

**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 Friday, May 15, 2020, at 11:35 a.m. The meeting was held via remote conferencing due to the COVID-19 pandemic.

**MEMBERS PRESENT:** Chair Ron Lumbra, Vice Chair Cynthia Barnhart, Secretary Curt McCormack, Briar Alpert, David Aronoff, John Bartholomew, Otto Berkes, Robert Brennan, Kevin “Coach” Christie, Frank Cioffi, John Dineen, Johannah Donovan, Carolyn Dwyer, President Suresh Garimella, Jodi Goldstein, David Gringeri, Don McCree, Carol Ode<sup>1</sup>, Ed Pagano, Shap Smith, Berke Tinaz, Tristan Toleno, and Samuel Young

**MEMBERS ABSENT:** Governor Phil Scott

**ALSO PARTICIPATING:** None

<sup>1</sup>Joined the meeting at 11:52 a.m.

Chair Ron Lumbra called the meeting to order at 11:36 a.m.

**Public comment**

Chair Lumbra opened the public comment period by reviewing the process. He then invited Julie Roberts to address the board.

Julie Roberts, President of United Academics and Professor of Linguistics, expressed concern about the recent appointment of some lecturers at 75 percent time rather than 100 percent time.

**Approval of previous meeting minutes**

A motion was made, seconded and it was voted to approve the minutes from the January 31, 2020, March 2, 2020 and April 6, 2020 meetings as presented.

**Committee reports**

*Audit Committee*

Chair Shap Smith acknowledged the recent passing of Bernie Juskiewicz, former Audit Committee Chair, to complications related to the Coronavirus. He then reported that the committee met briefly on April 6, 2020. KPMG partner Renee Bourget-Place presented the fiscal year (FY) 2020 external audit engagement plan, including the scope of work, client services team, approach, and timeline. The committee authorized and directed the committee chair to retain KPMG LLP, to conduct the mandatory annual audit of the financial statements and compliance audits for the fiscal year ending June 30, 2020.

*Educational Policy and Institutional Resources Committee (EPIR)*

Chair Carolyn Dwyer reported that the committee discussed the current set of academic success goals, including: teaching and learning, knowledge creation, and engagement. Provost Patricia

Prelock provided an overview of the process by which the goals were developed and vetted. All trustees were encouraged to review the goals detailed in attachment 2 of the committee materials.

The committee endorsed the following academic proposals for board approval:

1. Creation of a PhD in Sustainable Policy Development, Economics and Governance in the College of Agriculture and Life Sciences in conjunction with the Graduate College.
2. Creation of an Undergraduate Certificate in Place-Based Education in the College of Education and Social Services and the Rubenstein School of Environment and Natural Resources.
3. The Catamount Core Curriculum's expanded General Education requirements.

Budget, Finance and Investment Committee (BFI)

Committee Chair Don McCree reported that the committee unanimously endorsed resolutions for approval by the board including:

1. Tuition for FY 2021, at the same rates as those charged for the 2019-2020 academic year.
2. Continuous registration fee for graduate students for FY 2021, at the same rate as the previous year.

And, as recommended by the ISC:

3. Revisions to the Cash Management and Liquidity Policy.
4. Reaffirmation of the Statement of Investment Policies & Objectives with no changes.
5. Revisions to the Endowment Administrative Fee Policy - requesting an increase in the endowment administration fee from 25 basis points (0.25%) to 100 basis points (1%). 80 basis points will flow to the Foundation and the remaining 20 basis points will flow to the University to fund administrative costs of the endowment.
6. A one-year contract extension with external investment advisors Cambridge Associates.

Investment Subcommittee Chair Robert Brennan reported that the value of the university's pooled endowment was \$486.8 million as of March 31, 2020, with total assets down 9.6% at month-to-date, and down 13.7% calendar year-to-date.

The committee received updates on:

- Third quarter budget to actuals – the administration expects to end FY 2020 with a balanced budget; next year will begin to reflect the impact of the pandemic.
- Capital project prefunding account.
- Net tuition stabilization fund.

