

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
FINANCE COMMITTEE
JUNE 7, 2007**

FINANCE COMMITTEE

Thursday, June 7, 2007
2:00 - 4:00 p.m.
Board Room, The Rotunda

Committee Members:

W. Heywood Fralin, Chair
A. Macdonald Caputo Warren M. Thompson
Alan A. Diamonstein John O. Wynne
G. Slaughter Fitz-Hugh, Jr. Thomas F. Farrell, II, Ex Officio

AGENDA

	<u>PAGE</u>
I. CONSENT AGENDA	
A. Property Acquisitions	1
B. Establishment of the Medical Center Quasi-Endowment for the Benefit of the School of Medicine	2
II. ACTION ITEMS	
A. 2007-2008 Budget, 2007-2008 Annual Renovation and Infrastructure Plan, and 2007-2008 Pratt Fund (Mr. Sandridge to introduce Ms. Colette Sheehy and Mr. Edward Howell; Ms. Sheehy and Mr. Howell to report)	3
1. Academic Division	
2. The University of Virginia's College at Wise	
3. Medical Center	
4. Annual Renovation and Infrastructure Plan	
5. Pratt Fund	
B. Project Budget and Scope Reviews (Mr. Sandridge)	9
• Emily C. Couric Cancer Center	
• Hospital Bed Expansion	
• Crockett Hall Renovation, The University of Virginia's College at Wise	
C. Intent to Issue Tax-Exempt Debt (Mr. Sandridge)	11
D. Acquisition of New Student System (Mr. Sandridge)	14
E. Defined Contribution Retirement Program Annual Report and Policy Revision (Ms. Reynolds)	19

	<u>PAGE</u>
III. REPORTS BY THE EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER (Mr. Sandridge)	
A. Vice President's Remarks	22
• Progress Report on 2006-2007 Goals and Work Plan	
B. Endowment Report - Market Value and Performance as of March 31, 2007 (Written Report)	23
C. Miscellaneous Financial Reports	
1. Academic Division Accounts and Loans Receivable	32
2. Capital Campaign Report	34
3. Internal Loans to University Departments and Activities	35
4. Write-off of Bad Debts for Non-Patient Services	36
5. Quarterly Budget Report	37
6. Report on Endowment by School/Foundation	40
7. Quasi-Endowment Actions	41
8. 2007 Summer Rates for Dining Services at the University of Virginia and the Mountain Lake Biological Station	43
IV. ATTACHMENTS	
A. 2007-2008 Pratt Fund Allocation	
B. Policy on Qualified Defined Contribution Retirement Program	
C. Board of Visitors Finance Committee Appointees on Retirement Administrative Committee	
V. EXECUTIVE SESSION	
• Discussion of plans to protect public safety as it relates to terrorist activity and briefings by staff members, legal counsel, or law-enforcement or emergency service officials concerning actions taken to respond to such activity or a related threat to public safety; or discussion of reports or plans related to the security of any governmental facility, building or structure, or the safety of persons using such facility, building or structure, as provided for in Section 2.2-3711 (A) (20) of the <u>Code of Virginia</u> .	
• Discussion of the acceptance of a gift of real property to the University of Virginia, as provided for in Sections 2.2-3711 (A) (3) and (8) of the <u>Code of Virginia</u> .	

- Discussion of proprietary business-related information pertaining to operations of the Medical Center including capacity planning and a potential strategic joint venture or other competitive effort regarding long-term patient care which impacts the long-range strategic goals of the Medical Center and Health System Decade Plan and where disclosure at this time would adversely affect the competitive position of the Medical Center, as provided for in Sections 2.2-3711 (A) (6) and (23) of the Code of Virginia.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS CONSENT AGENDA

I.A. PROPERTY ACQUISITIONS: Approves acquisition of three properties, located on Emmet Street, from the University of Virginia Foundation and authorizes the Executive Vice President and Chief Operating Officer to execute all required documents and contracts to effect the acquisitions.

The University of Virginia Foundation acquired 104 Emmet Street in February, 1986; 132 Emmet Street in December, 1984; and, 900 Emmet Street in March, 2000 for the benefit of the University. The University leases from the University of Virginia Foundation 104 Emmet Street, a 3,759 square foot building currently used as temporary space for the Architecture School. The property at 132 Emmet Street is vacant, the structure formerly there having been demolished in May 2005. The property at 900 Emmet Street does not contain any improvements.

Acquisition of the properties by the University of Virginia will eliminate the lease expense and management fees charged by the University of Virginia Foundation.

APPROVAL OF PROPERTY ACQUISITIONS

WHEREAS, the University of Virginia finds it to be in its best interest to take ownership from the University of Virginia Foundation of various properties located along Emmet Street and for these properties to be managed by the University of Virginia;

RESOLVED that the following properties are approved for acquisition from the University of Virginia Foundation:

104 Emmet Street,
132 Emmet Street, and
900 Emmet Street; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer be authorized to approve and execute contracts and other documents, and to take such other actions as are necessary and appropriate to consummate these property acquisitions.

I.B. ESTABLISHMENT OF THE MEDICAL CENTER QUASI-ENDOWMENT FOR THE BENEFIT OF THE SCHOOL OF MEDICINE: Approves the establishment of the Medical Center Quasi-Endowment for the benefit of the School of Medicine in the amount of \$25,000,000.

