The Board of Trustees of the University of Vermont and State Agricultural College held a meeting on Saturday, February 5, 2011 at 8:30 a.m. in the Livak Ballroom, 417-419 Dudley H. Davis Center.

MEMBERS PRESENT: Chair Robert Cioffi, Vice Chair Harry Chen, Secretary Bill Botzow, Claire Ayer, Samuel Bain, Carolyn Branagan, Christopher Bray, Frank Cioffi, David Daigle, Jeff Davis, Johannah Donovan, Daniel Fogel, Susan Hudson-Wilson*, Debbie McAneny, David Potter, Dale Rocheleau, Adam Roof, Bill Ruprecht, Peter Shumlin, Brian Sozanky, Donna Sweeney, Jeanette White and Mark Young

MEMBERS ABSENT: Ian Boyce and John Hilton, Jr.

ALSO PARTICIPATING: Senior Vice President and Provost Jane Knodell, Vice President for Legal Affairs and General Counsel Francine Bazluke, Vice President for Executive Operations Gary Derr, Vice President for Finance and Administration Richard Cate and Vice President for Student and Campus Life Thomas Gustafson and Vice President for State, Federal and Community Relations, Karen Meyer

*via conference phone

Chair Robert Cioffi called the meeting to order at 8:40 a.m.

Approval of Previous Meeting Minutes

A motion was made, seconded and it was voted to approve the minutes from the October 30, 2010 and December 13, 2010 meetings as presented.

Public Comment

Chair Cioffi opened the public comment period by requesting that all speakers identify themselves; state their title and the group or organization that they are representing, if any; and to adhere to the three-minute time limit allotted to each speaker under the protocol.

David Shiman, faculty member and President of United Academics (“UA”), addressed the Board on “the road to bargaining”. He identified three priorities that should be focused on: protecting and strengthening the undergraduate mission; improving employment security; and improving morale.

Chair Cioffi next welcomed Governor Shumlin. The Chair recognized the daunting challenges that the Governor and his colleagues in Vermont have before them, and further recognized the courage, will, and creativity that will be required to make headway in these difficult times. Chair Cioffi reinforced how important UVM is to the future of Vermont, and that this Board, and Vermont’s University, will do all we can to be a trustworthy and effective partner as they face the many challenges and opportunities ahead.
Committee Reports

*Educational Policy and Institutional Resources Committee (EPIR)*

Chair Claire Ayer reported that the Provost updated the Committee on current initiatives including: internationalization, which was also discussed at the morning session of the Committee of the Whole; Student Government Association initiatives regarding course evaluations; enhanced course information at pre-registrations and priority registration; and instruction capacity management. Chair Ayer noted that the topic of internationalization stimulated a discussion about the University’s capacity for taking on new initiatives and the associated resources necessary to do so. One member expressed interest in understanding the decision making process for choosing which initiatives move forward.

Richard Bundy, the new Vice President for Development and Alumni Relations, was introduced to the Committee. He shared his plans for launching an independent fundraising foundation and the next comprehensive campaign. He also reported that the University’s major gift officers are being reintegrated into their respective schools and colleges.

The Committee endorsed the Faculty Senate Curricular Affairs Committee’s recommendation to create a certificate of graduate study in sustainable transportation and mobility. An associated resolution is included in the consent agenda for Board approval.

Associate Provost Brian Reed reported on the progress of establishing a General Education program. A preliminary report of the General Education Committee will be posted on the UVM website next week. The Committee met with faculty in each academic department and conducted a survey to engage the whole University in the process of developing a University-wide curriculum. As a result, the following six outcomes were identified: Communication and Information Literacy; Quantitative Reasoning; Global and Cultural Understandings and diversity; Systems and Sustainability; Traditions of Art, Aesthetics, and Design; and Application of Knowledge. The Committee plans to seek input from the campus community, after which the final proposal will go before the Faculty Senate for a vote by the end of the spring semester.

Domenico Grasso, Vice President for Research and Dean of the Graduate Studies, and Cindy Forehand, Associate Dean, provided an overview of Graduate College programs and operation and contextualized the role of graduate education on campus. Vice President Grasso also discussed the recent National Research Council Report on Graduate Program Quality, which came out last year and drew attention from universities all over the country. It was noted that the most important factors in how graduate programs are evaluated are: faculty with research grants, publications per faculty per year, citations per paper, and faculty receiving prestigious awards.

*Budget, Finance and Investment Committee (BFI)*

Chair Debbie McAneny reported that the Committee received an annual report on net assets. The University’s net assets totaled $146.2M at the end of FY 2010. Net assets of $40.7M are restricted in nature and may only be used for designated purposes. The remainder ($105.5 M) of net assets is
“unrestricted” and is available for general use. It was noted that the major portion of these funds, however, are designated for specific uses (treasury operations, plant funds, insurance reserves, etc).

The Committee endorsed and recommends for Board approval a resolution authorizing Phase I of the Mason/Simpson/Hamilton Residential Complex. Originally, the project was presented as a single undertaking; however, due to the increased scope, the first phase only is being requested for approval at this time. Phase II will be presented at a future meeting. The total project cost of $4M for Phase I can be accomplished through the use of unrestricted plant funds in residential life.

Vice President Cate presented highlights from end of year budget to actual report for FY 2010. Revenue overall exceeded budget by $4.5M. Overall spending was $9.3M lower than the authorized spending budget for FY 2010.

