



ESCOP Executive Committee Meeting

Monday, November 11, 2019, 1:30 pm to 5 pm PT

Hilton San Diego Bay

San Diego, CA

Agenda

Item #	Time	Topic	Presenter(s)
1.0	1:30 – 1:40	Call to Order <ul style="list-style-type: none"> • Introductions • Approve Agenda • Interim Actions 	George Hopper, ESCOP Chair
2.0	1:40 – 2:00	CMC Strategist Proposal Update	Steve Loring, Rick Rhodes
3.0	2:00 – 2:15	ESS Assessment Question	George Hopper
4.0	2:15 – 2:35	Investing ESS Reserves (click to view supporting TD Wealth slides)	George Hopper, Jeff Jacobsen
5.0	2:35 – 2:45	BLC Report	Ernie Minton, Jeff Jacobsen
6.0	2:45 – 3:00	Cornerstone Advocacy Update	Hunt Shipman
	3:00 – 3:30	Break	
7.0	3:30 – 3:45	APLU Update	Doug Steele
8.0	3:45 – 4:00	NRSP Update	Doug Buhler, Jeff Jacobsen
9.0	4:00 – 4:20	Other Committee Reports (new info only) PBD STC DCC NIDB	Gary Thompson, Eric Young Jody Jellison, Bret Hess Ali Fares, Rick Rhodes Steve Loring, Eric Young
10.0	4:20 – 4:40	NIFA Update (time may change)	Scott Angle
	4:40 – 5:00	Other Business, as needed	George Hopper
	5:00 pm	Adjourn	

Meeting Attendees: George Hopper (ESCOP Chair), Eric Young (SAAESD and ESCOP Exec Vice Chair), Becky Walth (CARET Liaison), Bob Godfrey (UVI), Gary Thompson (PSU), Jody Jellison (UMA), Alton Thompson (ARD), Bret Hess (WAAESD), Andra Johnson (Southern Univ), Vernon Jones (Langston Univ), Saied Mostaghimi (VA Tech), Hunt Shipman (Cornerstone), George Smith (MSU), Marikis Alvarez (DE State Univ), Bill Hoffman (NIFA), Scott Angle (NIFA), Tala Awada (UNL), Steve Loring (NMSU), Glenda Humiston (UC), Jeff Jacobsen (NCRA), Deb Hamernik (UNL), Chris Pritsos (UNR), Joe Colletti (ISU), Hongwei Xin (UTK), Vernie Hubert (Cornerstone), Walter Bowen (UHI), John Yang (UMO), Brou Kouakou (FVSU), Wondi Mersie (VSU), Shibu Jose (UMO), Chris Davies (USU), Martha Draper (KSU), Shirley Hyman-Parker (NCAT), Rich Bonanno (NCSU), Moses Kairo (UMES), Parag Chitnis (NIFA), Josh Udall (NIFA)

Meeting Minutes

Item #	Topic	Presenter(s)
1.0	Call to Order <ul style="list-style-type: none"> • Introductions • Approve Agenda • Interim Actions <ul style="list-style-type: none"> • Hongwei appointed as ESCOP rep on NCFAR Board 	George Hopper, ESCOP Chair <ul style="list-style-type: none"> • Agenda – Approved • Interim Actions - Approved
2.0	CMC Strategist Proposal Update	<ul style="list-style-type: none"> • AHS, CES, & ESS approved proposal for hiring a consultant strategist to develop C&M plan • Should have consultant hired by July • Consultant will work with sections to get input for plan, as well as LGU communicators and CGA • Keeping web site (Ag is America) and social media going and active during plan development
3.0	ESS Assessment Question	<ul style="list-style-type: none"> • Assessment should continue until the CMC plan is done and then determine if assessment needs adjusted or not based on plan and other expenses
4.0	Investing ESS Reserves (click to view supporting TD Wealth slides)	<ul style="list-style-type: none"> • Jeff and Eric had a conference call with TD Wealth advisors and APLU CFO • BoHS is currently investing their reserve balance • Edited BoHS investment management document to fit our needs • Recommend appointing a Task Force to pursue details, Deb (chair), Moses, Ernie, and Gary, with Jeff and Eric supporting • Need to think about what reserve funds might be used for in future after CMC plan is known, • Motion to form Task Force to make recommendations on investing reserves <ul style="list-style-type: none"> ○ Glenda / Gary – approved unanimously

