FINANCE COMMITTEE WITH FULL BOARD
Thursday, June 9, 2016
3:00 – 5:00 p.m.
Auditorium of the Albert & Shirley Small
Special Collections Library, Harrison Institute

Committee Members:
Victoria D. Harker, Chair    John G. Macfarlane III
Frank B. Atkinson           Jeffrey C. Walker
Helen E. Dragas             William H. Goodwin Jr., Ex-officio
Kevin J. Fay                Phoebe A. Willis, Student Member
John A. Griffin             Daniel M. Meyers, Consulting Member

AGENDA

I. CONSENT AGENDA
A. Signatory Authority for Extension of Virginia Blood Services Contract 1
B. Defined Contribution Retirement Plans: Oversight of the University’s 403(b) Retirement Plan 2
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  – Pratt Fund
  – Medical Center and Transitional Care Hospital
  – The University of Virginia’s College at Wise
  – Infrastructure Project Update
  – Faculty Hiring and Generational Turnover

III. REPORTS BY THE EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER (Mr. Hogan)
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I.A. SIGNATORY AUTHORITY FOR EXTENSION OF VIRGINIA BLOOD SERVICES CONTRACT

The Board of Visitors is required to approve the execution of any contract where the amount per year is in excess of $5 million.

In accordance with Medical Center procurement policy, the Medical Center is finalizing a two-year contract extension with its current vendor for blood services and products. The current contract will expire on June 30, 2016. The extension will assure clinical continuity while our Clinical Labs team completes its Epic Beaker implementation, and will allow our blood bank and Virginia Commonwealth University (VCU) to explore the possibility of entering into a joint contract in 2018.

The term of the contract extension will be two years, from July 1, 2016 to June 30, 2018. The total estimated annual value of the agreement will exceed $5 million, thus exceeding the signatory authority of the Executive Vice President for Health Affairs of the University.

ACTION REQUIRED: Approval by the Medical Center Operating Board, by the Finance Committee, and by the Board of Visitors

SIGNATORY AUTHORITY FOR EXTENSION OF VIRGINIA BLOOD SERVICES CONTRACT

RESOLVED, the Board of Visitors authorizes the Executive Vice President for Health Affairs to execute a two-year contract extension for the procurement of blood services and products, in accordance with Medical Center procurement policy.
I.B. DEFINED CONTRIBUTION RETIREMENT PLANS: OVERSIGHT OF THE UNIVERSITY'S 403(b) RETIREMENT PLAN

The University is the plan sponsor and provides oversight of a number of defined contribution retirement plans, including the Optional Retirement Plan ("ORP") for Employees of the University of Virginia and the ORP for Employees of the University of Virginia Medical Center. These plans are funded with employer contributions made by the University.

At its June 2, 2007 meeting, the Finance Committee of the Board of Visitors approved a revised Retirement Program Policy. The revised policy established the role of the Finance Committee of the Board to provide oversight of the retirement plans and to report annually to the Board.

The University also offers a 403(b) defined contribution retirement plan funded with employee contributions. The University has responsibility for oversight of the ORP but does not have the same level of fiduciary oversight of the 403(b) Plan.

Best practices have been evolving in higher education retirement plan management. In the past, universities assumed responsibility for providing oversight of retirement plans funded with employer contributions but were not as willing to take the same level of oversight with plans funded with employee contributions.

The University would now like to further expand fiduciary oversight to include 403(b) plans in an effort to improve retirement outcomes for its employees. The benefits to plan participants would be to (1) align the goals of the ORP and 403(b) plans, (2) eliminate disparate fund offerings between plans, (3) provide consistent communication and increased engagement, and (4) provide simplicity across both plans by reducing participant confusion. The Retirement Administrative Committee met May 27, and recommends the Board of Visitors consider this action. Minutes of that meeting appear as Attachment A.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors
WHEREAS, the University is the plan sponsor and provides oversight of a number of defined contribution retirement plans funded with employer contributions; and

WHEREAS, the University wishes to provide greater oversight of plans provided by the University and funded with employee contributions; and