Chair McAneny reported that the last hour of the meeting was spent reviewing the FY 2012 budget plan. She noted that this initial conversation of the recommended 5.8% tuition increase and other components of the FY 2012 budget will be followed up by an opportunity to discuss the plan in more detail at the April BFI meeting in preparation of presenting a final budget for approval at the annual Board meeting in May. Vice President Lucier and Randy Renell, the University’s enrollment management consultant, joined the meeting and responded to a number of follow-up comments and questions. There was consensus among Committee members that the presentation was helpful.

Board Chair Cioffi offered an opportunity for Trustees to ask questions or offer comments regarding the proposed tuition increase. An active discussion ensued. While some members expressed support for the tuition increase, others expressed concerns regarding the debt burden and the hardships families are facing. Some Trustees opined that the current budget model is fragile and not sustainable in the long run.

There was appreciation expressed for the administration’s efforts to work collaboratively with campus constituents to seek their input to address the current budget challenges. Trustee encouraged the administration to continue to seek alternative ways to address these pressing issues, such as engaging students in the business school in a budget-cutting exercise.

Co-Vice Chair Sam Bain concluded the Committee report by sharing highlights of the Investment Subcommittee (ISC) report. The endowment ended December 31, 2010 at $330 million, up 4.5% for the quarter, up 12.8% for the CYTD, with Cambridge median up 11.2% for the same period. During the January 2011 asset allocation meeting, the ISC made minor modifications to policy target allocations (all of which were within the approved ranges). At the ISC recommendation, the Committee endorsed and recommends for Board approval the resolution adopting the rewritten Statement of Investment Policies and Objectives, formerly entitled Statement of Investment Objectives and Policies.

**Audit Committee**

Chair Bill Botzow reported on the Committee meetings held December 15, 2010 and February 3, 2011. At each meeting, the Committee received updates from Chief Internal Auditor Bill Harrison regarding internal audit activity, and Chief Compliance Officer Anna Drummond on initiatives underway in her office.
Chair Botzow also reported that, at the December meeting, the Committee reviewed the FY 2010 annual audited financial statements which were reviewed at yesterday’s Committee of the Whole meeting. A resolution recommending acceptance of the annual audited financial statements is included on the consent agenda. Also included on the consent agenda is a housekeeping amendment to the Resolution Regarding Delegation and Retention of Authority to conform the resolution and annual audit practices.

At the February 3 meeting, Chair Botzow said, the Committee authorized and directed the Committee Chair to retain KPMG, LLP to conduct the mandatory financial attestation and compliance audits for fiscal year ending June 30, 2011. KPMG joined the February 3 meeting and presented the FY 2011 external audit plan and reviewed the Circular A-133 and NCAA Agreed-Upon Procedure reports. For the financial statements, the University received an unqualified opinion. In the report on internal control, the opinion was unqualified with no material weaknesses. In the report on compliance and internal control at the program level, the opinion on compliance was unqualified with no material weaknesses or significant deficiencies noted. There were two findings and Management has reviewed and responded to both findings. KPMG noted no significant issues or adjustments in the NCAA report.

The Committee received a status updates on the following:

- University’s Enterprise Risk Management (ERM) initiative: management continues to discuss the design of ERM program and will provide a complete update at the April Audit Committee meeting, following initial review by the ERM Work Group comprised of Dale Rocheleau, Carolyn Branagan and John Hilton.

- Conflicts of Interest; Temporary Employee Audit – Management’s Corrective Plan: management has made progress addressing the audit observations and is continuing to resolve classification issues. Additionally, a working group has researched practices related to the administration of temporary employees at 15 other institutions and developed a draft temporary employment policy and form.

- Management provided updates on the status of corrective action plans related to purchasing card, travel expense and effort reporting audit as well as corrective actions as a result of PricewaterhouseCoopers internal control report.

- A result of the PricewaterhouseCoopers report is the creation of a Financial Operations Manual. The Committee received a brief overview of the manual and members were advised that operational training will commence next week.

- The search for the Information Security Officer is ongoing.

Chair Botzow concluded his report by thanking the financial management team, especially the Controller’s Office and the Chief Internal Auditor and Compliance Offices, for their work.
Board Governance Committee

Chair Frank Cioffi reported that the Committee last met on December 10, 2010 and were joined by Chair Cioffi and President Fogel who shared that they were beginning to discuss possible retreat topics for next year. He noted that the Committee was in favor of continuing the retreat format of utilizing Trustees as facilitators and issuing whitepapers prepared by the administration on selected topics. The Committee also agreed that there is value in meeting off campus and at different locations around the state. The Committee discussed possible venues and endorsed the recommendation to return to the Lake Morey Inn in Fairlee, Vermont.

The Committee endorsed and recommends for Board approval revisions to the Trustee Expense Reimbursement Policy and Guidelines and the Policy on Orientation, Training, and Development for Trustees. Both were reviewed at yesterday’s Committee of the Whole meeting and resolutions are included on today’s consent agenda.

Chair Cioffi next reviewed the Board and University officer nominations process, reminding Trustees that he initiated the process in a memo to the Board on November 15, 2010 inviting all Trustees to participate in this process. On November 28, 2010, a follow-up memo was issued reporting on the status of nominations received to date. Trustees who had not yet submitted their nominations were encouraged to do so. A final call for nominations was issued on December 6, 2010.