5.0	BLC Report	<ul style="list-style-type: none"> • 1994's have offered to have their 3 lines combined and that line will be added to our 6 priorities to make 7 priority lines for advocacy • Motion to add "facilities R&R funds" to 1-pager <ul style="list-style-type: none"> ○ Marty / Deb – approved unanimously • NIFA has delivered their consolidation report to Congress, not sure when it will be made public by Congress
6.0	Cornerstone Advocacy Update	<ul style="list-style-type: none"> • FY 2020 – CR expires November 21 <ul style="list-style-type: none"> ○ Will likely be another CR, but not sure how long it will last ○ House had larger figure to work with, so their budget is higher than Senate ○ CR will likely not be year long • Some new bills have been introduced, but don't have any direct impact on appropriations • Matching requirement waiver is in the CR, but now working on bill to give Secretary permanent authority to waive match • New bill on STEM in House Science Committee doesn't mention ag because that committee doesn't have jurisdiction over ag, however there is language about working with USDA on rural STEM programs • Based on LGU mission, the LGU's should have a match waiver for any USDA funding
7.0	APLU Update	No Report
8.0	NRSP-RC Update	<ul style="list-style-type: none"> • NRSP 4 and 6 are currently rewriting proposals and need reviews done, so RC obtained permission to go ahead with reviews with reduced NIFA involvement due to reduced number of NIFA NPL's • Working with NIFA to ensure NRSP funds are distributed properly from Multistate Hatch • NRSP 6 is being advised on how they can find alternative funding mechanisms • NRSP 9 is up for mid-term review • NIFA is working on getting projects approved, but it's taking longer than usual due to limited personnel • RC is working on editing and updating guidelines

<p>9.0</p>	<p>Other Committee Reports (new info only)</p> <p>PBD STC DCC NIDB</p>	<ul style="list-style-type: none"> • PBD <ul style="list-style-type: none"> ○ Meets tomorrow • STC <ul style="list-style-type: none"> ○ Met in Nashville and had one conference call ○ Looking at strengths and weaknesses of multistate portfolio ○ Want to invite a liaison from ECOP to be on the STC ○ Call for leadership and multistate awards' nominations has gone out • DCC <ul style="list-style-type: none"> ○ No report • NIDB <ul style="list-style-type: none"> ○ Hopefully CMC plan will use impacts in the database ○ Considering moving the NIDB under the CMC ○ Currently funded by ECOP and ESCOP, but its support could become part of the CMC budget
<p>10.0</p>	<p>NIFA Update (time may change)</p>	<ul style="list-style-type: none"> • Relocation officially occurred 6 weeks ago • 19 have remained in DC, including 6 National Science Liaisons plus 3 support staff that are focused on forming partnerships with other agencies • Permanent building in Kansas City is at 805 Pennsylvania Ave on the Missouri side, probably will move in January • Lost 78% of all staff, so currently hiring many new people at all levels. Hopefully will be at full staff in a year • Also bringing in temp staff to fill in during the hiring phase • Will definitely have problems, so let Scott or Parag know when something happens • Committed to improving efficiency and effectiveness through re-imagining NIFA • Input for re-imagining <ul style="list-style-type: none"> ○ Each Section will make comments on what is working and what is not working in terms of processes ○ Input by end of January on processes that need changed • Scott will be giving us four key questions and some process information for gathering input