The Medical Center provides support to the School of Medicine for the education of physicians. The Medical Center has identified \$25 million in existing reserves that it has agreed to dedicate to the School of Medicine to fund its academic programs. The School of Medicine wishes to establish a quasi-endowment so that the funds may be invested in the UVIMCO long-term pool; resulting quasi-endowment distributions and principal are to be used for operational needs. A quasi-endowment allows invasion of principal in the future.

APPROVAL OF ESTABLISHMENT OF THE MEDICAL CENTER QUASI-ENDOWMENT FOR THE BENEFIT OF THE SCHOOL OF MEDICINE

RESOLVED that the establishment of the Medical Center Quasi-Endowment for the benefit of the School of Medicine in the amount of \$25,000,000 is approved. Principal may be disinvested from time to time as necessary to fund academic programs in the School of Medicine.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 7, 2007

COMMITTEE: Finance

AGENDA ITEM: II.A. 2007-2008 Budget, 2007-2008 Annual
Renovation and Infrastructure Plan, and
2007-2008 Pratt Fund

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 and the Medical Center. Since its October 2006 meeting, the Board of Visitors has heard reports on the budget requests submitted to the state and the preliminary budget assumptions for the 2007-2008 operating budget. At its February and April meetings, the Board of Visitors approved tuition, mandatory fees, housing, and dining rates for 2007-2008, which comprise a significant revenue source for the operating budget, and heard reports on the actions of the 2007 General Assembly.

DISCUSSION: The 2007-2008 expenditure budget proposal for all divisions of the University totals \$2.1 billion, representing an increase of 6.7 percent over the revised budgets of the previous fiscal year. Of this amount, \$1,135.8 million relates to the Academic Division, \$33.3 million to The University of Virginia's College at Wise, and \$930.0 million to the Medical Center.

Academic Division

The proposed Academic Division operating expenditure budget will increase by 6.7 percent to \$1,135.8 million. This growth is driven by higher costs of salaries; the continued implementation of high priority initiatives such as AccessUVa, deferred maintenance, and the student system implementation; allocations of base operating support to academic units; and, new facilities.

The increased budget will be funded primarily from incremental tuition revenue (increasing 8.1 percent), state general funds (increasing 5.5 percent), auxiliary revenues (increasing 5.2 percent), and increased use of private resources (increasing 7.5 percent). Expenditures related to grants and contracts will decrease slightly by one percent.

Tuition and fees will fund 28.6 percent of the Academic Division expenditure budget, while grants and contracts will account for 23.9 percent. State general funds and private resources will contribute 15 percent and 14.2 percent, respectively. Funds from auxiliary enterprise operations (13.2 percent) and other sources (5.1 percent) comprise the remainder of the budget. For 2007-2008, the other sources category includes the usage of accumulated investment balances in order to fund central development costs and short-term financing for student system implementation.

Personnel costs comprise approximately 77 percent of educational and general expenditures and 64 percent of total operating expenditures in the Academic Division.

The University of Virginia's College at Wise

The proposed expenditure budget for The University of Virginia's College at Wise will increase by \$2.2 million, or seven percent, in 2007-2008. State general funds will increase 7.9 percent; tuition revenues will increase 5.8 percent; and, auxiliary revenues will increase 6.9 percent.

Medical Center

The Medical Center operating expenditure budget is proposed to increase by \$72.1 million, or 8.4 percent, to \$930.0 million during 2007-2008, compared with 2006-2007 projected operating expenses of \$857.9 million. Total margin is expected to be \$41.6 million or 4.3 percent. The budget presentation will include a proposal to increase hospital room rates and ancillary service charges between eight and ten percent and to enhance personnel compensation packages. The pay-for-performance pool has been established at \$5.4 million, which includes the impact on benefit costs. Other salary adjustments such as market, equity, and compression total \$5.6 million, including the impact on benefit costs.

The Medical Center's 2007-2008 fiscal plan has been developed to include aspects of the Decade Plan developed jointly by the Medical Center and School of Medicine while considering the challenges of providing patient care, teaching, and research services in an increasingly changing health care industry. The cost associated with providing quality patient care will continue to have upward pressure due to increases in

medical supply, pharmaceutical, and medical device expenses, as well as a shortage of healthcare workers. In addition, the Medical Center expects to continue its growth in surgery and to care for patients with high-acuity illnesses.

For a full discussion of the budget proposal as well as comparative revenue and expenditure data for the Academic Division, the College at Wise, and the Medical Center, please refer to the budget summary.

Annual Renovation and Infrastructure Plan

In each past biennium, as part of the University's Six Year Capital Plan and in accordance with authority delegated by the state, the Board of Visitors has authorized a "blanket" capital authority allowing the Academic Division and the Medical Center to initiate renovation or infrastructure projects costing between \$1 million and \$2 million without bringing each specific project to the Board of Visitors for approval. The Board of Visitors has also authorized larger "umbrella" capital authority, allowing the renovation of laboratories and vivaria which may exceed the \$2 million mark.

Under Restructuring, the Board of Visitors has been delegated the authority to approve all capital projects which will be funded with non-general funds. With this additional authority, the administration proposes a consolidation of and modification to the previously used "blanket" and "umbrella" authorities.

It is proposed that, on an annual basis, with the budget summary presentation to the Board of Visitors, the Academic Division and the Medical Center will present a detailed list of renovation and infrastructure projects expected to cost between \$1 million and \$5 million, to be funded with non-general fund cash (no debt), and expected to be initiated within the next fiscal year. The 2007-2008 Annual Renovation and Infrastructure Projects (ARIP) Plan for the Academic Division and the Medical Center is included in the Budget Summary on page 42.

