

THE INSTITUTE FOR ADVANCED STUDY

PRINCETON, NEW JERSEY 08540

M I N U T E S

Joint Meeting of the Finance and Budget Committees

April 22, 1983

Princeton, New Jersey

- Present:** Messrs. Hansmann (Chairman, Finance Committee), Dilworth, Forrestal, Petersen, Woolf, and Mesdames Delmas, Whitehead. Also Messrs. Rowe, Logan, Jenkins, and Mesdames Labalme, Laesker, Scott, and McIntosh.
- Absent:** Messrs. Brown, Houghton, Kauffmann, Opel, and Taplin.
- Presiding Officer:** Mr. Hansmann opened the meeting at 2:00 p.m.
- Minutes:** The minutes of the meetings of October 22, 1982 and January 13, 1983, were approved.
- Information provided:** Mr. Hansmann reported that Mr. Rowe had provided information on cash flow and on insurance coverage against embezzlement and theft as requested. The \$500,000 insurance coverage was considered adequate.
- General Portfolio Review:** Mr. J. Murray Logan of Rockefeller & Co., Inc. discussed the performance of the Institute's stocks in 1982 and in the first quarter of 1983, as well as the 5500 Fund. In both portfolios the first quarter 1983 performance was better than in calendar year 1982.
- He pointed out that recent security transactions reflected a slightly more cautious attitude, and that Rockefeller & Co.'s outlook predicted a moderate rate of inflation. He explained the strategy behind the weighting of the portfolio in the various categories of basic industry, capital goods, consumer non-cyclicals, consumer cyclicals, energy, and non-cyclical services.
- Mr. Logan announced that Thomas C. Barry has been named President of Rockefeller & Co. but that no change was envisioned in the Company's investment policy. Mr. Logan will himself concentrate on institutional funds.

2.

Guidelines: Mr. Hansmann called to the Committee's attention the fact that the portfolio's equity/fixed income distribution, currently about 2/3 to 1/3, was within the established guidelines, and the Committee declared itself satisfied with these proportions.

Fidelity Bank Report: Linda Scott and Jean McIntosh from Fidelity Bank reported on the bond portfolio and subscribed to the same view of recovery as presented by Mr. Logan, that is, a gradual economic recovery which would slow down in the third quarter and accelerate in the fourth.

The meeting of the Finance Committee was adjourned and Ms. Scott, Ms. McIntosh, and Mr. Logan left.

Budget Committee: The Budget Committee was then convened by Mr. Hansmann who substituted as chairman for Mr. Taplin who could not be there.

Mr. Rowe discussed the Budget Request for Fiscal Year 1984. He reviewed in detail those line items where increases might appear to be excessive.

Dr. Woolf explained the increase in the School of Social Science budget due to the cost of Economics Year (1983-84) with its higher stipends for visiting member economists. There will be two fewer Social Science members in the next few years until some of the costs are averaged out or recovered.

He also spoke to the recommendation of no raise in faculty salaries this year, pointing out that faculty salaries had been brought to a high level over the past seven years, and indicating that the average increase, including a zero increase for next year, was 9.2% during this same period. Staff salary increases will be delayed until October 1 instead of July 1 this year and limited to 5% of the total, but allocated disproportionately to individuals on the basis of merit.

Member stipends were discussed as was the need for additional office space in Fuld Hall.

3.

The Committee then examined the "Schedule of Annual Draw from Endowment" prepared by Mr. Rowe, and Mr. Hansmann alluded to the beneficial effect of a recent generous anonymous gift of \$4,000,000. Mr. Dilworth addressed the fact that the Institute is under-capitalized and therefore should aim to stay within a 5% draw down (at market value) on new funds added to the endowment. This goal is proposed as a discipline to the Schools which will result in a slower increase in expenses and a larger increase in the endowment.

There being no further business, the meeting of the Budget Committee was adjourned at 4:10 p.m.

Respectfully submitted,

Patricia H. Labalme
Secretary of the Corporation