WHEREAS, this expanded oversight will lead to improved employee retirement outcomes;

RESOLVED, the Board of Visitors adopts equal oversight responsibility for the University-provided defined contribution retirement plans funded with employer and employee contributions; and

RESOLVED FURTHER, the Board of Visitors delegates oversight responsibility for both plans to the Finance Committee.
I.C. REVISED IN-STATE UNDERGRADUATE TUITION RATE FOR THE ACADEMIC DIVISION FOR 2016-2017 FISCAL YEAR

At its February meeting, the Board of Visitors approved tuition and fees for the 2016-2017 academic year. The resolution included the requirement that, if the University’s 2016-2017 unrestricted state appropriation increased beyond what was assumed in the multi-year financial plan, the 2016-2017 in-state undergraduate tuition rates would be revised downward.

In April 2016, the General Assembly and Governor allotted $3.7 million in new general funds for 2016-2017 to the University to support the goals of access, affordability, quality, and increased degrees. Accordingly, on April 14, 2016, the University announced a $160 decrease in 2016-2017 tuition for all in-state students; the resulting $168 increase over the 2015-2016 tuition rate represents a 1.5% increase (down from 3.0%).

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

<table>
<thead>
<tr>
<th>REVISED IN-STATE UNDERGRADUATE TUITION FOR THE ACADEMIC DIVISION FOR FISCAL YEAR 2016-2017</th>
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<tbody>
<tr>
<td>WHEREAS, the Board of Visitors approved a $328 or 3% increase in in-state undergraduate tuition rates on February 18, 2016;</td>
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<td>FURTHER, the Board of Visitors resolved that if the University’s 2016-17 unrestricted state appropriation increased beyond what was assumed in the multi-year financial plan, the 2016-17 in-state undergraduate tuition rates would be revised downward accordingly;</td>
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<td>FURTHER, in April 2016, the General Assembly allotted $3,657,388 in new general funds for 2016-17 to the University of Virginia to support the goals of access, affordability, quality, and increased degrees;</td>
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<td>RESOLVED, the undergraduate in-state tuition applicable to the Academic Division, effective July 1, 2016, is revised as shown below:</td>
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<table>
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<tr>
<th>Regular Session, In-State, Undergraduate Tuition</th>
<th>2016-17 Revised Proposed</th>
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<td>2015-16</td>
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I.D. DELEGATION OF AUTHORITY FOR FUTURE PROPERTY ACQUISITIONS

The University's Management Agreement permits the Board of Visitors to delegate authority to acquire real property on behalf of the University. The Board has previously authorized the Executive Vice President and Chief Operating Officer to approve the acquisition of certain identified properties subject to the approval of the Chair of the Finance Committee. Given that acquiring real property requires flexibility and timely action, we propose a re-enactment of the delegation authorizing the Executive Vice President and Chief Operating Officer, in consultation with the Rector and with the approval of the Chair of the Finance Committee, to acquire real property in areas near the University.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

DELEGATION OF AUTHORITY FOR FUTURE PROPERTY ACQUISITIONS

WHEREAS, the Board has from time to time authorized the Executive Vice President and Chief Operating Officer to acquire real property for University purposes; and

WHEREAS, acquiring real property requires flexibility and timely action;

RESOLVED, the Executive Vice President and Chief Operating Officer, in consultation with the Rector, and subject to the approval of the Chair of the Finance Committee, is authorized, on behalf of the University, to approve and execute purchase agreements and related documents, to incur reasonable and customary expenses, and to take such other actions as deemed necessary and appropriate to acquire real property in areas adjacent to or in the vicinity of the University; and

RESOLVED FURTHER, all prior acts performed by the Executive Vice President and Chief Operating Officer, and other officers and agents of the University, in connection with such acquisitions, are in all respects approved, ratified, and confirmed.
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 9, 2016
COMMITTEE: Finance
AGENDA ITEM: II. 2016-2017 Operating Budget

BACKGROUND: At its June meeting, the Board of Visitors considers the proposed operating budgets for the Academic Division, The University of Virginia's College at Wise, the Medical Center, and the Transitional Care Hospital.