The Committee convened on December 10, 2010 to deliberate on the slate of officers. At the conclusion of that meeting, guided by the input of all participating Trustees and its own deliberations, a memo was issued to the full Board advising of the proposed slate of officers to be presented for approval at this meeting. Following Committee reports today, the Board will vote on the slate for Vice Chair and Secretary, along with the slate for University officers. In accordance with the University Charter, the Chair is elected at the first meeting following the election of new trustees. The election of Chair will occur at a special Board meeting scheduled on March 14 at 1:00 p.m.

Vermont Agricultural College Board

Chair Jeanette White reported that Domenico Grasso, Vice President for Research and Dean of the Graduate College led a discussion on the Transdisciplinary Initiative and its relationship to the State of Vermont.

University of Vermont Board

Secretary Sam Bain reported that the Board reviewed and accepted the Wilbur Trust Fund financial report and the annual Wilbur Trust Fund Grant recipients report.

The Board met in executive session for the remainder of the meeting to discuss the evaluation and appointment of public officers.

Election of Board Officers

Chair Cioffi announced that the Board would next be electing the following Board officers: Vice Chair, Secretary and Assistant Secretary, along with University officers, and that each officer elected
will take office effective March 1, 2011. Trustees were reminded that, in accordance with the University Charter, the Chair is elected at the first meeting following the election of new Trustees.

He then thanked Frank Cioffi, Chair of the Committee on Board Governance, for reviewing the nominations process during his Committee report and asked him to identify the slate by office and proposed nominee.

Board Governance Committee Chair Cioffi presented the following slate:

- **Chair:** Robert Cioffi
- **Vice Chair:** Harry Chen
- **Secretary:** Donna Sweaney
- **Assistant Secretary:** Francine Bazluke

Chair Cioffi asked for additional nominations. No further nominations were made.

A motion was made, seconded and it was unanimously voted to elect the proposed slate of candidates for Vice Chair, Secretary and Assistant Secretary.

In accordance with the Bylaws, Chair Cioffi next entertained a motion for appointment of the following University officers by virtue of their office for a one-year term beginning March 1, 2011, or until their successors take office:

- **Provost:** Jane Knodell
- **Treasurer:** Richard Cate

A motion was made, seconded and it was unanimously voted to elect the officers as proposed.

**Retiring Trustee Resolutions**

Chair Cioffi recognized each of the retiring trustees by reading resolutions in their honor noting the resolutions were included on the consent agenda for approval. He further noted that each retiring member would receive a framed copy of the resolutions at the conclusion of the meeting.

**Approval of Consent Agenda**

Chair Cioffi presented the consent agenda for approval:

**COMMITTEE OF THE WHOLE**

(1) **Revision to Resolution Regarding Delegation and Retention of Board Authority**

RESOLVED, that the Board of Trustees revises its resolution of September 11, 2004, entitled *Resolution Regarding Delegation and Retention of Board Authority* as follows:

Section (11) "the institutional annual budget and acceptance of the annual audited financial statements;"
(2) **Resolution Authorizing Retention of External Audit Firm for FY 2011**

RESOLVED, that the Committee authorizes and directs the Committee Chair to retain KPMG LLP, Certified Public Accountants, to conduct the mandatory annual audit of the financial statements and compliance audits for the fiscal year ending June 30, 2011, in accordance with the fee schedule set forth in KPMG’s proposal for services dated December 23, 2008. The annual audits shall be conducted in compliance with the requirements of the University Bylaws and state and federal law.

(3) **Acceptance of Fiscal Year 2010 Audited Financial Statements**

WHEREAS, the books and accounts of the University of Vermont and State Agricultural College for the Fiscal Year ended June 30, 2010, have been audited by KPMG LLP, Certified Public Accountants, and the report of that audit published in detail in accordance with 16 V.S.A. Section 2281(a);

BE IT RESOLVED, that the Board hereby accepts the FY 2010 Audited Financial Statements as recommended by the Audit Committee and presented today and acknowledges receipt of the FY 2010 Financial Report.

(4) **Resolution Approving Revisions to the Trustee Expense Reimbursement Policy & Guidelines**

RESOLVED, that the Board hereby accepts the revisions to the Trustee Expense Reimbursement Policy & Guidelines as recommended by the Committee on Board Governance and appearing as Attachment A to this resolution.

(5) **Resolution Approving Revisions to the Policy on Orientation, Training, and Development for Trustees**

RESOLVED, that the Board hereby accepts the revisions to the Policy on Orientation, Training, and Development for Trustees as recommended by the Committee on Board Governance and appearing as Attachment B to this resolution.

(6) **Authorization relative to Collective Bargaining**

RESOLVED, that the Board hereby authorizes the administration to negotiate and, as appropriate, resolve, a collective bargaining agreement with United Academics governing the terms and conditions of employment of faculty in the certified unit, such agreement to be consistent with the material terms the administration has proposed.

(7) **Authorization relative to Post-Retirement Medical Benefits**

RESOLVED, that the Board authorizes the administration to proceed with planning and implementation of adjustments to the post-retirement medical benefits program in which eligible retirees participate post-65, subject to collective bargaining requirement and other applicable consultative practices.
EDUCATIONAL POLICY AND INSTITUTIONAL RESOURCES

(8) Resolution Approving Certificate of Graduate Study in Sustainable Transportation and Mobility

RESOLVED, that the Board of Trustees approves the creation of a Certificate of Graduate Study in Sustainable Transportation and Mobility as approved and advanced by the Provost on January 25, 2011 and the President on January 25, 2011.