11.0	Public Impact Research	<ul style="list-style-type: none"> • APLU report just released by Council on Research, entitled “Public Impact Research”, which describes research and extension type activities for the public good but does not mention CES or AES • Council on Research is doing activities parallel to Board on Agriculture Assembly without involvement or interaction with Board on Agriculture Assembly • We need to connect with them more effectively through Doug’s office
	Other Business, as needed	<p>Next meetings</p> <ul style="list-style-type: none"> • ESCOP – Monday, March 2 in DC during CARET/AHS meeting • ESCOP – Third week in July during Joint COPS, possibly in Kansas City • ESS – September 28-30 at the Baltimore Marriott Harborview
	<i>Adjourn</i>	

Agenda Item 4.0 Investing ESS Reserves
Presentors: George Hopper and Jeff Jacobsen
Action: Discussion and Formation of ESS Investment Task Force

As presented at the ESS/ARD Annual Meeting in Nashville, TN, the ESS has a substantial amount of funds residing in an account managed by APLU (~\$600,000). These funds are not invested in any mechanism that would provide additional resources. A goal of investing these funds has been articulated by the current ESCOP Chair. Upon discussions with APLU, we were informed that the Board on Human Sciences (BoHS) developed an investment strategy built upon established policies that mirror the current interest within ESS. Permission was received from BoHS to modify their approved policies to fit the needs and interests of ESS (initial DRAFT in this Agenda Item) for our potential use. A written policy is required for commercial firms to engage with ESS on potential investments. Currently, all APLU accounts are held at TD Wealth. A phone discussion occurred with representatives from TD Wealth – Private Client Group Institutional Relationships, APLU CFO, Eric Young and Jeff Jacobsen resulting in TD Wealth representatives preparing a slide presentation proposal for review in this Agenda Brief. This is a large comprehensive slide set, so download at the ESCOP BLC website: <http://escop.info/wp-content/uploads/2019/11/APLU-ESS-presentation.pdf>.

Following the ESCOP Executive Committee discussion, a recommendation to form a Task Force to create: a proposal for an investment policy for ESS, membership representatives, ESCOP organizational relationship, management practices and other details, will be provided to ESCOP for review and action at the CARET/AHS meeting in Washington, DC.

Investment Policies of the Experiment Station Section

Purpose

The purpose of this Investment Policy is to provide a clear statement of the Experiment Station Section (ESS) investment objective, to define the responsibilities of the ESS leadership group (ESCOP, Experiment Station Committee on Organization and Policy) and the ESS Finance Committee involved in managing the ESS' investments, and to identify or provide target asset allocation, permissible investments, and diversification requirements. Initially, the ESS Finance Committee will be a subcommittee of the ESS Budget and Legislative Committee (BLC). In doing so, the policy:

- clarifies the delegation of duties and responsibilities concerning the management of ESS funds;
- identifies the criteria against which the investment performance of the ESS's investments will be measured;
- communicates the objectives to ESS, investment managers, brokers, donors, and funding sources that may have involvement;
- confirms policies and procedures relative to the expenditure of ESS funds; and,
- serves as a review document to guide the ongoing oversight of the management of the ESS' investments.

Investment Objective

The overall investment objective of the ESS is to maximize the return on invested assets while minimizing risk and expenses. This is accomplished through prudent investing and planning, as well as through the maintenance of a diversified portfolio.

Delegation of Responsibilities

ESCOP has a direct oversight role regarding all decisions that impact ESS' institutional funds. ESCOP has delegated supervisory responsibility for the management of our institutional funds to the Finance Committee per ESS Rules of Operation, the Finance Committee membership and purpose is:

Membership: The Past ESCOP Chair serves as chair of the Finance Committee. Committee members include the BLC Chair, Incoming ESCOP Chair and one at-large member of the BLC (OR at-large director), supported by the BLC Executive Vice-chair (regional Executive Director).

Purpose: The Finance Committee, in coordination with the BLC Executive Vice-chair, shall draft and present a budget to the BLC, then ESCOP for review, vote, and approval prior to submitting it to ESS for adoption; act in an advisory capacity and give counsel regarding financial matters affecting the organization; conduct an orientation for ESCOP on income and expenses; and, review the investment plan annually.

