

**BOARD OF TRUSTEES**  
**UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE**

A meeting of the Board of Trustees of the University of Vermont and State Agricultural College was held on Saturday, May 19, 2018, at 8:00 a.m. in the Livak Ballroom, 417-419 Dudley H. Davis Center.

**MEMBERS PRESENT:** Vice Chair Ron Lumbra, Secretary Donna Sweaney, Briar Alpert, Cynthia Barnhart, John Bartholomew, Otto Berkes, Frank Cioffi, Sidney Hilker, Bernie Juskiewicz, Curt McCormack, Don McCree, Caitlin McHugh, Anne O'Brien, Ed Pagano, Shap Smith, Thomas Sullivan, Tristan Toleno\*, and Jeff Wilson

**MEMBERS ABSENT:** Chair David Daigle, David Aronoff, Robert Brennan, Johannah Donovan, Carolyn Dwyer, Jodi Goldstein, and Governor Phil Scott

**ALSO PARTICIPATING:** Provost and Senior Vice President David Rosowksy, Vice President for Legal Affairs and General Counsel & Senior Advisor to the President Sharon Reich Paulsen, Vice President for Finance and Treasurer Richard Cate, Vice President for University Relations and Administration Thomas Gustafson, Vice President for Human Resources, Diversity & Multicultural Affairs Wanda Heading-Grant, Vice President for Executive Operations Gary Derr, Mary Brodsky, Labor and Employee Relations Manager and Julia Russell, Associate Chief Information Officer.

\*participated via conference phone

\*\*arrived at 8:33 a.m.

Vice Chair Ron Lumbra called the meeting to order at 8:05 a.m.

**Approval of Previous Meeting Minutes**

A motion was made, seconded and it was voted to approve the minutes from the February 3, and March 5, 2018 meetings as presented.

**Public Comment**

There were no requests for public comment.

**Committee Reports**

*Audit Committee*

Chair Bernard Juskiewicz offered a summary report from the Committee meeting held on April 16, 2018. KPMG Partner, Renee Bourget-Place and Manager Sara Timmerman presented the FY 2018 engagement plan and discussed the scope of work, client services team, approach, and time line. In addition, KPMG's Engagement Quality Control Review Partner, David Gagnon, provided the Committee with an update on the state of the higher education industry and reviewed Governmental Accounting Standards Board (GASB) statement changes noting GASB

75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions will become effective this year and will have a significant impact on the University's Financial Statements.

Director of Compliance Services Tessa Lucey provided an update on Compliance Program activity since her last report in November 2017 and a summary of her office's work on the Seven Elements of an Effective Compliance Program as outlined by the Federal Sentencing Guidelines to which the University's Compliance Program is modeled.

Chief Internal Auditor William Harrison offered an update on the Information Technology (IT) RFP for external IT services that will focus on information security and data governance, and will include recommendations on the establishment of a risk-based IT internal audit function. A vendor has been selected and was approved by the Purchasing Department yesterday.

Chief Risk and Public Safety Officer Al Turgeon presented an overview of the CY 2018 ERM process to assist the Committee in its oversight responsibilities. At the Chair's request an update on Title IX will be offered at a future meeting to bring the Committee up to date.

Information Security Officer Mark Ackerly provided the Committee with an update on significant exposures and mitigation activities at the University.

Lastly, the Committee revisited its work plan and changes since the last review, including: (1) alignment with the ERM Board reporting schedule that was presented to the Committee at the February 2018 meeting, (2) the addition of an ERM register risk Enhance Safety Culture presentation to the July 2018 meeting, and (3) the date of the November Audit Committee meeting moved from the 19<sup>th</sup> to the 5<sup>th</sup>.