BUDGET, FINANCE & INVESTMENT

(9) Review and Approval of University of Vermont Statement of Investment Policies and Objectives

WHEREAS, in August 2000 the Board adopted a Statement of Investment Objectives and Policies to govern the investment of UVM’s Long-Term Investment Pool, including the Endowment Fund, which it revised most recently in November 2006; and

WHEREAS, the Budget, Finance and Investment Committee was charged with the periodic review of the Statement of Investment Objectives and Policies; and

WHEREAS, on October 20, 2010, the Investment Subcommittee reviewed a newly drafted Statement of Investment Policies and Objectives, as attached, and that subcommittee is now recommending that the new draft replace and rename the existing Statement of Investment Objectives and Policies;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby adopts the Statement of Investment Policies and Objectives appearing as Attachment C to this resolution.

(10) Mason/Simpson/Hamilton Renovation Phase 1 Resolution

WHEREAS, the Educational Programs and Institutional Resources Committee carefully reviewed the program, scope, and preliminary estimate of $4,000,000 for the Mason/Simpson/Hamilton Renovation (the “Project”) at its October 2010 meeting and found it an institutional priority, consistent with the Strategic Capital Plan and worthy of further consideration; and,

WHEREAS, the Educational Programs and Institutional Resources Committee also endorsed the Project at its October 2010 meeting and remitted it to the Budget, Finance, and Investment Committee for financial review and approval at a subsequent meeting; and,

WHEREAS, the Provost and Senior Vice President has identified the need to develop two separate phases to this project based on design estimates and provided this information in her report to the Educational Programs and Institutional Resources Committee; and,

WHEREAS, a phase 2 proposal will be presented in the October 2011 meeting to the Educational Programs and Institutional Resources Committee; and,

WHEREAS, the Division of Student and Campus Life has budgeted $4,000,000 of its unrestricted plant funds for phase 1 of this project;
NOW, THEREFORE, BE IT RESOLVED, that the Vice President for Finance and Administration and University Treasurer, or his successor or designee, is hereby authorized to utilize the Student and Campus Life unrestricted plant funds to finance the $4,000,000 Mason/Simpson/Hamilton Renovation Phase 1; and,

BE IT FINALLY RESOLVED, THAT THE Secretary or Assistant Secretary will provide certificates of incumbency, as required, showing the names and signatures of those people appointed to any of the positions heretofore mentioned, and further, that any officer of this corporation is hereby authorized to certify this resolution to whom it may concern.

FULL BOARD

Retiring Trustee Resolutions

Claire D. Ayer

WHEREAS, Claire D. Ayer is nearing the completion of her term as Trustee of The University of Vermont and State Agricultural College; and

WHEREAS, Claire Ayer has enriched the Board through her steadfast dedication to continuously improving our University during her service as Co-Vice Chair and Chair of the Educational Policy and Institutional Resources Committee and Chair of the Vermont Agricultural College Board, in addition to service on the Educational Policy and Institutional Resources Committee, the Academic and Student Programs Committee, the Diversity Committee, the Executive Committee, and the Annual Review Subcommittee, with additional service as a member of the Honorary Degree Work Group and the ad hoc Committee on Trustee Recruitment;

THEREFORE, BE IT RESOLVED, that the Board of Trustees of The University of Vermont and State Agricultural College expresses its appreciation, affection, and heartfelt best wishes to Trustee Claire D. Ayer.

Frank J. Cioffi

WHEREAS, Frank J. Cioffi is nearing the completion of his term as Trustee of The University of Vermont and State Agricultural College; and

WHEREAS, Frank Cioffi has enriched the Board by providing sound leadership as Board Vice Chair, discharging his responsibilities with dedication and good humor in service to the greater good of UVM;

WHEREAS, Frank Cioffi has led the Board in his service as Chair of the Committee on Board Governance, Vice Chair of the Executive Committee, Vice Chair of the Subcommittee for Presidential Evaluation, and in his service on Board Committees, including the Committee on Board Governance, the Executive Committee and the Educational Policy and Institutional Resources Committee, with additional service on the ad hoc Presidential Compensation Committee and the Campus Life II Task Force, and through his long-standing commitment to the Alumni Association Board;
THEREFORE, BE IT RESOLVED, that the Board of Trustees of The University of Vermont and State Agricultural College expresses its appreciation, affection, and heartfelt best wishes to Trustee Frank J. Cioffi.

**Johannah Leddy Donovan**

WHEREAS, Johannah Leddy Donovan is nearing the completion of her term as Trustee of The University of Vermont and State Agricultural College; and

WHEREAS, Joey Donovan has provided the Board with practical perspectives grounded in the Vermont tradition during her service as Secretary and Chair of the Vermont Agricultural College Board, Co-Vice Chair of the Educational Policy and Institutional Resources Committees, and in her service on Board Committees, including the Investment Committee, the University Advancement Committee, the Audit Committee, the Budget, Finance & Investment Committee and the Honorary Degree Work Group;

THEREFORE, BE IT RESOLVED, that the Board of Trustees of The University of Vermont and State Agricultural College expresses its appreciation, affection, and heartfelt best wishes to Trustee Johannah Leddy Donovan.

**Adam S. Roof**

WHEREAS, Adam S. Roof is nearing the completion of his term as Trustee of The University of Vermont and State Agricultural College; and

WHEREAS, Adam Roof has been a forthright and thoughtful presence on the Board, participating actively and responsibly in his service on Board Committees, including the Educational Policy and Institutional Resources Committee and the Committee on Board Governance, with additional service as a member of the Honorary Degree Work Group;

THEREFORE, BE IT RESOLVED, that the Board of Trustees of The University of Vermont State and Agricultural College expresses its appreciation, affection, and heartfelt best wishes to Trustee Adam S. Roof.