DISCUSSION:

Academic Division

At its February meeting, the Board of Visitors approved tuition, mandatory fees, housing, and dining rates for 2016-2017. During this fiscal year, the Board of Visitors has received reports on the University’s budget requests to the state and the budget assumptions for the 2016-2017 operating budget. The proposed 2016-2017 budget is consistent in all material respects with the multi-year operational plan.

Pratt Fund

In April 1976, the University received funds, designated in the will of John Lee Pratt, to be used to supplement the Academic Division budget to support 1) faculty salaries and equipment in the Departments of Biology, Chemistry, Mathematics and Physics and 2) research and scholarships in the School of Medicine. The Pratt Fund is proposed to be allocated as detailed in Attachment B.

Medical Center

The Medical Center Operating Board will meet June 9th to consider the Medical Center 2016-2017 operating budget, and will recommend approval by the Full Board.

The University of Virginia’s College at Wise

The Committee on the University of Virginia’s College at Wise considered the College’s proposed operating budget at its May 6, 2016 meeting and recommends approval by the Full Board.
Infrastructure Project Update

In addition to the base 2016-2017 operating budget, the University will invest $40.9 million to continue to meet critical infrastructure needs. These needs involve implementing new technologies, adopting new and improved operating processes, transforming human resources practices, and incorporating best practice security measures to protect and safeguard our information systems and data.

Faculty Hiring and Generational Turnover

Recognizing the importance of a high-quality, diverse faculty as an essential component of a dynamic university environment, the University of Virginia is closely monitoring faculty generational turnover. By the year 2020, over 20% of the University’s tenured and tenure track faculty population are projected to reach age 68 (the average retirement for UVA faculty). The University is actively addressing this turnover through purposeful faculty retention and recruitment strategies. This presentation will update the Finance committee on the status of faculty hiring for Fiscal Year 2015-2016.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

2016-2017 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED, the 2016-2017 Operating Budget for the Academic Division is approved as recommended by the President and the Chief Operating Officer.

PRATT FUND DISTRIBUTION FOR 2016-2017

RESOLVED, the budget for the expenditure of funds from the Estate of John Lee Pratt is approved to supplement appropriations made by the Commonwealth of Virginia for the School of Medicine and the Departments of Biology, Chemistry, Mathematics, and Physics in the College of Arts and Sciences. Departmental allocations, not to exceed $8,025,608 for 2016-2017, are suggested by the department chairs and recommended by the dean of each school; the disbursement of each allotment will be authorized by the Executive Vice President and Provost. To the extent the annual income from the endowment is not adequate to meet the recommended distribution, the principal of the endowment will be disinvested to provide funds for the approved budgets.
2016-2017 OPERATING AND CAPITAL BUDGETS FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED, the 2016-2017 Operating and Capital Budgets for the University of Virginia Medical Center are approved as recommended by the President, the Chief Operating Officer, and the Medical Center Operating Board.

2016-2017 OPERATING AND CAPITAL BUDGETS FOR THE UNIVERSITY OF VIRGINIA TRANSITIONAL CARE HOSPITAL

RESOLVED, the 2016-2017 Operating and Capital Budgets for the University of Virginia Transitional Care Hospital, presented as a component of the Medical Center Operating Budget, are approved as recommended by the President, Chief Operating Officer, and the Medical Center Operating Board.

2016-2017 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED, the 2016-2017 Operating Budget for The University of Virginia’s College at Wise is approved as recommended by the President and the Chief Operating Officer.
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 9, 2016

COMMITTEE: Finance


ACTION REQUIRED: None

BACKGROUND: The March 31, 2016 report was delivered electronicaly on May 16, 2016.