#### Educational Policy and Institutional Resources Committee (EPIR)

Committee Chair Donna Sweaney offered highlights from the meeting held yesterday afternoon. The meeting began with an opportunity for Committee members to offer comments and ask questions pertaining to the following written reports pre-distributed in the meeting materials:

- Provost's Report
- Annual Translate New Knowledge to Benefit Society - Entrepreneurial Ecosystem Report (*Enterprise Risk Management Opportunity #5 Update*)
- Annual Graduate Education Report
- Annual Academic Advising Report
- Capital Projects Progress Report

Director of Capital Planning and Management Bob Vaughan reviewed two capital projects which the Committee endorsed and referred to the Budget, Finance & Investment Committee. Chair Sweaney noted Trustee McCormack's concerns regarding project costs. The projects include:

- A proposal for renovations to the interior of Torrey Hall
- A proposal for the renovation of 439 College Street

Faculty Senate Curricular Affairs Committee (CAC) Chair Laura Almstead presented six proposals for the Committee's consideration. All were unanimously endorsed and are included on today's consent agenda.

1. Termination of the existing BA in Plant Biology and the creation of a BS in Plant Biology in the College of Arts and Sciences.
2. A new minor in American Sign Language (ASL) in the College of Education and Social Services.
3. A new Certificate of Graduate Studies in Sustainable Enterprise in the Grossman School of Business in conjunction with the Graduate College.
4. A new Certificate of Graduate Studies in Community Resilience and Planning in the College of Agriculture and Life Sciences in conjunction with the Graduate College.
5. A new Master of Science in Athletic Training in the College of Nursing and Health Sciences in conjunction with the Graduate College.
6. A new PhD in Physics in the College of Arts and Science in conjunction with the Graduate College.

Associate Provost for Teaching and Learning Brian Reed, Vice Provost for Student Affairs Annie Stevens, and UVM Internship Coordinator Amanda Chase presented on internship opportunities and explained how the University links academic learning and career development via internships. Progress over the last five years was reviewed including efforts to increase student participation in internships while deepening the quality and accessibility of those experiences. Barriers to student, employer and faculty participation and strategies for removing those barriers were also discussed. The presentation concluded with videos of students' stories of their transformational experience in an internship.

Creative Communications Director Amanda Waite presented a range of updates about progress on UVM's communications goals (*Enterprise Risk Management Opportunity #1*), as well as updates on a number of new initiatives. These included: newly created print pieces that showcase academic offerings at the University; a menagerie of logo templates to be utilized campus wide for consistency; a new online series (Live at 5) that spotlights faculty for prospective undergraduates; an international marketing campaign on behalf of the Graduate College; success in national media reach and an opportunity for researchers to learn from and network with a top science reporter; and a new online campus map that creates the opportunity to showcase the University in novel ways.

The Committee revisited Academic Excellence Goal #5, which calls for expanded programmatic offerings to include distance and hybrid modes of instructional delivery. All academic goals fall into *Enterprise Risk Management Opportunity #4*, which calls for enhancing academic excellence. Dean of Continuing & Distance Education Cynthia Belliveau, University Registrar Veronika Carter, Student Ian Moore, Senior Lecturer Joan "Rosi" Rosebush, and Provost Rosowsky discussed some of the most promising current and future areas for distance education. Mr. Moore, a mechanical engineering major and member of the Nordic ski team from Richmond, Vermont, and Lecturer Rosebush provided a demonstration of distance education technology and capabilities, and the communication and connectivity between faculty members and students that it facilitates and supports.

Lastly, the Committee conducted an annual review of its work plan.

Budget, Finance and Investment Committee (BFI)

Chair Don McCree reported that the Committee has met twice since the February Board meeting. A budget planning meeting was held on April 9, 2018 in preparation of presenting the budget for approval at this meeting.

Chair McCree offered the Investment Subcommittee (ISC) Chair's report noting that as of March 31, 2018, the value of the endowment is \$524.5 million. He noted that total does not include the \$30 million in real estate holdings by the University of Vermont Foundation and that 78% of the endowment can be pulled out of the market for liquidity purposes.

