

THE INSTITUTE FOR ADVANCED STUDY

M I N U T E S

Joint Meeting of the Budget and Finance Committees

April 27, 1984

Princeton, New Jersey

Present: Messrs. Taplin (Chairman of Budget Committee), Hansmann (Chairman of Finance Committee), Byrom, Dilworth, Wolfensohn, Woolf; Mrs. Delmas. Also by invitation Messrs. Jenkins and Rowe, and Mesdames Labalme and Laesker. Representing Rockefeller & Co. was J. Murray Logan.

Absent: Messrs. Brown, Kauffmann, Opel.

BUDGET COMMITTEE

- Minutes:** Mr. Taplin opened the Budget Committee meeting at 1:50 p.m. The minutes of the meeting of October 21, 1984, were accepted as circulated.
- Budget review:** Mr. Taplin pointed out that in the proposed budget for Fiscal Year 1985 we are projecting a deficit of \$1,928,000. This reflects an increase in salary of 10% for Faculty and nearly 7% based on merit for staff. Dr. Woolf noted that some Faculty salaries elsewhere are in the range of \$90,000 and \$100,000 and this is putting pressure on salaries at the Institute. The administration has been asked to examine the impact on the budget of increases which would match these larger salaries. Dr. Woolf also sketched out a possible "cafeteria" style package for Faculty salaries and benefits (including assistant, secretary, and travel funds) as a potentially imaginative response to the salary situation. Mr. Byrom pointed out that the proposed budget increase for Fiscal Year 1985 is only \$38,000 larger than the approved budget for Fiscal Year 1984 and can be largely explained in terms of the proposed salary increases. Mr. Rowe indicated that gifts and grants are budgeted conservatively. We count only what we are sure of receiving.
- Tuition assistance:** Mr. Rowe addressed the matter of a proposed increase in the level of tuition assistance. A resolution will be presented to the Board in which the Director would be given discretion to raise the level of assistance to keep pace with other institutions but not to exceed the amount allowed by Princeton University. At present the Faculty and senior staff would be raised up to the level of the Princeton University program. For all other staff, the assistance would remain at its present level since the Institute is already more generous than the University in this respect.

Housing situation: Mr. Hansmann asked about Faculty housing subsidies. Mr. Dilworth asked Dr. Woolf, in addressing this question, to review the current housing situation for incoming Faculty. Dr. Woolf said that mortgages were made available at 6% and that the idea of building a small apartment complex at the foot of Olden Lane was under consideration. This would be primarily for emeriti professors who no longer needed or wished to live in their larger houses, thus releasing these for new Faculty. A second possibility would be to build some new houses on Institute property. A third possibility was to acquire more houses as they became available on the open market. This last is expensive because the real estate market has gone up so steeply. It is nevertheless to be recommended because of our ability to reconstruct and refurbish these with our own labor. Another possibility is to increase subsidies paid by the Institute for Faculty houses and to develop a variable interest rate that would be tied to the subsidy level.

The Administration was asked to prepare a summary of the properties (real estate, houses) which the Institute currently owns.

Competitive salaries: Mr. Wolfensohn (who had not been able to participate in the earlier discussion) asked for some further comment on the budget and competitive salaries. Dr. Woolf reiterated that Faculty salaries would go from \$70,000 to \$77,000; that in some universities (Chicago, Stanford, Texas) salaries ranged as high as \$90,000 and \$125,000 (for a few stars). The group with which we compete most often includes Harvard, Yale and Princeton Universities. We should be at \$10,000 more than the best of these university salaries. We should also bear in mind that our academic year runs for only 6 months and that we provide a secretary, an assistant, and low mortgage rates.

The cost of quality: Mr. Wolfensohn said that this was the moment when the Board should review the Institute's position vis-a-vis other institutions, should emphasize our concern for quality and its price. Dr. Woolf should present the Board with what he needs to maintain quality. It is up to the Board to decide whether it can accept the consequent financial commitment or not. He urged that at least once a year a serious examination of these and related issues should take place. Each School has particular problems, not all of them fiscal, which need to be considered.