DISCUSSION: The Vice President for Finance, Ms. Melody Bianchetto, will provide a report on year-to-date operating results of the University as of March 31, 2016 and address any questions from the committee. Ms. Bianchetto is responsible for financial administration and budget, procurement, research administration, and student financial services, as well as the implementation of a new managerial reporting and decision support environment.
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 9, 2016
COMMITTEE: Finance
AGENDA ITEM: III.B. Executive Vice President's Remarks
ACTION REQUIRED: None

DISCUSSION: The Executive Vice President and Chief Operating Officer will inform the Board of Visitors of other recent events that do not require formal action, but of which it should be made aware.
ATTACHMENTS
University of Virginia
Board of Visitors Finance Committee Appointees on Retirement
Administrative Committee
May 27, 2016
11:00 a.m.
O’Neil Hall, First Floor Conference Room

Board of Visitors Finance Committee Appointees (via phone):
Victoria Harker

In Attendance:

Retirement Administrative Committee (RAC) Members:

Jim Matteo – Associate Vice President and Treasurer (Chair)
Kristina Alimard – Chief Operating Officer (UVIMCO)
Leora Friedberg – Associate Professor of Economics and Public Policy
David King – Retirement Plan/Financial Wellness Manager
Nicholas Mendyka – UVa Health System
Alison Miller – Director, Total Rewards (via phone)

Others:

Pat Hogan – Executive Vice President and Chief Operating Officer
Bryan Garey – Interim Chief Human Resource Officer
Megan Lowe – Assistant Vice President and Chief of Staff to the Executive Vice President and Chief Operating Officer
Barry Schmitt, CAPTRUST Financial Advisors (via phone)

There were two agenda items for this meeting: the annual review of fund performance and future initiatives under consideration.

I. December 31st, 2015 Annual Performance Review
Barry Schmitt provided an overview of the annual report on fund performance, reminding the appointees that the RAC meets quarterly with CAPTRUST to monitor fund performance and once per year each of the vendors is invited to the RAC to present on their participant activity and fund performance. The details of the report were distributed at the meeting.
II. Future initiatives under consideration
The RAC is in the midst of a retirement plan enhancement project focusing on improving program simplicity, participant education, and retirement outcomes. The three-tiered plan includes:

1. Introducing auto-enrollment and auto-escalation features
2. Reducing and simplifying fund offerings
3. Enhancing participant education

Following is a list of significant initiatives of the RAC:

Enhancing Fund Offerings to Match Investor Profiles: The RAC recommended a three-tier fund structure to better align with participants' investment profiles.

Tier 1: Inactive Investors - delivered diversification at low cost
Tier 2: Passive Investors - self-diversification at low cost
Tier 3: Active Investors - broad diversification with reduced focus on cost

Simplifying the Program: The RAC plans to simplify the retirement program by (1) significantly reducing fund offerings while providing broader diversification, (2) closing and mapping old program fund offerings, and (3) incorporating the 403(b) program into the RAC's oversight.

1) Significantly Reducing Fund Offerings: Many participants opt out of active decision making due to the overwhelming number of funds choices available to them. The RAC intends to reduce the fund offerings (across both the ORP and 403b programs) from 380 to fewer than 40. The smaller number of funds focus on broad market diversification, low expense ratio, and, generally, passive investment options.

2) Closing/Mapping Funds: Generally, if a particular fund no longer meets policy guidelines, it is "closed" for future contributions and replaced with a similar type of fund. The RAC does not monitor the performance of closed funds. As part of reducing fund offerings, we intend to close many funds. Additionally, we intend to map these closed funds, and funds that were previously closed, into the new fund offerings. Participants will be given the opportunity to map their funds. Absence a participant
choice, funds will be mapped as determined by the RAC to
default offerings under the new fund structure.

3) **RAC Providing Oversight of the 403(b) Program**: Numerous
regulations were fully implemented in 2009 for 403(b)
plans following Employee Retirement Income Security Act
(ERISA) guidelines. Many institutions (even plans not
subject to ERISA, like UVA's) began to look, in more
detail, into the overall operation and structure of their
retirement programs and the efficiency (or inefficiency)
within these programs. The RAC has explicit
responsibility for oversight of the optional retirement
plans but is not required to have the same level of
fiduciary oversight of the 403(b) Plan. UVa would now
like to further expand our fiduciary oversight for these
plans. One of the driving forces would be to eliminate
disparate fund offerings and communication efforts between
the ORP and the 403(b), thereby reducing participant
confusion.