This modification allows these smaller projects to be planned on a more appropriate timeline based on the nature of the project. For example, as a scientist is being recruited, the need to establish a project to renovate a lab may arise, and will need to be completed before the scientist joins the faculty. The proposed shorter, annual approval process will help to expedite the capital approval process for projects

meetings the aforementioned criteria. The proposed process also increases the threshold of projects in this category to \$5 million, recognizing the increasing cost of renovation work. More information will be provided about the projects initiated under this plan than under the prior "blanket" authority.

The 2007-2008 ARIP Plan includes potential projects totaling \$40.8 million for the Academic Division and \$40 million for the Medical Center. All Academic Division projects will be funded from cash - either from Board of Visitors deferred maintenance allocations, Law School tuition funds, Facilities and Administrative (F&A) recoveries, private resources, or auxiliary reserves. All Medical Center projects are expected be funded from operating funds.

Pratt Fund

In April 1976, the University received funds, designated in the will of John Lee Pratt, to be used "to supplement salaries of the professors of the Departments of Biology, Chemistry, Mathematics and Physics, to purchase equipment for these departments as suggested by the heads of the departments and approved by the President and the Board of Visitors, and to provide for scholarships in these departments for outstanding students." Mr. Pratt's will provides further that these funds could be used "to support research in the School of Medicine and to provide scholarships for medical students." The will stipulates that the Pratt endowment reverts to Washington and Lee University if the University of Virginia does not comply with the provisions of the will. The original Pratt endowment has been split into two equal endowments, with 50 percent of the original principal assigned to the College of Arts and Sciences and the remaining 50 percent assigned to the School of Medicine.

In 2007-2008, a distribution of \$2,495,098 from the College of Arts and Sciences endowment and \$5,337,130 from the School of Medicine endowment, for a total of \$7,795,098, is recommended. This distribution is made directly to the College of Arts & Sciences and the School of Medicine and is consistent with amounts distributed in the past. Committees in each of the schools developed the proposal (found on page 7) to spend the distribution in a manner consistent with previous years.

Deans in each of the schools, the Vice President for Research and Graduate Studies, the Vice President and Provost, and the President support these projects. The table below shows

aggregate allocations; Attachment A describes the specific allocations.

2007-2008 Pratt Fund Allocation

	<u>Equipment</u>	<u>Faculty Salaries</u>	<u>Fellowships</u>	<u>Research</u>	<u>Total</u>
Biology	\$ -	\$ 53,504	\$ 221,496	\$ -	\$ 275,000
Chemistry	-	90,000	185,000	-	275,000
Mathematics	33,411	16,722	124,867	-	175,000
Physics	-	15,766	259,234	-	275,000
New Faculty Start-Up Fund	1,495,098	-	-	-	1,495,098
Arts & Sciences Subtotal	\$1,528,509	\$ 175,992	\$ 790,597	\$ -	\$2,495,098
School of Medicine The Decade Plan	\$ -	\$ -	\$ 294,740	\$1,005,260	\$1,337,130
School of Medicine Subtotal	-	1,500,000	1,500,000	1,000,000	4,000,000
TOTAL	\$1,528,509	\$1,675,992	\$2,585,337	\$1,005,260	\$7,795,098

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

APPROVAL OF THE 2007-2008 OPERATING BUDGET AND ANNUAL RENOVATION AND INFRASTRUCTURE PLAN FOR THE ACADEMIC DIVISION

RESOLVED that the 2007-2008 Operating Budget and Annual Renovation and Infrastructure Plan for the Academic Division is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF THE 2007-2008 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED that the 2007-2008 Operating Budget for The University of Virginia's College at Wise is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF THE 2007-2008 OPERATING AND CAPITAL BUDGETS AND ANNUAL RENOVATION AND INFRASTRUCTURE PLAN FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED that the 2007-2008 Operating and Capital Budget and the Annual Renovation and Infrastructure Plan for the University of Virginia Medical Center is approved, as recommended by the President, the Chief Financial Officer, and the Medical Center Operating Board.

APPROVAL OF PRATT FUND DISTRIBUTION FOR 2007-2008

RESOLVED that 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 \$7,295,098 for 2007-2008, are suggested by the department chairs and recommended by the dean of each school. 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.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 7, 2007

COMMITTEE: Finance

AGENDA ITEM: II.B. Project Budget and Scope Reviews

BACKGROUND: In accordance with the policy adopted by the Board of Visitors in October 2004, all capital project budget increases in excess of ten percent and all capital project scope decreases in excess of ten percent require the approval of the Finance and Buildings and Grounds Committees. In addition, the administration will provide information refining or modifying the scope which will be achieved within the approved budget.

DISCUSSION: There are three capital projects for review at this meeting.

(1) Emily C. Couric Clinical Cancer Center - In September 2004, the Board approved a \$70.7 million budget to include a building of five floors, with a core lab on the fifth floor. On July 7, 2006, the committee approved a schematic design that included four floors, with a reduced budget of \$59 million. Recently, the team of vice presidents who oversee capital planning have concluded that it is most cost effective to proceed with a shelled fifth floor at a cost of \$8 million. Site demolition costs (\$1 million) and construction inflation not already accounted for (\$6 million) bring the total budget to \$74 million. The project will be funded from debt (\$40.3 million), state general funds (\$25.0 million), and gifts (\$8.7 million). The revised budget is not greater than ten percent of the originally approved budget, but does include additional debt of \$3.305 million, requiring Board of Visitors approval.