A motion was made, seconded and it was unanimously voted to approve the consent agenda as presented.

**Other Business**

Trustee Jeanette White asked for an update on the University’s position with regards to the Amethyst Initiative, a statement authored by President Emeritus John McCardell, of Middlebury College, that calls for reconsideration of drinking laws and contends that the current 21 year-old drinking age is not effective.

President Fogel recalled an extensive conversation about this initiative with the Board at which he shared that the administration was not in favor of signing the public statement and that very few public universities have done so.

Chair Cioffi requested a formal response be issued to the Board.
Executive Session

At 10:00 a.m. Chair Cioffi entertained a motion to enter into executive session for the purpose of discussing contracts and personnel matters. The motion was made, seconded and approved. All in attendance were excused from the meeting with the exception of Trustees and Vice Presidents Jane Knodell, Fran Bazluke, Richard Cate, Thomas Gustafson, Karen Meyer and Gary Derr.

At 11:10 a.m. the meeting was re-opened to the public.

Adjournment

There being no further business the meeting was adjourned.

Respectfully submitted,

Bill Botzow, Secretary
Policy Statement

Any business meal, travel, or amenity expense for which a University of Vermont and State Agricultural College Trustee (hereafter “Trustee”)\(^1\) seeks University coverage, whether in the form of an advance or reimbursement, must be authorized through normal channels and have a University business-related purpose. Expense advance or reimbursement requests must be filed promptly with the Office of the Board Coordinator. Questions as to whether an expense is authorized and constitutes a business expense reimbursable under this policy will be resolved by the Board Chair in consultation with the General Counsel, unless referred by the Chair or Counsel to the Board Executive Committee.\(^2\) It is the intent of the Board to compensate Trustees reasonably for Trustee expenses while exercising fiscal constraint with University funds.

Guidelines

Trustees will have access to the resources specified in the Board of Trustees’ policy on Trustee Access to University Resources. Routine travel expenses associated with Committee and Board meetings are thus authorized. Extraordinary expenses, meaning any expense that is not incurred in connection with travel to and from regular Committee or Board meetings, must be approved in advance by the Board Chair through the Office of the Board Coordinator.

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\(^1\) Trusteeship covers Committee as well as Board matters, and those of the State Agricultural College Board and University of Vermont Board as well as the full Board.

\(^2\) Questions involving the Board Chair shall be resolved by the Board Executive Committee in consultation with the General Counsel.
1. The following reimbursement guidelines will apply:

I. Transportation.

A. Private Automobile: Reimbursement will be made at the established University mileage rate, plus tolls and parking. The current mileage rate for reimbursement can be found on the General Accounting web page. Any substantial deviation from a distance shown in a standard mileage guide must be fully explained.

1. If a private auto is used in lieu of commercial air transportation, the lesser of coach economy class airfare or auto mileage will be reimbursed. No reimbursement will be made for lodging en route.

2. Damage to personal autos while being used on University business is not covered because a portion of the mileage reimbursement is intended to defray the insurance cost to the individual. Fines for motor vehicle law violations are not reimbursable.

B. Airfare: Reimbursement will be made at coach / economy class airfare. Use of private airplanes is permitted, although reimbursement is limited to an amount commensurate with coach class airfare on a commercial air carrier for the same or substantially similar route. Trustees are asked to seek the lowest possible fares through use of advance booking.

C. Rental Cars: Rental cars may be used when necessary and economically reasonable compared to other modes of transportation. Rental charges should be net of any discounts and generally not exceed the cost of standard-size cars. Rentals may be booked through the Office of the Board Coordinator to take advantage of contract rates with UVM preferred vendors.

II. Lodging

Hotel / Motel accommodations may be booked through the Office of Board Coordinator at the preferred vendor (Sheraton Hotel and Conference Center) or reimbursed at the preferred vendor contracted rate. Lodging and trustee meal expenses may be charged to the University. (i.e., incidentals such as entertainment, personal phone calls, are not reimbursable).
III. Meals

Requests for reimbursement for all business meals (whether incurred in connection with routine meetings or otherwise) must contain the following documentation:

a. Business purpose  
b. Location  
c. Persons in attendance  
d. Date  
e. Itemized receipt

Any business meal or hospitality that includes alcohol expenses must be appropriately documented to ensure that the expense is charged to an allowable account, such as a discretionary gift account. To be eligible for reimbursement, alcohol may only be furnished by a licensed provider.

IV. Conference Expenses

The Board may, from time to time, wish to invite Trustees to attend Trustee development or other educational conferences designed to improve the efficacy of the Board or the knowledge base of Trustees in service to the University. These opportunities will be authorized through the Board Chair in consultation with the Executive Committee.

2. Requests for reimbursement of entertainment or travel expenses associated with a Trustee spouse, partner, or guest, must be approved in advance and will generally only be authorized in relation to social or fundraising occasions where the Trustee is invited or encouraged to have a spouse, partner, or guest attend. However, a double hotel or motel accommodation (as compared to a single) will be reimbursed.

3. Travel reimbursement forms are available at each regularly scheduled board meeting and at annual retreats. Additional forms for expenses incurred for off-cycle meetings may be requested through the Office of Board Coordinator. Please submit requests for reimbursement within fifteen (15) business days of travel, accompanied by receipts.