It has been several years since a significant change has
been made to the fund selections with each vendor. In
2008, the RAC (with approval from the BOV) better aligned
the investments across all three vendor platforms
(Fidelity, TIAA, and Vanguard). This process eliminated
overlap of funds, created a "best in class" fund
structure, and "froze" assets of funds that were not
performing to the goals and objectives stated within the
Investment Policy. In 2011, after a comprehensive review,
the RAC eliminated Vanguard as a record keeper, while, at
the same time, migrating virtually all current Vanguard
mutual funds onto the Fidelity platform. The RAC felt, at
the time, it was important for continuity reasons, to not
eliminate/consolidate funds at the time. However, the RAC
now feels that it is time to eliminate/consolidate funds
to continue our strategy in offering "best in class" fund
offerings on each of the remaining two platforms (Fidelity
and TIAA).

**Communication Plan and Timing**: TIAA will serve as the lead
communication consultant during the plan changes. TIAA has
provided similar services to many higher education clients and
will provide expertise throughout the transition period. Hard
copy print, electronic and on-site meetings will all be part of
the overall communication plan.
• August 2016 – initial communication with faculty and staff and fund information available on website
• August – December 2016 – increased vendor presence at UVA
• September 2016 – new funds available
• October – November 2016 – additional communications with faculty and staff regarding transition (including closing and mapping strategy)
• Spring 2017 – mapping of accumulations and future contributions

The meeting was adjourned at 11:45 am.
2016-2017 PRATT FUND ALLOCATIONS

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<tr>
<th></th>
<th>Equipment</th>
<th>Faculty Salaries</th>
<th>Fellowships</th>
<th>Research</th>
<th>Total 2016-17 Allocation</th>
<th>2015-16 Funds</th>
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<td>New Faculty Start-up Fund and Other Significant Initiatives</td>
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<td>$1,310,000</td>
<td>$2,085,000</td>
<td>$3,395,000</td>
<td>-</td>
<td>$3,395,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,566,793</td>
<td>1,733,306</td>
<td>$2,002,912</td>
<td>$2,085,000</td>
<td>$7,388,011</td>
<td>$637,597</td>
<td>$8,025,608</td>
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</table>


The March 31, 2016 market value of the Pratt Bequest for the College of Arts & Sciences is $80.2 million. The $3,993,011 request from Arts & Sciences detailed below represents the regular endowment distribution on this amount.

Biology – The 2016-2017 Pratt fund allocation for Biology is $250,000. The department proposes to allocate $170,000 of new funds plus a carry-forward balance of $11,870 for graduate fellowships; $5,288 to be used for faculty and graduate student equipment; and $74,712 of its 2016-2017 allocation and $2,485 from previous years’ balance to support the salaries of the Director and Associate Director of the Mountain Lake Biological Station.

Proposed expenditures in 2016-2017 total $264,355, of which $250,000 will be funded from the 2016-2017 allocation with the balance of $14,355 to be drawn from the projected 2015-2016 year-end balance.

Chemistry – The 2016-2017 Pratt fund allocation for Chemistry is $250,000. The department proposes to allocate $220,000 of the 2016-2017 allocation for support of outstanding graduate students. In addition, the anticipated 2015-2016 year-end...
balance of $143,000 will also be applied to graduate support in 2016-2017. Pratt funds are critical in providing competitive support to a highly recruited group of first-year graduate students. The department is committed to deploying built up balances in its Pratt accounts in support of a multi-year effort to include funded graduate students in the start-up packages of new hires.

The department proposes to use the balance of the 2016-2017 distribution, $30,000, along with $28,654 from the anticipated FY 2015-2016 year-end balance of $50,020, to provide summer wages to faculty holding key departmental administrative posts, including the graduate program director, the undergraduate program director, and the associate chair of the department.

Proposed expenditures in 2016-2017 total $421,654, of which $250,000 will be funded from the 2016-2017 allocation with the balance of $171,654 to be drawn from the projected 2015-2016 year-end balance.