Specific responsibilities of the various bodies and individuals responsible for the management of our institutional funds are set forth below:

Responsibilities of ESCOP

ESCOP shall ensure that its fiduciary responsibilities concerning the proper management of ESS' institutional funds are fulfilled through appropriate investment structure, internal, and external management, and portfolio performance consistent with all policies and procedures. Based on the advice and recommendations of the Finance Committee, ESCOP shall:

-
- select, appoint, and remove members of the Committee;
 - approve investment policies and objectives that reflect the long-term investment-risk orientation of ESS funds; and,
 - meet yearly with members of the Committee to relay ESCOP expectations for ESS funds based on upcoming needs for special projects and operating expenses in order to determine investment allocations for the coming year.

Responsibilities of the Finance Committee

Members of the Finance Committee are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to endowment assets. In consideration of the foregoing, the Committee is responsible for the development, recommendation, implementation, and maintenance of all policies relative to ESS' institutional funds and shall:

- develop and/or propose policy recommendations to ESCOP with regard to the management of all institutional funds;
- recommend short-term and long-term investment policies and objectives for our institutional funds, including the study and selection of asset classes, determining asset allocation ranges, and setting performance objectives;
- determine that institutional funds are prudently and effectively managed with the assistance of management (i.e. the BLC Executive Vice-chair and Chief Financial Officer of APLU) and any necessary investment consultants and/or other outside professionals, if any;
- monitor and evaluate the performance of all those responsible for the management ESS funds;
- recommend the retention and/or dismissal of investment consultants and/or other outside professionals;
- receive and review reports from management, investment consultants, and/or other outside professionals, if any;
- periodically meet with management, investment consultants and/or other outside professionals' management, investment consultants and/or other outside professionals; and,
- convene regularly to evaluate whether this policy, investment activities, risk management controls, and processes continue to be consistent with meeting the goals and objectives set for the management of ESS funds.

Responsibilities of Management

Management (i.e. the BLC Executive Vice-chair and Chief Financial Officer of APLU) shall be responsible for the day-to-day administration and implementation of policies established by ESCOP and/or the Finance Committee concerning the management of ESS funds. Management shall also be the primary liaison between any investment consultants and/or other outside professionals that may be retained to assist in the management of such funds. Specifically, management shall:

- oversee the day-to-day operational investment activities of all institutional funds subject to policies established by ESS and/or the Finance Committee;
- contract with any necessary outside service providers, such as: investment consultants, investment managers, banks, and/or trust companies and/or any other necessary outside professionals;
- ensure that the service providers adhere to the terms and conditions of their contracts; have no material conflicts of interests with the interests of ESS; and, performance monitoring systems are sufficient to provide the Finance Committee with timely, accurate, and useful information;

- regularly meet with any outside service providers to evaluate and assess compliance with investment guidelines, performance, outlook, and investment strategies; monitor asset allocation and rebalance assets, as directed by the Finance Committee and in accordance with approved asset allocation policies, among asset classes and investment styles; and, tend to all other matters deemed to be consistent with due diligence and prudent management of ESS funds; and,
- comply with official accounting and auditing guidelines regarding due diligence and ongoing monitoring of investments, especially alternative investments. Prepare and issue periodic status reports to ESCOP and the Finance Committee.

Responsibilities of Investment Advisors

Any and all investment advisors, managers, and/or custodians of ESS' funds are expected to manage the ESS portfolio consistent with this Investment Policy Statement and in accordance with State and Federal law and the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Investment advisors shall:

- design, recommend, and implement, under the direction of the Committee, an appropriate asset allocation plan consistent with the investment objectives, time horizon, risk profile, guidelines and constraints outlined in this statement; and,
- advise about the selection of and the allocation of asset categories; identify specific assets and mutual funds within each asset category; monitor performance of all selected assets; recommend changes to any of the above; periodically review the suitability of the investments for the ESS; and, prepare and present appropriate reports.

