration at this time.

Bank Controversy. Mr. Page and Mr. Cunningham stated that the reasons for excluding banks from consideration for management of the University's investment portfolio were still valid. Mr. Masterton stated that he was less positive than he had been and it was reported that the Chancellor is concerned about the matter. It was decided to defer decision on this item to the Finance Committee meeting April 23, 1974.

Conflict of Interest Statement. In response to a memorandum from Treasurer Harry W. Gordon outlining pressure from banks demanding University business, there was general agreement that the bank pressures were unwarranted and that Mr. Gordon had no conflict of interest. A copy of the statement is appended to the file of these minutes.

Budget. Mr. Page requested that the preview of the budget for 1974/1975 remain confidential. Members of the Committee discussed the proposed budget with Mr. Fowle and Mr. Carter.

Budget Increases. Mr. Page recommended and the Committee agreed that raising tuition to \$90 rather than the \$80 increase would provide a start toward a maintenance reserve fund in the E & G Budget. It was also suggested by Mr. Page, with concurrence of other members, that a \$150 increase in room and board fees at Orono/Bangor rather than the proposed \$130 would help to retire the \$400,000 deficit in Residence and Dining operations at UMO/B.

Financial Review. The Committee requested a financial review of some programs such as the Masters Degree Program in Food Science at UMO.

It was decided that the Committee would meet sometime in early May to make a decision on the investment manager. The budget will get a review at the April 23 meeting and will go to the full Board April 24.

Margaret R. Dexter  
Clerk, Board of Trustees