(2) Hospital Bed Expansion - In September 2005, the Board of Visitors approved a \$78 million budget for the Hospital Bed Expansion to include \$60 million to construct space for 70 beds and to fit-out 40 beds, and \$18 million of infrastructure work. The Medical Center has further refined its plan and would like to propose a change to the scope to add significantly more square footage in order to accommodate 72 beds and increased support space. The infrastructure work has been incorporated into the normal, multi-year deferred maintenance program. The total revised budget will be \$80.2 million, and will add a total of 72 beds, at a cost of \$1.1 million per bed. The \$2.2 million

budget increase represents a \$500,000 increase over the previously approved budget, as well as \$1.7 million for the recently approved Grounds Improvement Fund assessment (\$500,000) and LEED certification (\$1.2 million). The project will be funded from debt (\$62.2 million) and hospital operating revenues (\$18.0 million). This funding plan represents an increase of \$2.2 million debt.

(3) Crockett Hall Renovation, The University of Virginia's College at Wise (Wise) - In 2001, the Board of Visitors approved a \$4.75 million budget for the planning and renovation of Crockett Hall at the College at Wise. The renovation is now expected to cost \$6,900,000, an increase of \$2,150,000 or 45 percent. The project will be fully funded from state Virginia College Building Authority (VCBA) debt. The cost increase is due to the delay in construction resulting from programming changes and higher than expected inflationary costs of construction.

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

APPROVAL OF PROJECT SCOPE, BUDGET MODIFICATIONS, AND ADDITIONAL USE OF DEBT

RESOLVED that the \$3.305 million budget increase and use of additional University debt for the Emily C. Couric Clinical Cancer Center (bringing the total budget to \$74.0 million); the \$2.2 million budget increase and use of additional University debt for the Hospital Bed Expansion Project (bringing the total budget to \$80.178 million); and the \$2.15 million budget increase for the renovation of Crockett Hall at The University of Virginia's College at Wise (bringing the total budget to \$6.9 million) are approved.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 7, 2007

COMMITTEE: Finance

AGENDA ITEM: II.C. Intent to Issue Tax-Exempt Debt

BACKGROUND: Under federal tax regulations, the University's Board must pass an intent-to-issue resolution prior to issuing tax-exempt debt to reimburse itself for expenditures associated with specific, enumerated projects.

DISCUSSION: The University is presenting the capital projects listed below for the Board's consideration under this intent-to-issue resolution.

This resolution will also allow the University to provide short-term financing for the projects through the University's commercial paper program, where appropriate. Short-term financing may be provided for capital projects only after a project's business plan, including documentation of the project's fiscal soundness, has been approved by the appropriate vice presidents.

This resolution does not authorize the University to issue long-term debt. Prior to the University issuing long-term debt, the Board of Visitors will be asked to approve a separate debt issuance resolution.

The issuance of any tax-exempt debt for the project(s) under this intent-to-issue resolution is contingent upon the Board's approval of the projects and the proposed funding for the projects.

Project	Requested Intent-to-Issue Authorization	Total of This and All Prior Intent-to-Issue Approvals
Emily C. Couric Clinical Cancer Center	\$3,305,000	\$40,300,000
Hospital Bed Expansion	\$2,200,000	\$62,200,000

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

APPROVAL OF INTENT TO ISSUE TAX-EXEMPT DEBT

WHEREAS, the University intends to undertake the following capital projects utilizing tax-exempt debt as a funding source:

MEDICAL CENTER

Emily C. Couric Clinical Cancer Center (supplement)
Hospital Bed Expansion (supplement)

WHEREAS, the United States Department of the Treasury has promulgated final regulations in Section 1.150-2 of the Treasury Regulations governing when the allocation of bond proceeds to reimburse expenditures previously made by a borrower shall be treated as an expenditure of the bond proceeds; and

WHEREAS, the Regulations require a declaration of official intent by a borrower to provide evidence that the borrower intended to reimburse such expenditures with proceeds of its debt; and

WHEREAS, the Board of Visitors of the University of Virginia desires to make such a declaration of official intent as required by the Regulations; and

WHEREAS, the University may be required to provide short-term financing to each project prior to issuing long-term debt in order to implement an efficient and timely construction schedule; and

WHEREAS, the University has funding mechanisms to accommodate short-term financing needs, defined as a period of less than sixty months; and

WHEREAS, the authority for the University to enter into financing arrangements exceeding sixty months in maturity for each project listed is not included in this resolution; and

WHEREAS, if the University arranges short-term financing for a particular project, and if the project is not ultimately completed, or if the project utilizes funding sources other than debt, then the appropriate school or unit remains responsible for refunding the short-term obligation;

RESOLVED, that pursuant to the terms of the Treasury Regulations, the University of Virginia declares its intent to reimburse expenditures in accordance with the following:

1. The University reasonably expects to reimburse expenditures from the issuance of tax-exempt debt to be issued by the University incurred for each project;

2. This resolution is a declaration of official intent under Section 1.150-2 of the Regulations;

3. The maximum principal amount of debt expected to be issued for the purpose of reimbursing expenditures relating to each project is as follows:

MEDICAL CENTER

Emily C. Couric Clinical Cancer Center (requested) = \$3,305,000
(total of this and all prior approvals = \$40,300,000)

Hospital Bed Expansion (requested) = \$2,200,000
(total of this and all prior approvals = \$62,200,000)

RESOLVED FURTHER that each project is a separate enterprise independent of other projects, and that the authorization for funding relates to each individual project; and

RESOLVED FURTHER that funds may be borrowed for each project on a short-term basis, but only if the following conditions are met:

1. The Board of Visitors approves the current resolution;
2. A comprehensive and detailed financial plan for the school/unit project is submitted;
3. Short-term financing shall not exceed sixty months in maturity; and
4. The school or unit remains responsible for any debt obligation incurred regardless of the status of the capital project or whether or not a debt issuance actually occurs.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 7, 2007

COMMITTEE: Finance

AGENDA ITEM: II.D. Acquisition of New Student System

BACKGROUND: In October 1999, the Board of Visitors authorized the Executive Vice President and Chief Financial Officer to initiate and complete the implementation of all phases of the Integrated System project, including (1) the Oracle Enterprise Resource Planning (ERP) system comprised of Financial, Human Resources, and Payroll Applications at a project budget of \$39.3 million and (2) a student information system (not yet fully developed by the software vendor) at an anticipated cost of \$15.6 million. Further the Board of Visitors authorized the Executive Vice President and Chief Financial Officer to approve and execute contracts with software vendors and consulting firms necessary for the successful implementation of the software during those phases.

Oracle Financial Applications were deployed in July 2001 and Human Resources/Payroll Applications were deployed in October 2002; both within the approved budget of \$39.3 million. The University has recently completed planning for the third and final phase of the Integrated Systems Project, which will replace its aging student information system, ISIS, and anticipates moving into full implementation mode in 2007-2008.

DISCUSSION: The University's current student system, ISIS, is built on an aging technology platform that cannot meet current or future administrative or programmatic needs of students, faculty, and administrators. At the time of the October 1999 approval, there was not a feasible student system option. After careful analysis and review, the University has selected PeopleSoft Campus Solutions as the new student information system. The implementation of PeopleSoft Campus Solutions will provide a technological infrastructure that is up-to-date, reflects "best business practices," will evolve to capitalize on future advances in information technology, and will provide the adaptability and flexibility necessary to respond quickly to new business needs and requirements. The new student system will help position the University for growth and change and, most importantly, allow us to better serve the needs of our students.

Project Budget: The October 1999 approval by the Board of Visitors included a project budget of \$39.3 million to implement the finance and human resource/payroll phases and an anticipated cost of \$15.6 million to implement a student information system. With the assistance of CedarCrestone and guidance from the Gartner Group, the Student System Project recommends a \$51.2 million revised, comprehensive budget for the implementation of the PeopleSoft Campus Solutions student information system. The Administration believes the project can be completed within the core budget less the \$2.3 million contingency, or \$48.9 million. We will request authority for the \$51.2 million budget, but will measure success internally against the budget net of contingency. The budget includes personnel costs, hardware, software, maintenance, operating costs, consulting, and the coordination of projects, and is within the range incurred by similar student system implementations at peer institutions.

Funding Plan: Through June 30, 2007, \$7.3 million of the proposed \$51.2 million budget has been incurred and funded from accumulated investment earnings. For the remaining \$43.9 million budget requirement, the preliminary funding plan anticipates the following funding sources during the project implementation:

- \$6.5 million from state resources;
- \$5.6 million from auxiliaries who will benefit from the replacement of the aging student information system;
- \$4.7 million from an increased technology fee for students (\$100 in 2008-2009 and \$150 in 2009-2010)
- \$2.3 million contingency which is not funded in order to enforce the expectation that the project be managed to the \$48.9 million;
- \$1.4 million from the Higher Education Equipment Trust Fund; and
- \$1.1 million from existing resources in Information Technology and Communications and the Integrated System Deployment and Support.

The University anticipates that the remaining \$22.3 million, plus capitalized interest, will need to be financed over a period not to exceed ten years from the project completion. The principal and interest on this debt will be funded with annual proceeds from the increased technology fee.

In June 2001, the Board of Visitors approved a short-term loan of up to \$20 million for a term of nine years (to be repaid by June 2010) for the purpose of providing short-term financing

associated with the Integrated Systems Project. This financing was not needed as the University elected to use available cash balances for the project. At this time, the University recommends that this short-term financing authority be increased to \$30 million and the term extended until ten years after the expected completion of the student system implementation - December 2019.

Time frame: The student system implementation will take a multi-year, multi-phased approach. The project's budget is based on a timeline wherein all modules go live in a phased rollout by fall 2009; project funding ends in December 2009 and, after a short stabilization period, maintenance of the system begins.

Each module will follow phased methodologies to monitor progress, identify and mitigate risk, and develop and maintain quality within the project. These modules are anticipated to be completed over a three-year period:

- Campus Community
- Admission
- Financial Aid
- Student Financials
- Student Records
- Academic Advising

The Executive Vice President and Chief Operating Officer and the Executive Vice President and Provost will provide reports to the Finance and Educational Policy Committees of the Board of Visitors not less frequently than semi-annually, describing the progress on the project and compliance with the business plan.