General Investment Considerations

- The Association of Public and Land-grant Universities (APLU), of which the ESS is a constituent member, is a tax-exempt organization as described in section 501(c)(3) of the Internal Revenue Code. This tax-exempt status should be taken into consideration when making ESS investments.
- A copy of this Investment Policy Statement shall be provided to all investment managers.
- All individuals responsible for managing and investing ESS' institutional funds must do so in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
- All individuals responsible for managing and investing ESS' institutional funds shall immediately inform ESS of any actual or potential conflict of interest – business, professional, personal, or other interest, including, but not limited to, the representation of other clients – that would conflict in any manner or degree with the performance or obligations under this Investment Policy Statement.
- ESS is expected to operate in perpetuity; therefore, a 10-year investment horizon shall be employed. Interim fluctuations should be viewed with appropriate perspective.
- A cash account shall be maintained with a zero to very low risk tolerance to keep cash available for any anticipated expenses.
- Transactions shall be executed at reasonable cost, taking into consideration prevailing market conditions and services and research provided by the executing broker.
- Permitted investments include: money market funds, marketable securities including equities, and fixed income securities.

Money Market Funds:

A quality money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest in

“money market” instruments with remaining maturates of one year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities. If non-rated, the securities must be of comparable quality.

Equities:

The equity component of the portfolio will consist of high-quality equity securities traded on the New York, NASDAQ or American Stock exchanges. Securities must be screened for above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

Prohibited equity investments include: initial public offerings, restricted securities, private placements, derivatives, options, futures and margined transactions. Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

Fixed Income:

Bond investments will consist solely of taxable, fixed income securities that have an investment- grade rating (BBB or higher by Standard & Poor’s and Baa or higher by Moody’s) that possess a liquid secondary market. If the average credit quality rating disagrees among the two rating agencies, then use the lower of the two as a guideline.

The following transactions are prohibited: Purchase of non-negotiable securities, derivatives, high risk or junk bonds, private placements, precious metals, commodities, short sales, any margin transactions, straddles, warrants, options, life insurance contracts, leverage or letter stock. Exceptions to the prohibited investment policy may be made only when assets are invested in a Mutual Fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

Asset Allocation	Range
Cash & Equivalents	TBD
Fixed Income	TBD
Equities: Domestic Large Cap	TBD
Equities: Domestic Small/Mid Cap	
Equities: International	

Performance Measurements Standards

The benchmarks to be used in evaluating the performance of the two main asset classes will be:

- Equities: S&P 500 Index- Goal: exceed the average annual return of the index over a full market cycle (3-5 years); and,
- Fixed Income: Government/Corporate Index- Goal: exceed the average annual return of the index over a full market cycle (3-5 years).

It will be the responsibility of the Finance Committee to regularly review the performance of the investment account and investment policy guidelines, and report to ESCOP at least annually with updates and recommendations as needed.

Expenditure Considerations

ESCOP and the Finance Committee are responsible for the establishment of a balanced reserve fund spending policy to: (a) ensure that over the medium-to-long term, sufficient investment return shall be

retained to preserve and grow its economic value as a first priority; and, (b) to provide funds for the annual operating budget in an amount which is not subject to large fluctuations from year- to-year to the extent possible.

Expenditure of Institutional Funds

All decisions relative to the expenditure of institutional funds must assess the uses, benefits, purposes, and duration for which the institutional fund was established, and, if relevant, consider the factors:

- the duration and preservation of the institutional fund;
- purposes of ESS and the fund;
- general economic conditions;
- possible effect of inflation or deflation;
- expected total return from income and appreciation of investments;
- other organizational resources;
- all applicable investment policies; and,
- where appropriate, alternatives to spending from the institutional fund and the possible effects of those alternatives.

For each decision to appropriate institutional funds for expenditure, an appropriate contemporaneous record should be kept and maintained describing the nature and extent of the consideration that the appropriate body gave to each of the stipulated factors. This document has been reviewed and approved by ESCOP and is subject to annual review by ESCOP to ensure it continues to reflect the goals, objectives, and risk profile of ESS.