Vermont Agricultural College Board

Chair Tristan Toleno reported that the board conducted its annual election of officers. The following officers were re-elected for the coming year: Tristan Toleno, Chair; Shap Smith, Vice Chair; and John Bartholomew, Secretary.

Chair Toleno offered a legislative update reporting that due to the nature of the COVID-19 impact on budgeting, there will be three phases of budgeting: the current budget adjustment, which passed the house this morning to go onto third reading next week; the first quarter budget developed in the next few weeks to cover the first quarter of the fiscal year; and in order to pass a budget for the remaining three quarters, the plan is for the legislature to be back in session in August or September.

The annual legislative summit, which typically takes place in person in November or early December, may occur virtually when the legislature is back in session. Options are being discussed and there will be an update at the next meeting.

### University of Vermont Board

Chair David Aronoff reported that the University of Vermont Board reviewed a summary of the Wilbur Trust Fund financial report from July 1, 2019 through February 29, 2020, which had a value of \$21,585,998. The remainder of the meeting was in executive session to discuss trustee recruitment and succession planning for future board members.

### **Approval of consent agenda**

Chair Lumbra introduced the consent agenda noting the board will also vote on the resolution presented and endorsed following executive session at this morning's Committee of the Whole meeting (#4).

An opportunity for discussion was offered. There being none, Chair Lumbra presented the following resolutions to be voted on as a consent agenda:

### **COMMITTEE OF THE WHOLE**

#### **1. Resolution recommending adoption of the 2020 University Strategic Imperatives Statement**

WHEREAS, the administration presented to this Committee for review and approval the 2020 University Strategic Imperatives Statement, titled *Amplifying our Impact*, appearing as Appendix A to this document;

WHEREAS, all faculty, staff, and students received a survey soliciting feedback on a draft of *Amplifying our Impact*; and

WHEREAS, the administration reported today regarding the nearly 1,200 survey responses that were received;

THEREFORE, BE IT RESOLVED, that the Committee hereby recommends Board approval and adoption of the Strategic Imperatives Statement, *Amplifying our Impact*.

#### **2. Resolution approving Audit Committee assignments**

BE IT RESOLVED, that the Board of Trustees approves the following appointments to the Audit Committee, effective immediately: Shap Smith as Chair and Jodi Goldstein as Vice Chair.

**3. Resolution in memoriam for Bernard C. Juskiewicz**

The University of Vermont Board of Trustees wishes to include in its official records a special recognition in memory of Bernard “Bernie” Juskiewicz, beloved colleague, friend, and devoted supporter of the University and dedicated fan of UVM athletics, especially men’s basketball. Bernie was a tireless advocate for UVM whose leadership and many contributions as a trustee and state legislator will have a lasting and profound impact. The Board desires to convey to Mrs. Suzan Juskiewicz and family its sincere and heartfelt condolences on the passing of a most distinguished member of the UVM community and citizen of the State of Vermont.

BE IT THEREFORE RESOLVED, that this expression of sympathy and recognition with respect to the late Bernard C. Juskiewicz be entered into the minutes of the Board of Trustees of the University of Vermont.

**4. Resolution authorizing amendments to the Services Agreement and Memorandum of Understanding with the University of Vermont Foundation**

BE IT RESOLVED, that the Board of Trustees hereby authorizes the administration to execute an amendment to the Services Agreement and Memorandum of Understanding with the University of Vermont Foundation, extending the agreements for a one year term from July 1, 2020 through June 30, 2021, with terms consistent with the report given on this date.

**EDUCATIONAL POLICY AND INSTITUTIONAL RESOURCES COMMITTEE**

**5. Resolution approving the creation of a PhD in Sustainable Policy Development, Economics and Governance in the College of Agriculture and Life Sciences in conjunction with the Graduate College**

BE IT RESOLVED, that the Board of Trustees approves the creation of a PhD in Sustainable Policy Development, Economics and Governance in the College of Agriculture and Life Sciences in conjunction with the Graduate College, as approved and advanced by the Provost and President on May 14, 2020.