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

APPROVAL OF STUDENT SYSTEM REVISED BUDGET

WHEREAS, in October 1999, the Board of Visitors of the University of Virginia authorized the then-Executive Vice President and Chief Financial Officer to initiate and complete the implementation of all phases of the Integrated System project and to approve and execute contracts with software vendors and consulting firms necessary for the successful implementation of the software during those phases; and

WHEREAS, the University successfully implemented the finance phase of the Integrated System Project in July 2001 and successfully implemented the human resource/payroll phase in October 2002, within the approved budget of \$39.3 million; and

WHEREAS, in October 1999 the cost of implementing the student information system was anticipated at \$15.6 million; and

WHEREAS, the University has completed rigorous selection and negotiation efforts for a software vendor, PeopleSoft Campus Solutions, and for a consulting firm, CedarCrestone, that will provide services to assist with the third phase of the Integrated System project, the implementation of a student information system at the University; and

WHEREAS, the University, with assistance from the consulting firms CedarCrestone and the Gartner Group, has prepared a business case, a revised project budget, and a project plan that includes methodologies to monitor progress, identify and mitigate risk, and to develop and maintain quality within the project; and

WHEREAS, the University recommends a comprehensive, revised budget of \$51.2 million; and

WHEREAS, the University anticipates the need for short-term financing; and

WHEREAS, the Board of Visitors has previously authorized up to \$20 million in short-term financing, to be repaid by June 2010, for the Integrated Systems Project;

RESOLVED that the Board of Visitors approves a project budget of \$51.2 million for the third phase of the Integrated System Project, bringing the total project budget for all three phases to \$90.5 million; and

RESOLVED FURTHER that the Board of Visitors increases the short-term financing approved in June 2001 to a maximum of \$30 million and extends the term from June 2010 until December 2019, ten years after the completion of the student system implementation; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer is authorized to execute all contract and loan documents; and

RESOLVED FURTHER that the Executive Vice President and Provost and the Executive Vice President and Chief Operating Officer shall provide reports to the Finance and Educational Policy Committees no less frequently than semi-annually describing progress on the project and compliance with the business plan.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 7, 2007

COMMITTEE: Finance

AGENDA ITEM: II.E. Defined Contribution Retirement Program
Annual Report and Policy Revision

BACKGROUND: The University is the plan sponsor of a number of defined contribution retirement plans, including the Defined Contribution Retirement Plan for the General Faculty of the University of Virginia and the Defined Contribution Retirement Plan for Employees of the University of Virginia Medical Center.

On June 13, 1997, the Board of Visitors delegated the oversight of the administration of these retirement plans to the Finance Committee's Investment Subcommittee, which was later renamed the University of Virginia Investment Management Company (UVIMCO).

The existing UVIMCO policy, dated July 9, 1997, identifies as the Oversight Committee the "board of the University of Virginia Investment Management Company of the Finance Committee of the Board of Visitors". It also established an Administrative Committee, appointed by the Executive Vice President and Chief Operating Officer, to perform management oversight of the retirement plans.

When UVIMCO was established as a separate organization in 2004, the oversight responsibility reverted to the Finance Committee. Several other changes were implemented. The University engaged a consultant to provide third-party analysis of investment performance of the funds; and the Retirement Administrative Committee formed an Investment Subcommittee, chaired by Chris Brightman, the CEO of UVIMCO, to provide investment expertise.

W. Heywood Fralin and G. Slaughter Fitz-Hugh, Jr., were appointed in December 2006 as the Finance Committee's appointees to work with the University's Retirement Administrative Committee to oversee the retirement program and report back to the Finance Committee on an annual basis.

DISCUSSION: On May 18, 2007, the Finance Committee appointees met with the Executive Vice President and Chief Operating Officer and representatives of the Retirement Administrative

Committee to review policy changes (reflected in Attachment B) and discuss the performance of the funds. The minutes of that meeting are included as Attachment C.

The meeting participants discussed policy changes to update the names of the parties involved in oversight, and to clarify their roles and responsibilities. Other modifications include the separation of the current Investment Policy Statement into two documents: the Retirement Program Policy and the Retirement Program Investment Procedures. The revised "Retirement Program Policy" is included as Attachment B with the resolution which the Finance Committee appointees to the Retirement Administrative Committee recommend for approval by the Finance Committee and Board of Visitors. The procedures document will be reviewed and revised as appropriate by the Retirement Administrative Committee in the coming year and reported to the Finance Committee appointees.

The meeting participants also reviewed the consultant's analysis of the investment fund lineup. Currently the Retirement Program offers three providers: TIAA-CREF, Fidelity and Vanguard. Each plan participant makes a two-step selection: first, a selection of one vendor from the three, and second, a selection of funds from among those offered by that vendor. At this time, minimal changes are recommended in the investment fund lineup, limited to adding the target retirement funds (or "life cycle" funds) for TIAA-CREF and Vanguard. Target retirement funds are already available in the Fidelity fund lineup.

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

APPROVAL OF REVISIONS TO THE INVESTMENT POLICY STATEMENT

WHEREAS, the University is the plan sponsor of a number of defined contribution retirement plans; and

WHEREAS, On June 13, 1997, the Board delegated the authority to monitor the administration of the defined contribution retirement plans to the Investment Subcommittee of the Finance Committee; and

WHEREAS, subsequent to the June 13, 1997 meeting of the Board, the Investment Subcommittee of the Finance Committee became the University of Virginia Investment Management Company (UVIMCO); and

WHEREAS, effective July 1, 2004 the University of Virginia Investment Management Company (UVIMCO) became a separate University-related foundation; and

WHEREAS, at its June, 2005 meeting, the Board of Visitors delegated to the Finance Committee the authority to monitor the administration of the defined contribution retirement plans on behalf of the Board; and

WHEREAS, the attached revised Retirement Program Policy incorporates this change in governance and other modifications, and is recommended by the Finance Committee appointees for approval;

RESOLVED that the Board of Visitors approves the Retirement Program Policy, included as Attachment B.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 7, 2007

COMMITTEE: Finance

AGENDA ITEM: III.A. Vice President's Remarks

ACTION REQUIRED: None

DISCUSSION: The Executive Vice President and Chief Operating Officer will report on the progress toward the 2007-2008 goals and work plan of the Finance Committee. The Executive Vice President and Chief Operating Officer will also inform the Board of recent events that do not require formal action, but of which it should be made aware.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 7, 2007

COMMITTEE: Finance

AGENDA ITEM: III.B. Endowment Report - Market Value
and Performance as of March 31, 2007

ACTION REQUIRED: None

BACKGROUND: The University of Virginia Investment Management Company (UVIMCO) provides investment management to the Rector and Visitors of the University of Virginia and its related Foundations. Assets deposited in UVIMCO are held in the custody and control of UVIMCO on behalf of the University and Foundations within a long-term, co-mingled investment Pool.