The Committee received updates on the following:

- UVM Foundation CEO & President Shane Jacobson updated the Committee on the progress in fundraising for capital projects. In regard to Ifshin Hall, as of May 17, 2018, \$8.6 million of the \$11 million non-debt goal and total project cost has been raised in non-debt funding.

The STEM facility will be funded by a mix of private gifts and non-debt funding. As of May 17, 2018, the Foundation had commitments and receipts totaling \$10.8 million for this project. The remaining non-debt goal is \$15.2 million.

- University Controller Claire Burlingham provided a brief update on the capital project pre-funding account, noting that after the approved transfer to Ifshin Hall on April 10, 2017, the balance of the account is \$0.00. Controller Burlingham also provided a brief update on the net tuition stabilization fund, noting that as of March 31, 2018, the balance of the account is \$4.5 million.
- Third quarter general fund budget to actuals report indicates the University is at 93% of its revenue and has spent 75% of its expense budget. It is expected the University will end the year with a balanced budget.

The Committee unanimously voted to approve proposed tuition rates, Graduate Student Senate Fee, and Graduate Continuous Registration Fee for referral to the Board. The Committee also approved the FY 2019 general fund budget proposal, which includes a tuition increase of 2.7% for out-of-state students and 2.8% for those from Vermont, and totals \$373,185,000.

The Committee authorized the funding proposals for the Torrey Hall Interior and 439 College Street Renovation projects as referred by the EPIR Committee. Additionally, the Committee endorsed the administration's recommendation for funding for the next phase of the Multipurpose Center project development design and permitting. The estimated cost of the remainder of the design development and permitting for the Multipurpose Center Project is \$2.0 million, which will be funded with gift funds.

The Committee reviewed and endorsed the following contract and license agreements which are coming before the Board as the dollar amount, or duration, reach the threshold for Board approval:

- A five-year contract with All Cycle Waste, Incorporated
- A professional services contract with Huron Consulting Services, LLC.
- A license amendment with the United States Government d/b/a USDA Forest Service for continued use of office space in a portion of UVM's Forestry Research Science Lab located at 705 Spear Street, South Burlington, Vermont.
- A license amendment with the United States Government d/b/a USDA Forest Service for continued use of office space in a portion of UVM's Aiken building located at 81 Carrigan Drive, Burlington, Vermont. Lastly, the Committee conducted an annual review of its work plan.

#### Vermont Agricultural College Board

Vice Chair Anne O'Brien reported that the Board discussed the ramifications of the tax bill that passed the legislature and awaits a decision by the Governor. The Board shared an interest in the University clarifying with the legislature and the Governor the potential impacts of a cap on charitable deductions and emphasized the value of having concrete data to support the institution's position.

Chair David Daigle joined the Board for a conversation about Board communications, specifically the occasional need for timely communications from the Chair on behalf of the Board.

According to the Board's by-laws, officers are elected annually in May for one-year terms. The following were elected officers for the coming year are: Tristan Toleno, Chair; Shap Smith, Vice Chair; and Curt McCormack, Secretary.

The Committee received an update on planning for the 6<sup>th</sup> annual Legislative Summit. This year's topic is Rural Economic Development. The summit is planned for the second week in November and all public trustees were invited to participate in the planning for this year.

Lastly, Director of Extension Chuck Ross reported that the integration of UVM Extension into College of Agriculture and Life Sciences has been successful and will continue with the co-location of Extension to Morrill Hall.

#### University of Vermont Board

Chair Ron Lumbra reported the Board reviewed a summary of the Wilbur Trust Fund financial report from July 1, 2017 through February 28, 2018. He noted the fund currently has assets totaling \$22 million from which a portion is used to help make tuition more affordable for Vermont high school students.

The Board spent the remainder of the meeting in executive session for the purpose of discussing the election of officers and trustee recruitment. Upon returning to open session, Ron Lumbra

and Briar Alpert were re-elected Chair and Secretary respectively, and David Aronoff was elected as Vice Chair. Each officer will serve one-year terms.