**6. Resolution approving the creation of an Undergraduate Certificate in Place-Based Education in the College of Education and Social Services and the Rubenstein School of Environment and Natural Resources**

BE IT RESOLVED, that the Board of Trustees approves the creation of an Undergraduate Certificate in Place-Based Education in the College of Education and Social Services and the Rubenstein School of Environment and Natural Resources, as approved and advanced by the Provost and President on May 14, 2020.

**7. Resolution approving the Catamount Core Curriculum expanded General Education requirements**

WHEREAS, on May 21, 2011, the Board of Trustees approved the General Education proposal as approved by

- the Curricular Affairs Committee of the Faculty Senate on April 14, 2011;
  - the Executive Council of the Faculty Senate on April 20, 2011; and
  - the Faculty Senate on May 19, 2011;
- and as approved and advanced by the Provost and the President on May 19, 2011; and

WHEREAS, on May 13, 2013, the Board approved the establishment of a three-credit Undergraduate Foundational Writing and Informational Literacy Requirement;

WHEREAS, on March 16, 2015, the Board approved the establishment of a sustainable learning outcome as a General Education requirement;

WHEREAS, on May 20, 2017, the Board approved the establishment of a quantitative reasoning outcome as a General Education requirement;

WHEREAS, a General Education Alignment Task Force designed the “Catamount Core Curriculum,” in collaboration with ad hoc faculty committees and through five open forums and a Faculty Senate comment process, resulting in the Faculty Senate’s approval of the guiding principles, three main curricular areas of Liberal Arts, Core Skills, and Common Ground Values, and the addition of seven new named requirements including:

- the establishment of a 6-credit Arts and Humanities General Education requirement;
- the establishment of a 6-credit Social Sciences General Education requirement;
- the establishment of a 6-credit Natural Sciences General Education requirement;
- the establishment of a 3-credit Mathematics General Education requirement;
- the establishment of a 3-credit Quantitative and Data Literacy General Education requirement;
- the establishment of a 3-credit Communications 2 General Education requirement to be fulfilled with an approved Writing and Information Literacy 2 or Oral Communication and Information Literacy course;
- the establishment of a 3-credit Global Citizenship General Education requirement.

THEREFORE, BE IT RESOLVED, that the Board of Trustees approves the expanded General Education Proposal named the “Catamount Core Curriculum” to be implemented in one or two phases beginning with the class entering in 2022, as approved by the Faculty Senate on votes dated May 4, 2020 and May 14, 2020 and advanced by the Provost and President May 14, 2020.

## **BUDGET, FINANCE & INVESTMENT COMMITTEE**

### **8. Resolution approving tuition for fiscal year 2021**

BE IT RESOLVED, that the Board of Trustees hereby approves the following tuition rates effective with the 2020-2021 academic year, which are the same rates as those charged for the 2019-2020 academic year:

In-state tuition \$16,392 per year, or \$683 per credit hour.

Out-of-state tuition \$41,280 per year, or \$1,720 per credit hour.

Medical student in-state tuition \$37,070 per year.  
Medical student out-of-state tuition \$64,170 per year.

**9. Resolution approving continuous registration fee for graduate students for fiscal year 2021**

BE IT RESOLVED, that the Board of Trustees approves a continuation of a varying graduate continuous registration fee, effective with the 2020-2021 academic year, as follows:

Less than half-time, \$100 per semester.  
Half to full-time, but not including full-time, \$200 per semester.  
Full-time, \$300 per semester.

**10. Resolution reaffirming the Investment of Endowment Cash policy**

WHEREAS, on May 18, 2019, the Board of Trustees adopted the Investment of Endowment Cash policy as follows:

BE IT RESOLVED, that the Vice President for Finance and Treasurer be authorized to invest and withdraw Endowment cash in a money market or a short-term bond fund to maximize investment return and meet Endowment needs; and

WHEREAS, since its creation, the Investment Subcommittee has been charged with review of the policy, which it most recently reaffirmed on February 11, 2020;

BE IT RESOLVED, that the Budget, Finance & Investment Committee hereby recommends that the Board of Trustees hereby reaffirms the Investment of Endowment Cash policy.