3-4. Only the Board Chair through its Executive Committee is authorized to make exceptions to this Policy and its Guidelines. In the absence of extenuating circumstances, exceptions should be approved in advance of the expense occurrence.

As approved the Board of Trustees: February 23, 2008  
Approved as amended by the Board of Trustees: February 5, 2011
POLICY ON ORIENTATION, TRAINING, AND DEVELOPMENT FOR TRUSTEES

Policy Statement

It is the policy of the Board of Trustees to establish and maintain trustee orientation, training, and development programs to enhance the effectiveness of the Board and its member trustees.

Guidelines

1. All new trustees shall participate in an orientation, training and development program (which may involve a session prior to commencing Board service, and a session following a period of service) tutorials, webinars and on campus programs) developed by the President and the Board Chair. The program will be designed to assist trustees in understanding the University and the Board, and their roles and responsibilities as University trustees. From time to time, a “refresher” session shall be offered to all trustees.

2. Following consultation with each new Board member, the Board Chair shall assign an incumbent Board member as mentor for the new member. The Board may develop guidelines for Board member mentoring.

3. All trustees newly appointed to Board Committees shall participate in a Committee orientation program developed by the senior administrator who serves as liaison to the Committee and the Committee Chair. The program should seek to educate Committee members about the strategic priorities of their Committee in order to foster a level of comfort that will allow them to participate freely and actively in meetings and other Committee work.

4. The Board shall annually, but at least every other year, participate in a Board education and training retreat planned under the direction of the Board Chair in consultation with the President. The retreat will be designed to enhance the effectiveness of the Board, as a Board and/or in relation to advancement of the institutional mission and strategic goals. The Board will also periodically undertake self-assessment of its effectiveness in a manner consistent with relevant best practices.
5. The University shall, within the constraints of the approved operating budget, maintain membership in national associations that represent the interests of comparable institutions and promote board and board member effectiveness. Also within such constraints, Board leadership and staff, and the President, are encouraged to participate in the educational and leadership development programs of such associations.
UNIVERSITY OF VERMONT

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

I. INTRODUCTION

This statement is issued by the Investment Subcommittee (the “ISC”) of the Board of Trustees of the University of Vermont (the “Board”). The ISC was established by the Board and the Budget, Finance and Investment Committee in late 2006 and charged with oversight of investment strategy and investment managers for the Long-Term Investment Pool, including the Endowment Fund, collectively called the “Fund”, of the University. The policy statement will be reviewed annually and modified by the ISC as conditions warrant.

II. FIDUCIARY STANDARDS

The Board, the ISC, the Treasurer and investment staff, and any third-parties (e.g., investment managers) retained to advise the Board, the ISC, the Treasurer and/or investment staff as to investment strategy and management (any and all of whom may be referred to as “Responsible Parties”) shall exercise their responsibilities with respect to the Fund’s assets in compliance with the requirements of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), enacted in the state of Vermont in 2009. In accordance with UPMIFA, key facets of the Responsible Parties’ roles include:

- Acting in good faith, with the care an ordinarily prudent person would exercise;
- Incurring only reasonable costs in investing and managing charitable funds;
- Making decisions about each asset in the context of the portfolio of investments, as part of an overall investment strategy;
- Diversifying investments unless due to special circumstances, the purposes of the Fund are better served without diversification;
- Disposing of unsuitable assets; and
- In general, developing an investment strategy appropriate for the Fund and the University.

III. RESPONSIBILITIES of INVESTMENT SUBCOMMITTEE

Responsibilities and goals of the ISC include:

- Ensuring that current and future spending requirements are supported while also preserving the real purchasing power of the Fund;
- Achieving an optimum level of return within specified risk tolerances;
- Developing a sound and consistent investment policy including asset allocation, diversification and rebalancing guidelines;
- Selecting and maintaining qualified investment managers and consultants;
- Monitoring and evaluating results to ensure that policy guidelines are being adhered to and that policy objectives are being met; and
- Taking action under appropriate circumstances to discharge an investment manager or advisor for failing to perform in terms of stated expectations.
The ISC is authorized to delegate certain responsibilities to staff to assist in properly meeting the overall responsibilities as outlined above.

IV. CONFLICT OF INTEREST POLICY

In addition to the responsibilities set forth in the Board of Trustees’ Conflicts of Interest policy, it is the responsibility of the ISC members to disclose to the ISC Chair any situation in which there may be reasonably construed to be a perceived or actual conflict of interest. The ISC Chair will work with the members to determine an appropriate response.

The ISC will generally not consider investments in funds directly managed by a member of the ISC. In addition, a member of the ISC employed by an investment or other firm that provides services to the Fund will recuse him/herself from all discussions and votes on existing or potential investments or other services managed or provided by that firm. The ISC recognizes, however, that certain exceptions to this policy may be appropriate. Such exceptions will be made only upon a majority vote of the disinterested members of the ISC.

In the event that the ISC is considering an investment in an access-constrained investment opportunity, any ISC member wishing to invest for his/her own benefit in such an opportunity shall notify the ISC Chair in writing.

V. MORAL, SOCIAL AND ETHICAL CONSIDERATIONS IN INVESTMENT STRATEGY

The University’s policy of fiscal prudence shall not preclude the consideration of moral, ethical and social criteria in determining companies in which to invest.