Agenda Item 5.0: BLC Report
Presenters: Ernie Minton and Jeff Jacobsen
Action: For Information

The BLC conducts monthly calls that are well-attended with regional representation from directors, NIFA, Cornerstone Government Affairs and CARET. Agendas and minutes are posted on escop.info website (<http://escop.info/committee/blc/>). The final submission of two budget and advocacy approaches and PBD acknowledgement for a job well done with the Strategic Realignment effort were accepted near the close of FY2019. As a side note, NIFA has also responded to the Congressionally-mandated line consolidation request. This likely will not be made public, although NIFA is aware of the (different purpose) Strategic Realignment efforts and has verbally acknowledged a significant level of broad consistency across the two different efforts.

A joint ECOP and ESCOP BLC meeting was held on September 24 during the Joint Fall ESS/CES-NEDA meeting in Nashville, TN. Primary action items include trying to quantify the ROI on capacity funds at the state level and a horizon theme of 'climate' as a LGU system thrust on which we may provide some leadership.

Looking forward, the ESCOP BLC will continue to monitor and provide input to ESCOP, APLU and NIFA as appropriate on short-term budget and legislative issues. In addition, there is recognition of the need to have more strategic and futuristic conversations to influence policy and advocacy particularly as system priorities moves earlier in the cycle. This will allow for the critical discussions necessary with numerous stakeholders to occur such that the advocacy efforts will be more timely, consistent and numerous. A key desired result would place ESCOP in a leadership position that would regularly influence federal budget support.

Agenda Item 8.0: NRSP-RC Update
Presenters: Doug Buhler and Jeff Jacobsen
Action: For Information

In the next project renewal cycle, NRSP4, *Facilitating Registration of Pest Management Technology for Specialty Crops and Specialty Uses*, and NRSP6, *The US Potato Genebank: Acquisition, Classification, Preservation, Evaluation and Distribution of Potato (Solanum) Germplasm*, will be under renewal consideration. NIFA plays a key leadership role in this renewal review process. However, given the personnel flux associated with the relocation and the need to be timely with the entire review process, an alternative approach was proposed. Doug Buhler, NRSP-RC (NRSP Review Committee) Chair, proposed to NIFA (Scott Angle and Parag Chitnis) that the NRSP proposal review processes be led by the NRSP AAs, while keeping NIFA informed throughout the review process. This request was reviewed and approved by NIFA for the current review cycle. NRSP4 and NRSP6 AAs and lead writers have been informed. In addition, there is an informal advisory committee specifically associated with NRSP6 focusing on alternative business plans.

The off-the-top (OTT) funding mechanism for NRSPs and regional trusts is a unique collaborative feature with AES directors and NIFA. This is a long-standing practice with AES directors and the NRSP-RC, whereby annual instructions are given to NIFA to implement the off-the-top transactions with various Land-grant institutions. Institutions receive supplemental budget to their (base) formulaic Hatch Multistate allocation in support of projects and programs associated with NRSPs and regional trusts. As noted above, the NIFA relocation coupled with the lack of budget and grant staff, significantly impact corporate knowledge, methods and implementation practices in this rebuilding period. In an effort to ensure that this critical funding mechanism is implemented by NIFA, email and phone conversations with Cynthia Montgomery (departed), Edward Nwaba (departed), Chris Copenbarger (new detailee) and then finally Parag Chitnis and Mike Fitzner, occurred. The result was an understanding and clarity of the necessary transactions to be conducted by NIFA. All key NIFA personnel have received the annual list of FFY2020 instructions for NRSP OTT amounts, institutions and key contact personnel, in addition to regional trust OTT amounts, institutions and key contacts. NIFA promised to implement and contact the NRSP-RC Executive Vice-chair before any NIFA transactions occur as they are uncertain of the exact timing. This key facet of NRSPs must be continually monitored and ESCOP leadership should continue to discuss with NIFA leadership to ensure its full and relatively timely implementation.

The NRSP guidelines have been reviewed and edited by members of the NRSP-RC over the past year. The focus of the review process has been on simplification, consistency and clarity of purpose across the guidelines. Work will continue until ready for consideration by the ESS body following review and approval by the NRSP-RC, research EDs and the regional associations.