*Reaffirmed: Board of Trustees –*

**11. Resolution approving revisions to the Cash Management and Liquidity policy**

WHEREAS, in October 1993, the Board of Trustees adopted the Cash Management policy to govern the investment of UVM pooled cash; and

WHEREAS, in February 2016, the Board of Trustees revised and re-named the scope of the Cash Management policy as the Cash Management and Liquidity policy to establish a minimum liquidity target for the university comprised of liquid funds that are unrestricted, unencumbered general fund net assets; and

WHEREAS, the Investment Subcommittee is charged with an annual review of the Cash Management and Liquidity policy; and

WHEREAS, on February 11, 2020, the Investment Subcommittee reviewed revisions to the Cash Management and Liquidity policy;

BE IT RESOLVED, that the Budget, Finance & Investment Committee hereby recommends that the Board of Trustees adopt the amended Cash Management and Liquidity policy, appearing as Appendix B to this document.

**12. Resolution to reaffirm 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, on March 10, 2020, the Investment Subcommittee reviewed the Statement of Investment Policies and Objectives,

THEREFORE, BE IT RESOLVED, that the Investment Subcommittee hereby recommends the Statement of Investment Policies and Objectives, appearing as Appendix C to this document, for reaffirmation and referral to the Board of Trustees.

**13. Resolution approving contract extension with Cambridge Associates**

BE IT RESOLVED, that the Vice President for Finance and Treasurer, or his successor or designee, is hereby authorized to execute a renewal contract with Cambridge Associates, LLC for the purpose of providing investment advisory services for a period of one year from July 1, 2020 through June 30, 2021 at a flat fee of \$675,000 plus expenses.

BE IT FURTHER RESOLVED that the Investment Subcommittee shall annually review the performance of the investment advisory firm.

This resolution supersedes all previous authorizations.

**14. Resolution affirming the Endowment Administration Fee policy**

WHEREAS, on May 12, 2020, the Investment Subcommittee met, reviewed and discussed the Endowment Administration Fee policy;

RESOLVED, that the *Endowment Administration Fee policy* is reaffirmed as reads below:

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approves an endowment management fee equal to 25 basis points to be applied to the University endowment from July 1, 2020 through December 31, 2020, and which shall flow to the University; and

BE IT FURTHER RESOLVED, that the Board of Trustees hereby approves that an endowment management fee equal to 100 basis points, 80 of which shall flow to the University of Vermont Foundation and 20 of which shall flow to the University, shall be applied to the University endowment beginning as of January 1, 2021; and

BE IT FURTHER RESOLVED, that calculation of the endowment management fee will be based on the average market value of the University endowment for the previous thirteen quarters ending December 31 of the prior calendar year; and

BE IT FINALLY RESOLVED, that the Investment Subcommittee will review and make a recommendation to the Budget, Finance and Investment Committee regarding the reaffirmation or revision of the *Endowment Administration Fee policy* each year no later than December 31.

*Adopted by: Board of Trustees - September 13, 2003*

*Reaffirmed: Board of Trustees - September 8, 2007*

*Board of Trustees - September 5, 2008*

*Amended: Board of Trustees - October 24, 2009*

*Reaffirmed: Board of Trustees - October 30, 2010*

*Board of Trustees - October 22, 2011*

*Board of Trustees - November 8, 2012*

*Board of Trustees - October 26, 2013*

*Board of Trustees - October 18, 2014*

*Board of Trustees - October 3, 2015*

*Board of Trustees - October 22, 2016*

*Board of Trustees - October 21, 2017*

*Board of Trustees - January 31, 2020*

*Amended:*

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

### **Other Business**

Chair Lumbra expressed his profound thanks to Trustee Coordinator Corinne Thompson, Special Assistant to the Chief of Staff Erin Dickinson, and their team, for their efforts in planning and preparing for a successful meeting.

