

THE INSTITUTE FOR ADVANCED STUDY

Minutes

Meeting of the Board of Trustees

October 24, 1981

Princeton, New Jersey

Present: Mesdames Delmas and Whitehead; Messrs. Dilworth (Chairman), Brown, Byrom, Doob, Forrestal, Hansmann, Kauffmann, Petersen, Segal, Stewart, Straus, Taplin, Wolfensohn, Woolf. Also, Mr Hunt (Secretary), Mrs Grisham, Mr Rowe.

Absent: Messrs. Bell, Drell, Houghton, Opel.

Presiding officer: The Chairman, Mr Dilworth, opened the meeting at 9:00 a.m.

Minutes: The minutes of the meeting of the Board of Trustees held in Princeton, New Jersey, on April 25, 1981, were approved.

Chairman's remarks: Mr Dilworth reported that the Fiftieth Anniversary Fund campaign had raised approximately \$1.8 million for the Institute since June 1, and he indicated that the total might approach \$3 million by the end

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of the year. While thanking the Trustees who had contributed, he asked for further suggestions and help so that the campaign's goals might be met.

Report of the  
Budget Committee:

Mr Taplin reviewed the post-closing budget for fiscal year 1982, noting in particular the surplus resulting from the fiscal year 1981 exercise. This surplus, he pointed out, is the first such surplus in Institute operations since 1952. In commenting on the projected deficit for fiscal 1982, he indicated that there was a reasonable hope for another surplus this year, largely because of increased gifts and grants as well as an increase in estimated endowment income. On the recommendation of the Budget Committee, the Board of Trustees approved the budget for fiscal year 1982.

In response to a question from Mr Petersen about the proposed construction of eight additional apartments, the Director pointed out that with a modest growth anticipated in the professorial ranks, there would be some additional members for whom housing would be needed. The remodeling of the von Neumann apartments offers such an opportunity, he stated, because of the need to repair the roofs of these apartments and because the projected new apartments would all be second-story additions.

At the suggestion of the Chairman, it was agreed that the matter would be referred to the Executive Committee for a discussion at its meeting in December.

Report of the  
Finance Committee:

Mr Hansmann reported that the Budget and Finance Committee had acted as an audit committee and had received the audit report of the representatives of Deloitte Haskins + Sells. He indicated that the audit report was satisfactory in all respects and that a management letter would be circulated

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to all members of the Budget and Finance Committees.

Mr Hansmann then summarized the report of James Hamilton of Hamilton, Johnston & Co. Inc. and noted in particular the following points with respect to the investment performance of the Institute's portfolio over the fourteen-year period beginning July 1, 1967, to June 30, 1981:

- In general, performance of the total fund, stocks and bonds together, has continued well above average over the whole period.
- The equity portfolio has accumulated \$79 million more in value than Hamilton, Johnston's average yardstick fund, while fixed income has a \$5.5 million advantage. This implies that the Institute's management has accumulated nearly \$85 million more in value than the average investment adviser over the period.
- In fiscal 1981, the fund produced a 19.5% annual rate of return versus 14.3% on Hamilton, Johnston's comparative yardstick.
- Over the full fourteen-year period ended June 30, 1981, the fund increased in size from \$48.8 million to \$98.4 million despite net withdrawals of almost \$49 million (including the withdrawals of current income).
- Dividends and interest income of \$38.5 million and net realized gains of \$60.2 million combined for a total gain from investments of \$98.7 million, or 11.1% per year.
- For the seventh consecutive year, the fund's market value increased despite net withdrawals (\$211,000 in fiscal 1981).

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- Over the past seven years, the annual rate of 22.4% exceeded all of Hamilton, Johnston's 60 equity yardsticks. Moreover, the equity portfolio accumulated \$49.3 million more than it would have in Hamilton, Johnston's median yardstick portfolio.
- Performance of the equity account during fiscal 1981 was good.
- In the fixed income account, the 8.1% rate of return surpassed 36 of the 40 Hamilton, Johnston yardsticks with which comparisons were made, and the portfolio accumulated \$2.9 million more in value than it would have in Hamilton, Johnston's median yardstick portfolio.
- Performance of the fixed income account during fiscal 1981 was above average.

General port-  
folio review :

Mr Hansmann then summarized the reports of the representatives of The Fidelity Bank with respect to the fixed income portion of the portfolio, and of Rockefeller & Co., Inc., with respect to the equity portion of the portfolio. It was agreed that quarterly portfolio reports would be sent to all Trustees.

He then described the 5500 Fund, a limited partnership for tax-exempt institutions which would be limited to seven to ten partners and operated by Rockefeller & Co. The following resolution was then presented to and approved by the Board of Trustees:

Resolved, that the Finance Committee of the Institute be authorized to commit a total of \$7.5 million to the 5500 Fund in accordance with terms to be specified in an exchange of letters between either the Director of the Institute or the Chairman of the Finance Committee and the Manager of the 5500 Fund, and that the investment guidelines governing the portfolio be modified accordingly.

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Additionally, the following resolutions were presented to and approved by the Board of Trustees:

Resolved, that it is permissible to cover academic support costs up to the limit of the funds available in the School of Social Science Endowment Fund and that any excess may be covered from unrestricted gifts and grants to the Institute or from the quasi-endowment funds of the Institute.

Resolved, that it is permissible to cover administrative support costs up to the limit of the funds available in the Mary Marquand House Endowment Fund and that any excess may be covered from unrestricted gifts and grants to the Institute or from the quasi-endowment funds of the Institute.

Finally, Mr Hansmann reported that the investment which had been approved for DNA Sciences had been withdrawn without loss of funds.