Mathematics – The 2016-2017 Pratt fund allocation for the Math Department is $150,000. The Department of Mathematics proposes to allocate $108,374 in 2016-2017 in partial support of the salaries of Whyburn Postdoctoral Fellows. Internationally recognized for its excellence, the Whyburn postdoctoral program brings new PhD recipients in mathematics to UVA as faculty instructors for three years of teaching and research. Pratt funds will support 40% of the academic year compensation of four Whyburn fellows in 2016-2017.

The department proposes to allocate $35,000 in faculty summer wages for faculty members who serve as mentors for undergraduate students participating in the department’s summer research program and for the associate chair.

The department proposes to spend $20,000 in 2016-2017 to provide fellowship support for students engaged in PhD research. This funding allows the department to be competitive with peer institutions in attracting graduate students.

The department also proposes to spend $15,000 in support of computer upgrades and related costs to facilitate the continuation of faculty research programs.

Proposed expenditures in 2016-2017 total $178,374, of which $150,000 will be funded from the 2016-2017 allocation with the
Physics – The 2016-2017 Pratt fund allocation for Physics is $250,000. The department proposes to allocate $202,912 in 2016-2017 for fellowship stipends. Pratt funds are a critical component of competitive fellowship packages used to attract and retain highly qualified PhD candidates to the graduate program in Physics. They help to provide a level of support that enables first-year graduate students to participate in research groups prior to selecting a research advisor. This support is simultaneously beneficial to new faculty in developing their research programs.

The department proposes to allocate $47,087 of the 2016-2017 allocation for summer wages for three new faculty members and for a month of summer wages for the associate chair.

The department will continue to draw down uncommitted reserves in the Pratt Equipment account to fund critical equipment needs, both for instruction and research, as components of start-up packages for new faculty, as cost-share on sponsored grants, and through other forms of research support to the department.

Proposed expenditures in 2016-2017 total $673,214, of which $250,000 will be funded from the 2016-2017 allocation with the balance of $423,214 to be drawn from the projected 2015-2016 year-end balance.

New Faculty Start-up Fund – A total of $3,093,011 is requested by the College to use as components of start-up packages associated with new hires and to support other strategic needs.

SCHOOL OF MEDICINE – $3,395,000 allocation for 2016-2017

The March 31, 2016 market value of the Pratt Bequest for the School of Medicine is $49.9 million. The $3,395,000 request from the School of Medicine detailed below represents the regular allocation of $1,300,000 and a special distribution of $2,095,000 to support graduate programs and central research efforts.

Support and Training of Student Researchers – $1,310,000 – Graduate students and postdoctoral fellows are central to a successful biomedical research program. A modest institutional
share from the Pratt bequest supplements funds from federal government training programs and charitable foundations to attract exceptional students. For the 2016-2017 fiscal year, the School of Medicine proposes to use $210,000 of its Pratt funds allocation to support graduate research assistants. These individuals are critical in enhancing the quality of research in the PhD and MD/PhD programs at the University, and the success of these programs has a direct impact on the quality of faculty research at the School of Medicine.

Additionally, the School of Medicine would like to utilize $1.1 million to support its MD/PhD students enrolled in medical school. The MD/PhD program at UVA is nationally known and extremely selective with less than ten students enrolled annually. For each student enrolled, all tuition and fees during the medical student years and research years are funded institutionally or through grants. By leveraging the Pratt's bequest for medical student scholarships the School is able to continue funding this high profile program.

Core Facility Support - $2,085,000 - Research core facilities - including, but not limited to: the Small Animal Multimodality Imaging Core, Advanced Microscopy Facility, Biomolecular Research Facility, Gene Targeting & Transgenic Facility, Biorepository, BioNMR Core, and the Exercise Physiology Core - provide access to large, expensive equipment and techniques that otherwise would not be available or cost-effective to individual investigators. These facilities operate on a fee-for-service basis; and, after development costs and other expenses, the core facilities average a cost recovery of 69%, with differential funded by Pratt allocations. These resources provide a competitive advantage to acquiring emerging technologies, and they are critical to the School of Medicine's success in recruitment and retention of faculty and its ability to continue to grow its externally funded research programs.