Chair Lumbra also reminded trustees that there will be a virtual meeting in the summer to receive the report and any recommendations from the Sustainability Work Group and to address other topics as needed. The fall meeting schedule is anticipated to go forward as planned.

### **Adjournment**

There being no further business, the meeting adjourned at 11:59 a.m.

Respectfully submitted,

Ron Lumbra, Chair

## **University of Vermont**

### ***Amplifying our Impact***

The University of Vermont is poised and ready to build upon our reputation as a premier research institution focused on sustainable solutions with local, national, and global applications and impact. Our distinctive strengths align with the most pressing needs of our time: the health of our societies and the health of our environment. And we pursue these interconnected issues through the cross-disciplinary research and collaboration that comes more easily at a public research university of our size and scale. Our setting in the state of Vermont, with its deep-seated commitment to the interplay between education and a healthy democracy, enables us to be nimble while still providing the depth of analysis that contemporary challenges demand.

To more fully realize our significant potential, we must view all our endeavors through the lens of enhancing student success—on campus and beyond—while drawing upon our unique strengths as one of the nation’s first land grant universities. This will require steadfast focus, discipline, and the pragmatism for which Vermont is known. The approach will be three-pronged, but the efforts will be interrelated, working in concert with one another.

#### **Ensuring Student Success**

UVM has historically served its students extremely well. We have a culture of strong faculty mentorship, and staff dedicated to our students’ growth. The connection between health and well-being and academic achievement is promoted holistically. We must continue to build on that legacy by making their success and that of our alumni a core measure of all we do. This means offering a vibrant educational experience, ensuring that UVM is affordable and accessible for a broad and diverse population, and providing support and meaningful opportunity well beyond graduation day.

To ensure that we extend UVM’s appeal to a wide cross-section of talented students, while enhancing the quality of education offered and safeguarding our financial stability and sustainability, we must:

- Provide an unparalleled educational experience for our students by continually enhancing course offerings through rigorous evaluation and evolution, and alignment with a liberal arts foundation and societal demands. Exposure to the humanities—and the critical thought this engenders—will position our graduates for success in the broadest range of pursuits.
- Carefully evaluate expenses to minimize costs and make a UVM education more affordable and accessible.
- Grow corporate, foundation, federal and philanthropic partnerships to develop new internship, research, study-abroad and service-learning opportunities, while enhancing existing programs.
- Enhance online offerings and programs that promote efficient course and degree completion with targeted support for first-generation and non-traditional learners.
- Attract a larger cohort of graduate students by enhancing their academic experience and research opportunities.
- Accelerate our success in recruiting students from areas beyond the Northeast, as well as internationally.
- Provide an environment that fosters diversity of all kinds, including diversity of thought.
- Envision programming that leverages campus assets on a year-round basis to increase and strengthen connections to UVM while building financial resources.
- Welcome nontraditional students to new professional, certificate, and online programs.

#### **Investing in our Distinctive Research Strengths**

UVM benefits from the powerful combination of a liberal arts core and the comprehensive academic resources of a major research institution. This dual nature has also positioned our faculty as leaders across multiple disciplines that support investigation and discovery in areas key to the university’s reach and reputation.

In particular, UVM has built distinctive research strengths that align with the urgent—and interdependent—need to support the health of our environment and our societies:

- **Healthy Societies:** Our cross-disciplinary work is strengthened by collaboration and research in areas ranging from immunobiology and microbiology, to data mining, mapping and analysis, to ethics, historical context and communication. This will drive actions with broad application including substance abuse prevention and rehabilitation, and immunobiology, microbiology, infectious disease treatment, vaccine testing, and public health campaigns.
- **Healthy Environment:** Faculty, researchers, and practitioners from throughout UVM collaborate to create new knowledge and establish best practice in areas related to sustainable farming, food systems and business solutions, and the protection of water systems. Leveraging our strength in engineering, machine learning and complex systems will provide pathways for the development of scalable solutions.