Report of the  
Special Committee  
on Land Develop-  
ment:

Mr Dilworth spoke briefly about the history of the project and recommended that the project be continued. He pointed out that the Institute's investment in bringing the project to fruition would probably be on the order of \$75,-100,000.

The following resolutions were then presented to and approved by the Board of Trustees:

Resolved, that the Board, pursuant to the approval of the Special Committee on Land Development, support zoning boundaries permitting the development of approximately 400 units of housing, the first stage of a planned 600-unit development.

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Resolved, that Richard S. Weinstein Associates, Inc. and Webster & Sheffield and McCarthy and Hicks be authorized (1) to pursue obtaining cluster development approval by preparing necessary site and plat plans, schematic architectural plans and elevation drawings and negotiating and drafting covenants and restrictions and other necessary documents; and (2) to work with appropriate town officials to develop an acceptable "conditional high-density ordinance" covering the Institute's land.

Report of the Nominating Committee:

Mr Wolfensohn reported on his conversation with Messrs. Wilfried Guth and Thornton Bradshaw. The Board then elected Mr Guth as a Trustee and asked that a formal letter be sent to him in this regard. Concerning Mr Bradshaw, it was agreed that the Director should meet with him and that a formal letter then be sent to Mr Bradshaw, welcoming him as a Trustee to the April meeting of the Board.

Mr Wolfensohn reminded the Board that the search was still going on for an appropriate Japanese Trustee and asked for suggestions in this regard.

Mr Dilworth announced that Mr Houghton had served his full term on the Nominating Committee and that he would be replaced by Mr Stewart.

Report of the Director:

The Director reported that of this year's total of 159 members, 45% were under the age of 35 and 8% were women. Members in 1981-82 come from 110 institutions in 23 countries.

In his report on the Schools, the Director noted that the School of Natural Sciences was seeking to fill two existing vacancies on the Faculty and that there was increasing interest in the possibility of a joint appointment with the School of Mathematics in the area of computer studies.

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The Director stated that funding for a new endowed professorship in the School of Mathematics was a possibility by means of the Hermann Weyl Professorship Fund and that there was a good possibility of a new endowed professorship in the School of Historical Studies through the generosity of the Andrew W. Mellon Foundation.

The Director pointed out that the Visiting Committee for the School of Historical Studies was now being formed and would be chaired by Mr Stewart.

Finally, he noted that the School of Social Science has proposed a three-year membership for Wolf Lepenies and that Dr Lepenies has been invited for the coming academic year.

The Director then noted briefly the following points:

- The unveiling of the Tony Smith sculpture will take place on November 14;
- Much-needed improvements in the Common Room have been made with the help of contributions from the Friends;
- Four meetings or conferences of special interest were held at the Institute this year: the Bernini Commemorative Colloquium, the Bi-National Colloquium for Humboldt Foundation Awardees; Mutual Perceptions-- East and West; and the Conference of Financial Analysts; and
- The Director's Visitor in the spring term will be Jacobo Timerman, and a dinner for Faculty and Trustees will be held at that time.

Other business: At the suggestion of several Trustees, the Director agreed to expand and formalize the present Arts Committee.

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Mr Wolfensohn asked that special events of an intellectual character be organized on the occasion of Board meetings and that dinners with the Faculty be held at such times.

It was agreed that the Secretary should establish dates for Board meetings well in advance and provide adequate notice to all Trustees.

There being no further business, the meeting was adjourned at 12:00 noon.



John Hunt  
Secretary of the Corporation



Revised as a result of actions  
taken at the Board meeting of  
October 23, 1981

INSTITUTE FOR ADVANCED STUDY  
INVESTMENT OBJECTIVES AND PORTFOLIO GUIDELINES

The investment objective of the Fund shall be to maximize the total investment return from interest, dividends, and capital appreciation in the long run within a framework of policies which seek to maintain investment risk within acceptable limits. The methods chosen to maximize returns, conserve assets, and maintain proper diversification in order to achieve the investment objectives shall be governed by portfolio guidelines approved by the Finance Committee and executed with discretion by the investment adviser.

PORTFOLIO GUIDELINES

Percentage Distribution (based on market values)

The distribution of funds between fixed income securities and equities will take into consideration an assessment of the future outlook for inflation, interest rates, company earnings and dividend policies with the following limitations which will be reconsidered at least semi-annually by the Finance Committee:

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75% maximum percentage in common stocks and/or convertible securities excluding investment in United Parcel Service of America Inc. from the total portfolio valuation for calculating this percentage. Depending on market level, the percentage in common stocks and/or convertible securities may be less than 75% but not less than 50% without consent of the Finance Committee.

25% minimum percentage in fixed income securities excluding convertibles and excluding the investment in United Parcel Service of America Inc. from the total portfolio valuation for calculating this percentage.

Diversification

Both equity and fixed income corporate investments will be limited primarily to large and medium sized companies whose securities have excellent to good marketability.

Equity investments shall be primarily in common stocks with low price/earnings ratios and attractive dividend yields with some representation in common stocks of companies with established records of growth of earnings and dividends and high price/earnings ratios and low dividend yields. However, up to 10% of the total portfolio at cost might be invested in equities of smaller and emerging companies with limited marketability.

Fixed income investments will have a substantial representation in government and government agency paper and additionally include variable rate demand notes; commercial paper; certificates of deposit; intermediate corporate notes and bonds.

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Size of Holding

Maximum size of individual equity commitments shall not exceed 5% at cost of the total portfolio including fixed income investments.

Investments in government and government guaranteed securities will not be restricted in terms of size of maturity. Other fixed income investments will range between \$500,000 to \$1,000,000 for any one issuer including all maturities. Approximately 75% of corporate bonds should have an "AA" or better rating from Moody's and/or Standard & Poor's with none lower rated than "A".