With respect to succession planning, Chair Lumbra reported that the Board is discussing desired skillsets for the next class of trustees and have identified the following areas of expertise: finance, medical and healthcare, academia and diversity.

### **Approval of Consent Agenda**

Vice Chair Lumbra introduced the revised consent agenda, noting that resolutions #2, 3 and 4, endorsed following recommendation by the Committee of the Whole yesterday, have been added to the revised consent agenda distributed this morning. An opportunity for discussion was offered. Trustee Frank Cioffi requested resolution #2 be voted on separately. Trustee Curt McCormack requested resolutions #5, 6, 18 & 19 be voted on separately.

Vice Chair Lumbra presented resolution #2 and offered an opportunity for discussion.

### **2. Resolution Recognizing the Leadership of President Thomas Sullivan and Provost David Rosowsky**

The University of Vermont and State Agricultural College Board of Trustees hereby recognizes UVM President E. Thomas Sullivan and Provost David V. Rosowsky for their outstanding leadership of the University of Vermont, including:

1. Transforming the University of Vermont's physical, didactic, intellectual and experiential growth and future;
2. Nurturing a culture of respect, open mindedness, and excellence;
3. Securing new physical, scholarship and professorship opportunities, both now and in the future with the campaign to Move Mountains;
4. Ensuring the voices, dreams and desires of the many are not silenced or disregarded;
5. Leading in the face of multiple challenges with dignity, compassion, and courage;

NOW THEREFORE, be it unanimously RESOLVED the University of Vermont and State Agricultural College Board of Trustees hereby endorses President E. Thomas Sullivan and Provost David V. Rosowsky, and unanimously pledges its continued support of their leadership of the University of Vermont.

There being no discussion, a motion was made, seconded and it was unanimously voted to approve the resolution as presented.

Vice Chair Lumbra next presented resolutions #5, 6, 18 & 19 and offered an opportunity for discussion.

**5. Resolution Approving Torrey Hall Interior Renovation Project**

WHEREAS, the administration today reported on the strategic and operational need for the Torrey Hall Interior Renovation Project and the associated program scope;

THEREFORE, BE IT RESOLVED, that the Committee hereby approves the project scope that the administration presented on this date and refers the Project to the Budget, Finance & Investment Committee for financial review and approval.

**6. Resolution Approving 439 College Street Renovation Project**

WHEREAS, the administration today reported on the strategic and operational need for the 439 College Street Renovation Project and the associated program scope;

THEREFORE, BE IT RESOLVED, that the Committee hereby approves the project scope that the administration presented on this date and refers the Project to the Budget, Finance & Investment Committee for financial review and approval.

**18. Resolution Approving Torrey Hall Interior Renovation Project**

WHEREAS, the administration today reported on the estimated cost for the Torrey Hall Interior Renovation Project and presented a funding plan;

THEREFORE, BE IT RESOLVED, that the Committee hereby recommends to the Board that it authorize \$6,300,000 in project expenditures, to be expended in a manner consistent with the report made on this date; and

BE IT FURTHER RESOLVED, that expenditure of funds for the project is contingent upon the receipt of the anticipated \$6,300,000 of insurance proceeds, external grants and gift funds.

**19. Resolution Approving 439 College Street Renovation Project**

WHEREAS, the administration today reported on the estimated cost for the 439 College Street Renovation Project and presented a funding plan;

THEREFORE, BE IT RESOLVED, that the Committee hereby recommends to the Board that it authorize \$2,400,000 in project expenditures, to be expended in a manner consistent with the report made on this date; and

BE IT FURTHER RESOLVED, that expenditure of funds for the project is contingent upon the receipt of the anticipated \$2,400,000 of gift funds.

Trustee Curt McCormack acknowledged that he was not prepared to vote on these resolutions at this time due to concerns he has about retrofitting older buildings with air conditioning and the cost for doing so.