Strategic investment of available resources will accelerate and enhance these distinctive strengths, positioning us as the preeminent institution for innovative and sustainability-focused solutions. At the same time, the intersections between these areas provide opportunity for investigation, innovation, and impactful discovery in areas dedicated to the associated economic, ethical, and policy considerations. Targeted support will create research opportunities that span disciplines and foster pathways for collaboration. Our students will be among the greatest beneficiaries of this focused investment.

Cultivating these areas of research strength will leverage the unique characteristics of the state of Vermont. As one of the smallest states in the nation, with a thriving participatory democracy, Vermont offers a microcosm for national programs to be piloted at manageable scale.

Articulation of distinctive strengths will also grow corporate, philanthropic, foundation, and federal partnerships to enhance UVM's research portfolio, impact and recognition, and make enriching new opportunities available to faculty and students.

### **Fulfilling our Land Grant Mission**

As one of the nation's first land grant institutions, the University of Vermont's alignment with the state is fitting. We are nationally acclaimed for helping Vermonters tackle everything from farm viability to complex environmental issues to business growth. We support commercialization and job creation initiatives in the state, and our partnerships with large corporations enable the possibility of attracting satellite operations, jobs, and a talented workforce to the state.

UVM's partnership with the state includes more than 200 programs designed to help Vermont and Vermonters. For example, the Rural Center of Excellence on Substance Use Disorders confronts the opioid epidemic with innovative new approaches, while Vermont EPSCoR and the Vermont Biomedical Research Network attract millions in federal funding and make sophisticated technology and learning opportunities available throughout the state. But to better realize the vision of the Land-Grant Act's author Vermont Senator Justin Morrill, we must create a more streamlined gateway for Vermonters to learn about and access the many resources UVM offers. Efforts to set up that front door—inviting the community to engage more fully with UVM—are underway.

Engaging with the state not only helps Vermont, but also benefits the university by strengthening its connection to entrepreneurship, hands-on learning, problem-solving and critical thinking, all ideals championed by alumnus, educator, and noted philosopher John Dewey. This enriches the educational experience of our students and broadens our faculty's research portfolios.

### **Summary**

The University of Vermont's future success will be assured by following these three strategic imperatives: student success and experience; focusing on and expanding upon our distinctive research strengths; and better-realizing our land-grant mission by partnering with our communities, businesses, and state. Doing so effectively will require insightful leadership, unprecedented collaboration, and our decisive collective action. This commitment to explore without reservation while working as one, resonates with our state motto, "freedom and unity." And it will enable us to amplify our impact for years to come.

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE BOARD OF TRUSTEES

**CASH MANAGEMENT AND LIQUIDITY POLICY**

**Introduction**

This Cash Management and Liquidity Policy governs the investment of UVM pooled cash and sets the minimum liquidity target for the University. The pooled cash includes all funds of the University other than the funds that are held in the University endowment and certain plant, restricted and loan reserves, for which separate investment guidelines have been established. This statement will be subject to periodic review and possible modification by the Budget, Finance and Investment Committee, as the Committee considers necessary to achieve cash management and investment and liquidity requirements.

**I. Cash Management**

**Investment Objectives**

University pooled cash for purposes of investment allocation shall be divided into three asset groups as follows:

Short-term pool: Cash that is expected to be needed for normal operating expenditures within a one-year period. The primary objective is preservation of principal and liquidity. Maximization of investment income without undue exposure to risk is a secondary objective.

Intermediate-term pool: Cash that is expected to be needed within a period of one year to six years. The primary objectives are preservation of principal and maximization of investment income without undue exposure to risk.

Long-term pool: Cash that is not expected to be needed for operational purposes for a period exceeding six years and/or that may be designated as a permanent core. The primary investment objective is to achieve consistent long-term growth of the pool with limited exposure to risk.