UVIMCO's primary objective in managing the Pool is to maximize long-term real return commensurate with the risk tolerance of the University. To achieve this objective, UVIMCO actively manages the Pool in an attempt to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk. Recognizing that the University must attract outstanding students, faculty, and staff and provide them appropriate resources, UVIMCO attempts to manage Pool assets to provide long-term real returns that compare favorably with the returns of endowments of other outstanding schools. UVIMCO does not set spending rates. UVIMCO communicates the Pool's risk and return estimates to the University and Foundations for their consideration in setting spending rates.

DISCUSSION:

Policy Portfolio Review

At this writing we are busy preparing for our policy portfolio review that we conduct each year in May. While the commentary provided in this space more commonly focuses on performance and recent market events, this quarter we discuss longer term and perhaps more important policy questions.

Our policy portfolio expresses our risk tolerance through a strategic asset allocation. Risk tolerance may be the most important determinant of our long-term investment return. One way to think about risk tolerance is as a risk and return

optimization objective. We could set a conservative objective to minimize risk while targeting a long-term return equal to our spending rate. Instead, we have set a more aggressive objective to maximize return within the bounds of prudent risk. We determine prudence by considering our tolerance for volatility in spending and the risk taken by other similar institutions.

Like many other market participants, our risk tolerance has increased over recent years. We attribute this increase to the rising importance of investment return in the strategic competition among universities for resources, faculty, and students. However, our increased appetite for risk also may be a response to the strong recent rewards that markets have provided for risk taking. The former rationale for increasing risk is strategic and insensitive to market environment; the latter is more tactical and subject to question following the pronounced appreciation of capital market prices over the past three years.

Having established our risk tolerance, we set a strategic asset allocation. We group managers into asset classes considering multiple overlapping criteria including the types of securities and geography in which they invest and the structure and liquidity of their funds. We then estimate the uncertain future returns of those asset classes and their relationships to each other. With asset class risk and return expectations, we seek an optimally diversified mix consistent with our risk tolerance. Whether our risk and return estimates should alter our risk tolerance is a difficult question.

This year, we will consider changing our asset class definitions. We will likely move away from classifying managers by fund structure (public equity, hedge funds, private equity, etc.) and move toward classifying managers by security type (stocks, bonds, real estate). Recognizing that many of our investment managers invest in multiple asset classes and geographies, often long and short, and with variable leverage, we will consider setting asset allocation targets and ranges for net exposures to security types and regions looking through the portfolios of our managers. In preparation for this change, we have been reporting look-through net exposures for several months.

Performance

For the nine months fiscal year-to-date March 2007, our return was almost 16 percent, increasing the value of the pool by \$550 million to over \$4 billion. This return considerably

exceeded the 11 percent return of a 65 percent/35 percent mix of domestic equity and bond indices and modestly exceeded the return of our policy portfolio benchmark by about one percent.

Continuing the trend of the past three years, market risk was well rewarded. For the nine months, our public equity managers returned an average of 22 percent and our private equity managers 25 percent. While our returns in equity asset classes exceeded their corresponding benchmarks by several percentage points, much of this return was provided by market exposure. Lower risk asset classes provided lower returns. Our hedge fund managers returned 14 percent, real assets 12 percent, and fixed income seven percent.

Despite our strong absolute performance so far this year, our return is likely below the returns of other leading endowments. We believe that our peers have 15 percent to 20 percent more invested in equity managers and 15 percent to 20 percent less invested in hedge fund managers, and we observe that our public equity managers have provided returns eight percent higher than our hedge fund managers. Also, our immature private equity investments, particularly real assets, are providing lower returns than the more mature portfolios held by many of our peers.

Public Equity

Our public equity portfolio returned 22 percent fiscal year-to-date versus 17 percent for the MSCI All Country World Index. We continue to benefit from our overweight to international markets, as a combination of strong local market returns and a declining dollar led to much higher returns for dollar-based investors. We further benefited from a recent timely reduction in what had been a significant overweight to emerging markets.

Because we perceive equity markets as increasingly fully valued, we expect future returns to be more dependent upon stock picking skill. In response, we are shifting our emphasis from broadly diversified managers to specialists who run much more concentrated portfolios. We therefore expect that our public equity returns will less closely track market indices.

Hedge Funds

Our hedge fund portfolio returned 14 percent fiscal year-to-date, which compares favorably to our Tremont benchmark return of 12 percent. Our two largest sub-categories,

long/short equity and global macro, have enjoyed strong relative returns this year.

Quantitative strategies within the equity market neutral and event-driven sub-categories have underperformed. We continue to assess whether the underperformance of quantitative strategies, both by our managers and many others with a similar style, is temporal or structural.