The motion was seconded and the following roll-call vote was taken to approve resolutions #5, 6, 18 & 19: Briar Alpert – Yes, David Aronoff – Yes, Cynthia Barnhart – Yes, John Bartholomew – Yes, Otto Berkes – Yes, Frank Cioffi – Yes, Sidney Hilker – Yes, Bernard Juskiewicz – Yes, Ron Lumbra – Yes, Curt McCormack – No, Donald McCree – Yes, Caitlin McHugh – Yes, Anne O’Brien – Yes, Ed Pagano – Yes, Shap Smith – Yes, Donna Sweaney – Yes, Thomas Sullivan – Yes, Tristan Toleno – Yes, and Jeff Wilson – Yes.

Vice Chair Lumbra then presented the remainder of the resolutions to be voted on as a consent agenda:

## **COMMITTEE OF THE WHOLE**

### **1. Resolution Regarding Presidential Evaluation and FY 2019 Compensation**

WHEREAS, on this date the Annual Review Subcommittee (“the Subcommittee”) has reported on the status of its work to this Board;

BE IT RESOLVED, that the Board of Trustees hereby authorizes the Board Chair to finalize the President’s annual performance evaluation and compensation for FY 2019 following such additional consultation with the Subcommittee as he deems necessary or desirable; and

BE IT FURTHER RESOLVED, that the Board Chair shall report his final actions to the Board in due course.

### **3. Resolution Regarding United Academics Collective Bargaining Agreement**

RESOLVED, that the Board of Trustees authorizes the administration to negotiate and settle a collective bargaining agreement with United Academics relative to the full-time faculty bargaining unit on the material terms reported on this date.

### **4. Resolution Approving the Naming of Cohen Hall**

WHEREAS, on May 18, 2013, the Board of Trustees approved a project plan for the Taft School renovation and concept of a lease agreement with the City of Burlington; and

WHEREAS, on February 16, 2016 and December 12, 2016, the Board of Trustees approved project expenditures for the Taft School renovation; and

WHEREAS, Michele and Martin Cohen have generously donated \$5 million to the *Move Mountains Campaign* in support of the projected renovation expenses; and

WHEREAS, in recognition of the extraordinary philanthropy of Michele and Martin Cohen,

BE IT RESOLVED, that the Board of Trustees hereby approves the University of Vermont’s recognition of the Taft School, to be known hereafter as housing the Michele and Martin Cohen Hall for the Integrative Creative Arts.

**EDUCATIONAL POLICY & INSTITUTIONAL RESOURCES COMMITTEE**

**7. Resolution Approving the Elimination of a Bachelor of Arts in Plant Biology and the Creation of a Bachelor of Science in Plant Biology in the College of Arts and Sciences**

RESOLVED, that the Board of Trustees approves the elimination of a Bachelor of Arts in Plant Biology and the creation of a Bachelor of Science in Plant Biology in the College of Arts and Sciences, as approved and advanced by the Provost and President on March 28, 2018.

**8. Resolution Approving the Creation of a Minor in American Sign Language in the College of Education & Social Services**

RESOLVED, that the Board of Trustees approves the creation of a Minor in American Sign Language in the College of Education & Social Services, as advanced by the Provost on April 27, 2018 and the President on April 28, 2018.

**9. Resolution Approving the Creation of a Certificate of Graduate Studies in Sustainable Enterprise in the Graduate College**

RESOLVED, that the Board of Trustees approves the creation of a Certificate of Graduate Studies in Sustainable Enterprise in the Graduate College, as advanced by the Provost on April 27, 2018 and the President on April 28, 2018.

**10. Resolution Approving the Creation of a Certificate of Graduate Studies in Community Resilience and Planning in the Graduate College**

RESOLVED, that the Board of Trustees approves the creation of a Certificate of Graduate Studies in Community Resilience and Planning in the Graduate College, as advanced by the Provost on April 27, 2018 and the President on April 28, 2018.