**Maturity Guidelines**

Short-term pool: The average weighted maturity for a short-term portfolio shall be between one day and one year.

Intermediate-term pool: The average weighted maturity for intermediate-term portfolio shall be between one year and six years.

Long-term pool: Permanent core cash may be invested in any investment that is allowable under the University's *Statement of Objectives and Policies* for the Endowment Fund and that meets the overall objective of achieving consistent long-term growth of the pool with limited exposure to risk.

### **Performance Objectives**

Short-term pool: The benchmark for the short-term portfolio shall be total return that meets or exceeds the yield of three-month U. S Treasury securities.

Intermediate-term pool: The benchmark for intermediate-term portfolio shall be total return that meets or exceeds the Bloomberg Barclays 1-5 Year U.S. Treasury Bond Index.

Long-term pool: The benchmark for the investment of the long-term pool shall correspond to the benchmarks for each asset class as specified in the University's *Statement of Objectives and Policies* for the Long Term Investment Pool, including the Endowment Fund.

### **Allowable Investments for Asset Groups**

For all of the asset groups described below, the Treasurer will develop in conjunction with the Board of Trustees Investment Subcommittee (ISC) a list of approved funds and fund managers from which the Treasurer may select managers as appropriate. This list will be reviewed and approved annually by the ISC.

Short-term and

Intermediate-term Pool: Investments in the short-term and intermediate-term portfolio are restricted to U.S. Treasury and government agency securities, money markets, high quality corporate and asset-backed securities, and commercial and bank paper, whereas the intermediate-term pool may have maturities up to six years. Investments shall be in marketable securities of the following types and with the noted credit ratings:

1. Debt securities rated Aaa, Aa, A or Baa by Moody's Investor's Service, Inc. or AAA, AA, A or BBB by Standard & Poor's Corporation.
2. Obligations of, or guaranteed by, the United States of America, its agencies or instrumentalities.

3. Obligations of, or guaranteed by, national or state banks or bank holding companies rated BBB or better. No more than 20% of the funds held in the cash pool shall be invested in debt obligations of institutions within any single holding company.
4. Asset-backed securities (ABS) rated Aaa by Moody's Investor's Service, Inc. or AAA by Standard & Poor's Corporation.
5. Commercial paper rated A-1 or higher by Standard and Poor's or Prime-1 (P1) by Moody's Investor's Service, Inc.
6. Bankers' acceptances or negotiable certificates of deposit issued by banks rated BB-B or better. No more than 20% of the funds held in the cash pool shall be invested in certificates of deposit, bankers' acceptances or floating rate notes of the institutions within any single holding company.
7. Repurchase agreements of banks having Fitch ratings no lower than BBB secured by the U.S. government and federal agency obligations with market values of at least 100% of the amount of the repurchase agreement.
8. Commingled funds may be used if they are in compliance with the above guidelines.

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Long-term pool:

Investment of the long-term pool shall be restricted to those that are allowable under the University's *Statement of Objectives and Policies* for the Endowment Fund and that meet the overall objective of achieving consistent long-term growth of the pool with limited exposure to risk.

### **Moral, Ethical and Social Considerations**

Cash balances will be invested consistently with the moral, social and ethical criteria adopted by the Board of Trustees on recommendation of its Budget, Finance and Investment Committee as related to the Long Term Investment Pool, including the Endowment Fund. Criteria for socially responsible investing shall include, where advisable and consistent with investment quality, return, and safety guidelines, the use of community and State institutions for investment purposes. Where returns are reasonably equal (within 10 basis points), preferences will be given to Vermont-based financial institutions.

## **Investment Management Responsibility and Structure**

Cash management and investment responsibility resides with the Vice President for Finance and Treasurer through the Controller.

1. Investments may be made internally using allowable instruments and institutions; OR,
2. Investment managers may be engaged to invest University assets consistent with this Policy. Subject to this Policy and a written agreement between the University and the investment manager, the investment manager will be given discretion to select individual securities and to make adjustments to the structure of the portfolio.