The University may take an active role on request in pursuing shareholder resolutions through proxy resolutions and other means in order to further its goal of investing in firms that produce safe and useful products in accordance with moral, ethical and social criteria. Investment managers may be asked to address various company or sector weights within their respective portfolios to help the University meet its social investing goals.

VI. FINANCIAL & INVESTMENT OBJECTIVES

The overall financial objectives of the Fund are to provide a stable and consistent level of ongoing support for the University’s programs through a reasoned spending policy that is also consistent with preserving and hopefully enhancing the real (i.e., inflation-adjusted) purchasing power of the Fund over time.

The primary long-term investment objective of the Fund is to attain a real total return1 (net of investment management fees) that exceeds the amount being distributed for spending and administration, currently set at 4.75%. This will be measured over the long term, capturing a full market cycle, as it is unlikely that the Fund’s return will meet or exceed the spending rate in each individual year. Other important investment objectives are to achieve annualized returns in excess of the strategic policy portfolio blended

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1 Real total return is the sum of realized and unrealized capital appreciation (or loss) and current income in the form of dividends and interest, adjusted for inflation as measured by the Consumer Price Index.
benchmark (defined herein), measured over a full market cycle; and to outperform the median return of a pool of endowment funds with broadly similar investment objectives and policies.

VII. ASSET ALLOCATION

The policy portfolio for the Fund is a target or “normal” set of investments, based on long-term return, risk and correlation assumptions that balance the organization’s need for liquidity, preservation of purchasing power, and risk tolerance. Certain investments are made for capital appreciation and return enhancement: global equities, long/short hedge funds, venture capital and private equity; some are made to protect against unanticipated inflation: real estate, energy, timber, commodities, TIPS; and some are made to protect against deflationary periods and to reduce volatility: primarily, high quality intermediate bonds for the former and absolute return hedge funds for the latter. The ISC, with input and assistance from staff and external consultants, shall periodically examine the policy portfolio targets and consider adjustments to the asset allocation as may be appropriate (for example, due to a material change in the capital market assumptions). Changes to the policy portfolio targets will be reviewed and approved by the ISC and presented to the Budget, Finance and Investment Committee and the Board, as necessary.

In addition to being diversified across asset classes, the Fund will be diversified within each asset class. This will provide reasonable assurance that the performance of any single security, issuer or class of securities, or active manager will not have a disproportionate impact on the total Fund performance.

The most current asset allocation / strategic policy portfolio for the Fund is attached as Appendix A.

VIII. REBALANCING

The Fund's actual asset allocation will be monitored monthly and reviewed by the ISC at its regular meetings relative to established policy portfolio targets and allowable ranges. Adjustments may be constrained by practical limits with respect to liquidity and transaction costs, but rebalancing efforts will be made as practicable. Cash flow in or out of the Fund may create an opportunity to shift the allocation closer toward policy targets. The ISC may at times authorize investments in new or developing asset classes that are not part of the strategic policy portfolio at the time of their adoption, with the intention of revising the policy portfolio shortly thereafter.

IX. PERFORMANCE EVALUATION, BENCHMARKS, and ASSET CLASS CHARACTERISTICS

The performance objectives for the total Fund, each asset class and each manager are outlined below, with the purpose of establishing specific parameters for regular and ongoing review. While performance is measured over both short- and long-term periods, the focus and emphasis of performance evaluation is on longer time periods as represented by a full market cycle.

**Overall Fund**

There are a number of different benchmarks for assessing performance at the overall Fund level:

**Undiversified Benchmark** – this simple market benchmark helps the ISC evaluate the value added from a sophisticated investment program versus a portfolio that could be easily replicated through investment
in U.S. index funds. This simple weighted market benchmark should reflect the broad policy allocation between equities and fixed income of the Fund.

**Target Benchmark** – this custom benchmark compares the total return of the Fund to a blended benchmark based on applying the target policy weights of each underlying asset class to the performance of the asset class benchmarks. The individual asset class benchmarks are discussed in the next section.

**Current Allocation Benchmark** – this benchmark is composed of the current allocations for each of the underlying composite asset classes weighted against the corresponding returns of their respective benchmarks.

**Cambridge Associates’ Universe of Endowment Pool Returns** – a universe of over 300 institutions, a broad peer universe against which the ISC compares the Fund’s return. In addition to this broad comparison, the ISC may also compare the Fund’s results to various subsets of this broad universe, which include institutions with similar characteristics.

**Asset Classes & Managers**

Each manager will be expected to outperform (net of fees) a benchmark that is appropriate based on the asset class and style of the manager, over a full market cycle. Performance results will be reviewed with the ISC at its regular meetings and in an interim period when there is a major event (personnel change, for example) at the firm. The manager will be evaluated on long-term performance so that shorter-term failure to meet the benchmark target returns is not an automatic basis for manager termination.