**11. Resolution Approving the Creation of a Master of Science in Athletic Training in the College of Nursing and Health Sciences**

RESOLVED, that the Board of Trustees approves the creation of a Master of Science in Athletic Training in the College of Nursing and Health Sciences, as advanced by the Provost on April 27, 2018 and the President on April 28, 2018.

**12. Resolution Approving the Creation of a Doctor of Philosophy Degree in Physics in the Graduate College**

RESOLVED, that the Board of Trustees approves the creation of a Doctor of Philosophy Degree in Physics in the Graduate College, as approved and advanced by the Provost and President on May 17, 2018.

**BUDGET, FINANCE & INVESTMENT COMMITTEE**

**13. Resolution Approving Revisions to the Statement of Investment Policies and Objectives**

WHEREAS, in February 2011, the Board adopted a Statement of Investment Policies and Objectives to govern the investment of UVM's Long-Term Investment Pool, including the Endowment Fund; and

WHEREAS, the Investment Subcommittee is charged with an annual review of the Statement of Investment Policies and Objectives; and

WHEREAS, the Investment Subcommittee reviewed revisions to the Statement of Investment Policies and Objectives, as appended;

NOW, THEREFORE, BE IT RESOLVED, that the Budget, Finance & Investment Committee hereby recommends that the Board adopt the amended Statement of Investment Policies and Objectives, appearing as Appendix A to this document.

**14. Resolution Approving Fiscal Year 2019 Budget Planning Assumptions: General Fund**

RESOLVED, that the Board of Trustees hereby approves the budget planning assumptions for Fiscal Year 2019, which lead to a General Fund operating expense budget for the University of \$373,185,000, and hereby authorizes the President to proceed with detailed budget preparation in accordance with these assumptions.

**15. Resolution Approving Tuition Charges for Fiscal Year 2019**

RESOLVED, that the Board of Trustees hereby approves increases in the following tuition rates effective with the 2018-2019 academic year:

In-state tuition from \$15,504 to \$15,936 per year, or \$664 per credit hour.

Out-of-state tuition from \$39,120 to \$40,176 per year, or \$1,674 per credit hour.

Medical student in-state tuition from \$35,380 to \$36,340 per year.

Medical student out-of-state tuition from \$61,260 to \$62,910 per year.

**16. Resolution Approving Graduate Student Senate Fee for Fiscal Year 2019**

RESOLVED, that the Board of Trustees approves a continuation of the Graduate Student Senate fee in the amount of \$20 for the academic year.

**17. Resolution Approving Graduate Continuous Registration Fee for Fiscal Year 2019**

RESOLVED, that the Board of Trustees approves a continuation of a varying Graduate Continuous Registration fee, effective with the 2018-2019 academic year, as follows:

Less than half-time, \$100 per semester  
Half to full-time, \$200 per semester  
Full-time, \$300 per semester

**20. Resolution Authorizing Expenditures for Completion of the Multipurpose Center Project Design Development and Permitting**

WHEREAS, on February 4, 2017, the Board of Trustees authorized the administration to take steps relating to an on-campus Multipurpose Center (“Project”), including initiation of, the schematic design phase and generation of a Project cost estimate and funding plan; and

WHEREAS, on October 20, 2017 the Board authorized the expenditure of \$1 million of private gift funds for the first phase of design development for the Project; and

WHEREAS, on February 3, 2018 the Board authorized the expenditure of \$1.5 million of private gift funds to fund the next phase of design development and permitting for the Project;

THEN, BE IT RESOLVED, that the Budget, Finance & Investment Committee hereby recommends to the Board that it authorize the administration to undertake the remainder of design development and permitting for the Multipurpose Center project; and

BE IT FURTHER RESOLVED, that up to \$2,000,000 of private gift funds be used to fund the remainder of design development and permitting for the Project.