### **I. Liquidity**

This Cash Management and Liquidity Policy establishes a Minimum Liquidity Target for the University of \$30 million, subject to future modification by the Budget, Finance, and Investment Committee. Liquid funds that are unrestricted, unencumbered General Fund Net Assets (as such capitalized term is used in the audited financial statements of the University) shall be used to satisfy the Minimum Liquidity Target. For the purposes of this Policy, General Fund Net Assets that are restricted in their use, or otherwise encumbered by Board or administrative action, shall not be available to satisfy the Minimum Liquidity Target. The objective of this policy is to ensure that the University operates with an adequate level of institutional liquidity to minimize risk associated with temporary, unforeseen liquidity needs.

### **II. Administration and Reporting**

- A. The Treasurer will report to the Budget, Finance and Investment Committee annually, the following:
  1. Cash balances in each asset group;
  2. Investments in each asset group by manager and investment type or fund; and
  3. Performance of each individual investment type within each asset group.
  4. A schedule of unrestricted, unencumbered General Fund Net Assets compared to the Minimum Liquidity Target.
- B. As delegated by the Board of Trustees through its resolutions, specified University officials, including the Treasurer, are authorized to open accounts with banks, investment firms, or commercial paper institutions, and/or to execute purchases and sales, in order to implement this Cash Management and Liquidity Policy.
- C. This Cash Management and Liquidity Policy will be subject to annual review by the Investment Subcommittee and the elements of the policy related to liquidity will be subject to annual review by the Budget, Finance, and Investment Committee.

*Adopted by the Board of Trustees: October 15, 1993*  
*Revised by the Board of Trustees: October 12, 2002*  
*Revised by the Board of Trustees: August 27, 2005*  
*Revised by the Board of Trustees: November 11, 2006*  
*Revised by the Board of Trustees: February 5, 2010*  
*Revised by the Board of Trustees: October 3, 2015*  
*Revised by the Board of Trustees: February 6, 2016*  
*Revised by the Board of Trustees: February 4, 2017*  
*Revised by the Board of Trustees: February 2, 2019*  
*Revised by the Board of Trustees: May 15, 2020*

**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 finance staff, and any third-parties (e.g., investment managers) retained to advise the Board, the ISC, the Treasurer and/or 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 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 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.

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<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 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
Public Global Equity	MSCI ACWI	Portfolios are expected to focus on public global, US, international developed, and/or emerging 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	Weighted Benchmark composed of C A medians as follows: Private Equity 40% Venture Capital 30% Real Estate 20% Natural Resources 10%	This asset class includes private investment strategies of all types, including but not limited to buyouts, venture capital, secondaries, distressed, real estate, private energy, and similar strategies. 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.
Public Real Assets	Dynamic benchmark that reflects each underlying investment's individual benchmark and their respective weight within the Real Assets allocation. <i>(The Dynamic benchmark will evolve as asset types are added or removed from the portfolio and as the allocation changes over time.)</i>	Holdings may include natural resource related equity securities, MLPs, diversified commodities, US issued TIPS and other, similar public investment strategies.
Fixed Income	Bloomberg Barclays Aggregate Bond Index	Holdings may 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.

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<sup>2</sup> Indices used in Target Benchmark are effective as of May 18, 2019.

## **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 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*

*Approved as revised by the Board of Trustees: October 27, 2018*

*Approved as revised by the Board of Trustees: May 18, 2019*

*Reaffirmed by the Board of Trustees: May 15, 2020*

**APPENDIX A****ASSET ALLOCATION POLICY TARGETS***March 2020*

Asset Class	Target (%)	Allowable Range (%)
Public Global Equity	45.0	30-65
Marketable Alternatives	15.0	10-20
Private Investments	25.0	15-35
Public Real Assets	5.0	0-10
Fixed Income	10.0	5-25
Cash & Cash Equivalents	0.0	0-5

*Appendix A Targets last revised by Investment Subcommittee: March 10, 2020*