Mr. Taplin suggested that some material explaining the Budget be distributed before the fall meeting to aid in our discussions. Dr. Woolf indicated how difficult it was to gather relevant data about other academic institutions: one has to depend on gossip, edited information, gleanings which are not easy to come by. He also suggested that we should be considering the possibility of a further raise at mid-term. Another consideration was the

constraint imposed by a uniform salary scale in a Faculty of varied abilities. Should all Faculty be receiving the same raise? How was this to be decided? Could there be an impartial jury of peers? It would be difficult to ask immediate colleagues to judge one another.

- Salary variations: Dr. Woolf pointed out that there already exist variations in total salaries among the Faculty. Faculty in the School of Natural Sciences take the 2/9 permitted by the NSF in their government grants. Faculty in the School of Mathematics do not. We do not inquire of our Faculty members what they earn as consultants or through their scholarly work. Universities vary in their rules about what time Faculty may spend as consultants or what compensation Faculty may receive outside their salaries.
- Member stipends: Mr. Wolfensohn said it would also be useful to have some historic information on stipend levels for visiting members.
- Budget approved: The proposed budget was thereupon approved for recommendation to the Board, and there being no further business, the Budget Committee was adjourned.

FINANCE COMMITTEE

- Finance Committee minutes: Mr. Hansmann opened the meeting of the Finance Committee at 2:50 p.m. The minutes of the Finance Committee meeting of February 24, 1984, were approved as circulated.
- Change in accounts: Mr. Hansmann called to the Committee's attention the transfer of the Institute's custodial account from Fidelity Bank to the Bank of New York and the transfer of its bond portfolio management from Fidelity Bank to Rosenberg Capital Management.
- Securities lending: Mr. Hansmann reviewed the matter of the Institute's entering into a lending program with its securities. This would be handled by the Bank of New York which would secure the Institute against any loss. It was expected that profits would cover the cost of the custodial account. The Discretionary Agency Agreement (to this effect) which had been submitted by the Bank of New York had not yet been reviewed by counsel. Subject to counsel's review, the Finance Committee approved the Agreement, stressing that the Institute must be guaranteed against loss.

Report of J. Murray Logan outlined the performance of the Institute's port-
Rockefeller folio over the last 9 months. He said that a conservative stance
& Co: had served us well, save in the 5500 Fund. The total portfolio
(which now includes about 10% in bonds) was up 1.2 % (versus a
decline in the Standard and Poor's 500 index of -2.1 %). He
discussed the performance of the ten largest holdings, recent
transactions, and the economic outlook. Although the growth of
the economy continues to be strong, he did not see this as an
environment in which stocks would perform well. High quality in
equity holdings would be maintained and low volatility. It was
felt that over the next year or so, bonds will outperform stocks.
He discussed the asset allocation as presented in the submitted
report.

Hamilton & Hamilton & Johnston quarterly reports should be sent to the entire
Johnston: Finance Committee.

Economic Some members of the Committee were more optimistic about the eco-
outlook: nomic outlook. The role of the world situation was raised. Mr.
Logan thought that the European economy would be picking up, that
the Japanese economy was already very strong. Concern for the
international deficit was expressed.

Securities There was further discussion about the securities lending plan.
lending: Should a limit be imposed on the total to be lent by the Bank of
New York from the Institute's portfolio at any one time? It was
felt that the Bank would have internal rules on how much it could
make available to any one broker. It was suggested that imposing
a limit would be unnecessarily restrictive.

Proxies: Mr. Hansmann pointed out that proxies have been coming to him
directly. He suggested that they be directed to Allen Rowe who
could then route them in the proper direction.

As to current issues affecting stockholders' votes (i.e. South
African interests), Mr. Wolfensohn suggested that some agreement
be obtained from the Committee ahead of time on sensitive issues
and then the Administration could vote the proxies accordingly.
Allen Rowe will telephone Jack Meyer at The Rockefeller Foundation
to get a list of such issues.

There being no further business, the meeting was adjourned at 3:40
p.m.

Respectfully submitted,

Patricia H. Labalme

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Secretary of the Corporation