**21. Resolution Approving Contract with All Cycle Waste, Inc.**

BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is authorized to execute a contract with All Cycle Waste, Inc. for a campus waste management system from July 1, 2018 through June 30, 2023, for a total amount not to exceed \$2,300,000.

**22. Resolution Approving Professional Services Contract with Huron Consulting Services LLC**

BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is hereby authorized to execute a professional services contract with Huron Consulting Services, LLC for temporary management of UVM’s Cancer Center clinical trial office beginning August 21, 2017 through May 31, 2018, for an amount not to exceed \$350,000.

**23. Resolution Authorizing License Amendment with the United States Government d/b/a USDA Forest Service – Spear Street**

BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is hereby authorized to negotiate and execute a two-year license amendment with one two-year renewal option with the United States Government d/b/a USDA Forest Service for continued use of office space in a portion of UVM’s Forestry Research Science Lab located at

705 Spear Street, South Burlington, Vermont, subject to material terms and conditions reported on this date. This License Amendment will begin June 1, 2018 and end December 31, 2022, if all of the license options are exercised.

**24. Resolution Authorizing License Amendment with the United States Government d/b/a USDA Forest Service – Carrigan Drive**

BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is hereby authorized to negotiate and execute a two-year license amendment with one two-year renewal option with the United States Government d/b/a USDA Forest Service for continued use of office space in a portion of UVM's Aiken building located at 81 Carrigan Drive, Burlington, Vermont, subject to material terms and conditions reported on this date. This License Amendment will begin June 1, 2018 and end December 31, 2022, if all of the license options are exercised.

A motion was made, seconded, and the remainder of the consent agenda was unanimously approved as presented.

The Vice Chair called for a break at 8:45 a.m.

**Executive Session**

At 8:55 a.m., Vice Chair Lumbra entertained a motion to enter into executive session to consider contracts, premature general public knowledge of which would clearly place the University at a substantial disadvantage, collective bargaining, and confidential attorney-client communications. He noted that no action was anticipated following the session. The motion was made, seconded and approved.

Vice Presidents Rosowsky, Reich Paulsen, Cate, Gustafson, Heading-Grant, Derr and Labor and Employee Relations Manager Mary Brodsky were invited to remain.

Vice President Heading-Grant and Mary Brodsky departed the meeting at 9:05 a.m.

At 9:20 a.m., Julia Russell, Associate Chief Information Officer, was invited to join. She was excused at 9:35 a.m.

At 10:29 a.m., the meeting re-opened to the public.

**Adjournment**

There being no further business, the meeting adjourned.

Respectfully submitted,

Ron E. Lumbra, Vice Chair  
(on behalf of David A. Daigle, Chair)

**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-finance~~ staff, and any third-parties (e.g., investment managers) retained to advise the Board, the ISC, the Treasurer and/or ~~investment-finance~~ 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 appropriate risk tolerances;
- Developing a sound and consistent investment policy including asset allocation, diversification and rebalancing guidelines;
- Selecting and maintaining qualified investment managers and ~~consultants~~advisors;
- 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 Statement of Investment Policies and Objectives requires the Board, the Investment Subcommittee (ISC) of the Board Budget, Finance and Investment Committee, the Treasurer, and third parties such as investment managers, to exercise their responsibilities with respect to the Long-Term Investment Pool, including Endowment Fund assets, in compliance with the requirements of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

In accordance with UPMIFA, key facets of the Responsible Parties' roles, as paraphrased below, 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.**

Achieving the Financial and Investment Objectives of the Fund is essential to provide resources to fulfill the institutional mission of the University. The core responsibility of the ISC is to achieve the Financial and Investment Objectives of the fund in a manner consistent with the requirements of UPMIFA and prudent fiduciary practices.

The primary objective of achieving the Financial and Investment Objectives of the Fund does not preclude consideration of moral, ethical and social criteria in selecting investments or participating in shareholder resolutions that address moral, ethical or social issues. However, the core responsibility of the Board is to steward University assets in a manner consistent with prudent fiduciary practices.