Due to the broad nature of the asset classes and the unique style of managers, it is important to note that the specific benchmark of the individual manager may not necessarily be the same as the benchmark for the particular asset class composite as defined below. For example, the Total U.S. Equity benchmark is the S&P 500 but small cap managers, for example, will be compared to the appropriate small cap benchmarks.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Market Index Used in Target Benchmark</th>
<th>Underlying Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equities</td>
<td>S&amp;P 500, which represents a relatively broad investable universe of U.S. stocks</td>
<td>Portfolios are expected to focus on investments in the U.S. equity market.</td>
</tr>
<tr>
<td>Non-U.S. Equities</td>
<td>MSCI All-Country World Index ex-US (ACWI)</td>
<td>Portfolios are expected to focus on the world’s developed and developing equity markets, excluding the U.S.</td>
</tr>
<tr>
<td>Marketable Alternatives</td>
<td>ML 90-day Treasury-bills + 5%</td>
<td>Investment mandates may include: multi-strategy arbitrage, event arbitrage, distressed securities, credit/capital structure arbitrage and long/short equity investments in global markets.</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>S&amp;P 500 + 5%</td>
<td>This asset class includes non-publicly traded securities. Market values and return information are lagged by one quarter, as the underlying investments</td>
</tr>
</tbody>
</table>
### Statement of Investment Policies and Objectives

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity</td>
<td>S&amp;P 500 + 5%</td>
<td>This asset class includes non-publicly traded securities such as buyout funds and distressed debt. Market values and return information is lagged by one quarter, as the underlying investments are not readily valued at the close of the latest quarter.</td>
</tr>
<tr>
<td>Real Estate (private)</td>
<td>CPI-U + 5%</td>
<td>Investments will be predominately in private real estate funds invested in various segments of the real estate market, including: office, industrial, multi-family, and retail.</td>
</tr>
<tr>
<td>Natural Resources and Timber (private)</td>
<td>CPI-U + 5%</td>
<td>Investments will be in private oil and gas transactions and in timberland, possibly including related logging operations.</td>
</tr>
<tr>
<td>TIPs and Commodities</td>
<td>CPI-U + 5%</td>
<td>Holdings consist of U.S.-issued TIPs and diversified commodities futures positions</td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>Barclays Capital Aggregate Bond Index</td>
<td>Holdings consist of U.S. Treasury bonds, mortgages, and corporate credit investments.</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>ML 90-day Treasury-Bill index</td>
<td></td>
</tr>
</tbody>
</table>

Individual manager accounts will be monitored for consistency of each manager’s investment philosophy and process, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. In the broadest sense, the monitoring process is intended to confirm that the reasons the manager was initially retained still hold true.

### X. MANAGER GUIDELINES

Investment managers will be hired for a specific skill set, and the resulting investments will be made either through separately managed accounts or pooled vehicles. Each manager of a separate account will adhere to the firm’s stated philosophy and investment strategy. Where investments are in commingled funds, mutual funds, off-shore funds or limited partnerships, the permissible investments are governed by the appropriate fund prospectus or offering memorandum. Some of these products permit the use of derivatives for certain investment strategies and in instances where a manager has demonstrated skill in effectively utilizing these instruments. For example, they may be used in reducing risk or replacing positions to gain flexibility and efficiency.
XI. MANAGER REPORTING

Each investment manager of marketable assets will provide monthly portfolio valuations and total return net of all commissions and fees. On a quarterly basis, managers will report current holdings at cost and at market value, and purchases and sales for the quarter. Traditional marketable managers may be required to reconcile records of holdings, transactions, and dividend/interest income with the Fund’s custodian on a periodic basis. Specialty managers (who manage hedge funds and non-marketable partnerships) will report on portfolio details with as much transparency as possible. Each of these managers will provide annually their most recent audited financial statements, which include the basis of accounting and the auditor’s opinion. In addition, each specialty manager will disclose its respective valuation policies and procedures on an annual basis.

Regular communication from all managers concerning investment strategy and outlook is expected. The ISC will regularly review a Watch List that is maintained to highlight managers’ relative performance when it is outside the normal range or expected returns, new organizational issues, and/or any significant changes in strategy that raise concerns. Additionally, managers are required to inform the University of Vermont of any significant change in firm ownership, organizational structure, professional personnel, or fundamental investment philosophy. Managers will also send a copy of their form ADV to the University at least annually.

XII. PROXY VOTING GUIDELINES

University of Vermont’s Endowment Accountant votes the shareholder proxies.

XIII. GUIDELINES FOR TRANSACTIONS

As a general guideline that should apply to all assets managed, transactions should be entered into on the basis of best execution, which is interpreted normally to mean best realized price.

Adopted by the Board of Trustees on February 5, 2011 to replace the former “Statement of Investment Objectives and Policies,” as revised most recently on November 11, 2006.
APPENDIX A

ASSET ALLOCATION POLICY TARGETS

_Revised, as of January 2010_

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target (%)</th>
<th>Allowable Range (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity Fund</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Equity</td>
<td>25.0</td>
<td>15-30</td>
</tr>
<tr>
<td>Global ex U.S. Equity</td>
<td>25.0</td>
<td>15-45</td>
</tr>
<tr>
<td>Developed Markets</td>
<td>14.0</td>
<td>10-25</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>11.0</td>
<td>5-20</td>
</tr>
<tr>
<td>Marketable Alternatives</td>
<td>17.5</td>
<td>15-25</td>
</tr>
<tr>
<td>Real Assets (Inflation Hedging)</td>
<td>12.5</td>
<td>10-25</td>
</tr>
<tr>
<td>Private Equity / Venture Capital</td>
<td>10.0</td>
<td>5-20</td>
</tr>
<tr>
<td><strong>Subtotal Equity</strong></td>
<td>90.0</td>
<td></td>
</tr>
<tr>
<td><strong>Fixed Income Fund</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>8.0</td>
<td>5-25</td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>2.0</td>
<td>0-5</td>
</tr>
<tr>
<td><strong>Subtotal Fixed Income/Cash</strong></td>
<td>10.0</td>
<td></td>
</tr>
</tbody>
</table>