

Probing Policing

In the wake of complaints about interactions between the Harvard University Police Department (HUPD) and black members of the community, President Drew Faust in late August appointed a group of attorneys, faculty members, and a student to undertake a “special review” of “how best to assure the strongest possible relations and mutual understanding” between the police and “Harvard’s highly diverse community.” Among the issues to be considered are “HUPD’s diversity training, community outreach, and recruitment efforts,” plus any lessons that might be learned from best practices elsewhere.

Faust’s letter announcing the task force (see www.president.harvard.edu) referred to an incident in August, when HUPD officers “confronted a person using tools to remove a lock from a locked bicycle. It was later established that the person was working on the Harvard campus for the summer, owned the bicycle, and was trying to cut the lock because the key had broken off in the lock.” That information apparently came out only after at least one officer reportedly moved toward unholstering her gun. (Two officers were placed on administrative leave during an investigation, following a formal complaint from the youth.) In

another incident, a May 2007 event sponsored by black student groups at the Radcliffe Quad led to calls to the police and HUPD queries about who the participants were and whether they were legitimately using Harvard property—and sparked sharp discussion in the *Crimson*’s opinion pages.

The review is being led by Ralph C. Martin II, formerly Suffolk County district attorney and now managing partner of the Boston office of Bingham McCutchen. Other committee members are former Overseer William F. Lee ’72, now co-managing partner of WilmerHale; Hauser professor of nonprofit organizations Mark Moore, of the Harvard Kennedy School (whose research focuses on criminal justice and policing); Clark professor of ethics in politics and government Nancy L. Rosenblum, chair of the department of government; Undergraduate Council president Matthew Sundquist ’09; and Kirkland and Ellis professor of law David B. Wilkins.

The HUPD issued a statement on the review, noting that it would “provide the department with an invaluable opportunity to benefit from Mr. Martin’s expertise and to hear in new ways from the Harvard community about how we might better serve our diverse population. We look forward to any recommendations generated by the process that will help ensure the HUPD remains as effective as possible.” The committee is expected to report to the provost and the executive vice president by year’s end.

to HMC—to staff it. Indications are that such fears were not realized. Noting superior relative investment returns in certain HMC assets, Kaplan and Mendillo cited “the outperformance of our internal portfolio management group”; successful execution of midyear adjustments to respond to market risks, and of “overlay strategies” to insure the endowment portfolios; and “strong results delivered by a number of our longstanding and recently added external managers.” (As Kaplan noted, HMC’s hybrid structure, with internal and external money management, may yield dividends in turbulent years: because HMC manages some funds in-house, senior personnel can get immediate, direct insights into market conditions from their colleagues; such data would be less readily available and timely if they relied solely on third-party firms to invest endowment funds.)

Reflecting on the transitional year, Kaplan and Mendillo cited further recruiting of investment professionals who complement “our existing strengths”; further steps to encourage investigation of new investment ideas and themes; continuing

work on asset allocation in a changing world, and on the evolving dynamics of the private-equity and hedge-fund industries (which have been important sources of superior investment performance for Harvard and other diversified endowments); and appropriate responses in light of the rising risks of inflation.

The fiscal year 2008 results and accompanying commentary bear on the two topics most pressing for the University itself: the availability of funds from the endowment to support Harvard’s academic mission; and the investment environment in the near and intermediate future. See “In the Black,” page 68, for a detailed discussion of the 2008 distributions and budget difficulties ahead.

As to the investment environment, Kaplan and Mendillo sounded unusually wary. “During these challenging times,” they wrote, “we continue to emphasize the importance of HMC’s hedging and risk management strategies. We are quite cognizant of the near-term risk of subpar investment returns from many of the asset classes in which we and other investors participate. We are closely moni-

toring the deterioration in certain underlying debt and equity markets and the potential impact of these declines on the ultimate realizable value of investments in our private equity portfolio and on certain of the investments held by our hedge fund managers.”

Citing what Kaplan calls “very successful” past performance—five-year annualized returns of 17.6 percent, and 10-year annualized returns of 13.8 percent, with very large margins of performance in excess of the market benchmarks and the median returns of large institutions—they were “keenly aware that returns produced in the next few years may fall well short of these robust historical levels. We will continue to aggressively pursue our key investment strategies, as well as appropriate risk management, in order to help the endowment navigate these challenging market conditions. Even with this said, our expectations for the endowment’s returns in fiscal year 2009 and over the next several years are very cautious.”

The positioning of HMC’s model portfolios and its management strategies suggest confidence in long-term perfor-