## VI. FINANCIAL & INVESTMENT OBJECTIVES

The overall financial objective of the Fund is to provide a stable and consistent level of ongoing support for the University's programs through a reasoned spending policy consistent with preserving and 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 return<sup>1</sup> (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 benchmark (defined herein), measured over a full market cycle; and to outperform the median return of a pool of endowment funds of similar size 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/advisors, 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.

---

<sup>1</sup> 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.

## **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.

**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 [of similar size and](#) 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.

+Asset Class	Market Index Used in Target Benchmark <sup>2</sup>	Underlying Investments
U.S. Equities	S&P 500, which represents a relatively broad investable universe of U.S. stocks	Portfolios are expected to focus on investments in the U.S. equity market.
International Developed Equity	MSCI EAFE Index	Portfolios are expected to focus on the world's developed markets, excluding the U.S.
Emerging Markets Equity	MSCI Emerging Markets Index	Portfolios are expected to focus on the world's developing equity markets.
Marketable Alternatives	Hedge Fund Research Inc. (HFRI) Fund of Funds Composite Index	Investment mandates may include: multi-strategy arbitrage, event arbitrage, distressed securities, credit/capital structure arbitrage and long/short equity investments in global markets.
Private Investments (Private Equity and Venture Capital)	2/3 C A Private Equity FOF (Fund of Funds) / 1/3 C A Venture Capital FOF	This asset class includes non-publicly traded securities such as buyout funds, secondaries, 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.
Private Real Assets	2/3 NCREIF Property Index and 1/3 C A Private Natural Resources	Investments <u>will</u> <u>may</u> be in private oil and gas transactions, private real estate funds, and in timberland, possibly including related logging operations.
Public Real Assets	Blended Benchmark of Public Real Asset Manager Specific Benchmarks, one-half each: Bloomberg Commodity Index; S&P North American Natural Resources Sector Index	Holdings <u>may</u> consist of U.S.-issued TIPS, diversified commodities futures positions, and energy related equity securities
Fixed Income	Bloomberg Barclays Aggregate Bond Index	Holdings <u>may</u> consist of U.S. Treasury bonds, mortgages, and corporate credit investments.

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

<sup>2</sup> Indices used in Target Benchmark are effective as of December 19, 2016.

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 with whom UVM is invested through a separate account 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.*

*Approved as revised by the Board of Trustees: February 9, 2013*

*Approved as revised by the Board of Trustees: February 8, 2014*

*Approved as revised by the Board of Trustees: February 6, 2016*

*Approved as revised by the Board of Trustees: February 3, 2017*

*Approved as revised by the Board of Trustees: [May 19, 2018](#)*

**APPENDIX A**

**ASSET ALLOCATION POLICY TARGETS**

*Revised, as of February 2018*

Asset Class	Target (%)	Allowable Range (%)
<b>Equity Fund</b>		
U.S. Equity	<i>20.0</i>	15-30
Global ex U.S. Equity	<i>23.00</i>	15-45
• <i>International Developed Equity</i>	<i>(13.0)</i>	(10-25)
• <i>Emerging Markets Equity</i>	<i>(10.0)</i>	(5-20)
Marketable Alternatives	<i>19.0</i>	15-25
Real Assets (Inflation Hedging)	<i>13.0</i>	10-25
Private Equity / Venture Capital	<i>13.0</i>	5-20
<b>Subtotal Equity</b>	<b><i>88.0</i></b>	
<b>Fixed Income Fund</b>		
Fixed Income	<i>12.0</i>	5-25
Cash & Cash Equivalents	<i>0.0</i>	0-5
<b>Subtotal Fixed Income/Cash</b>	<b><i>12.0</i></b>	

*Appendix A Targets last revised by Investment Subcommittee: February 14, 2018*