Private Equity

Our private equity portfolio returned 25 percent year-to-date, buoyed by an unusually strong return of 28 percent for our growing allocation to buyout managers. Our much smaller allocation to venture capital provided a 12 percent return. We are pleased to have achieved a strong return in buyouts despite very few investments with managers active in large leveraged buyouts of public companies. While spectacularly profitable of late, we worry that these big, well publicized public to private deals are too dependent upon easy credit and rising equity market prices. Our commitments remain focused with managers that buy smaller underperforming private companies or operate in less competitive complex situations, where deals employ less leverage, and returns are achieved through operational improvements and earnings growth.

Real Assets

Our immature real assets portfolio returned 12 percent fiscal year to date. Our small allocation to real estate returned a meager two percent, far below the Cambridge benchmark return of 22 percent. Our real estate portfolio is deep in the J-curve with two-thirds of its market value in funds less than two years old.

Our resources portfolio returned 20 percent, primarily from upstream oil and gas managers. Our high level of recent commitments to resources funds was a drag on relative performance, causing us to trail the Cambridge resources benchmark return of 25 percent. As we have increased our pace of commitments to resources, we have begun to diversify into midstream oil and gas, power, and mining managers.

Fixed Income

The seven percent return of our fixed income portfolio matched the return of the Lehman Aggregate bond index. We are increasing our fixed income portfolio toward its ten percent

policy target to improve our liquidity. We need greater liquidity in view of our more rapid pace of commitments to draw down funds and the resulting growth in the amount of our uncalled commitments.

Investment Report
March 31, 2007
UVIMCO Long-Term Pool

Investment Activity

	Month	Fiscal Year To Date 2007
Beginning Investment	\$3,905,349,335.73	\$3,456,909,063.90
Beginning Shares	911,147.28	903,299.44
NAV Per Share at Beginning of Period	\$4,286.19	\$3,826.98
+ Contributions	\$15,364,170.45	\$113,785,103.76
- Redemptions	(\$591,988.44)	(\$71,195,869.11)
+ Investment Return	\$121,592,519.31	\$547,116,343.57
-UVIMCO Fees	(\$650,891.55)	(\$5,551,496.75)
Ending Investment	\$4,041,063,145.50	\$4,041,063,145.50
Ending Shares	914,342.41	914,342.41
NAV Per Share at End of Period	\$4,419.64	\$4,419.64

Position Summary

	Portfolio	Target	Difference
Public Equity	25.4%	25.0%	0.4%
Hedge Funds	41.4%	47.0%	-5.6%
Private Equity	16.0%	12.0%	4.0%
Real Assets	5.1%	6.0%	-0.9%
Fixed Income	7.8%	10.0%	-2.2%
Cash	4.3%	0.0%	4.3%
Total	100.0%	100.0%	0.0%

Performance Summary

	Portfolio	Benchmark	Difference
Month Return	3.1%	3.2%	-0.1%
3-Month Return	5.2%	4.5%	0.8%
Calendar Year-to-Date Return	5.2%	4.5%	0.8%
Fiscal Year To Date Return	15.7%	14.6%	1.0%
1-Year Return	15.5%	15.4%	0.1%
3-Year Return	15.0%	15.1%	-0.1%
5-Year Return	13.1%	11.4%	1.7%
10-Year Return	14.8%	10.1%	4.6%
20-Year Return	13.2%	10.3%	2.9%
Fiscal Year 2006 Return	14.6%	17.7%	-3.2%
Fiscal Year 2005 Return	14.3%	12.6%	1.6%
Fiscal Year 2004 Return	12.7%	15.2%	-2.5%

Investment Report
March 31, 2007
UVIMCO Long-Term Pool

Manager Allocations

	Actual Pool ⁽¹⁾		Investment Policy			Relative	Peer Group ⁽²⁾
	\$ millions	%	Min	Target	Max	To Target	%
Public Equity	1,025	25.4%	20%	25%	30%	0.4%	42.1%
U.S.	384	9.5%	5%	10%	20%	-0.5%	22.1%
Non-U.S. Developed	430	10.6%	5%	10%	20%	0.6%	14.8%
Emerging	211	5.2%	0%	5%	10%	0.2%	5.2%
Hedge Funds	1,675	41.4%	30%	47%	60%	-5.6%	23.6%
Equity L/S	1,233	30.5%	10%	--	45%	--	--
Equity MN	47	1.2%	0%	--	30%	--	--
Fix. Inc. Arbitrage	0	0.0%	0%	--	15%	--	--
Global Macro	206	5.1%	0%	--	15%	--	--
ED / Multi-Strategy	136	3.4%	0%	--	15%	--	--
Distressed	36	0.9%	0%	--	15%	--	--
Side Pockets	16	0.4%	--	--	--	--	--
Private Equity	648	16.0%	10%	12%	25%	4.0%	10.3%
Venture	117	2.9%	0%	2%	10%	0.9%	3.6%
Buyouts	531	13.1%	5%	10%	20%	3.1%	6.7%
Real Assets	205	5.1%	5%	6%	20%	-0.9%	10.3%
Real Estate	84	2.1%	0%	3%	20%	-0.9%	5.1%
Resources	120	3.0%	0%	3%	10%	0.0%	5.1%
Fixed Income	314	7.8%	5%	10%	30%	-2.2%	11.8%
Investment Grade	303	7.5%	5%	8%	20%	-0.5%	11.2%
High Yield	11	0.3%	0%	2%	10%	-1.7%	0.6%
Cash⁽³⁾	175	4.3%	0%	0%	10%	4.3%	1.8%
Total Pool	4,041	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%

Market and Currency Exposures⁽⁴⁾

	North America	Developed Europe	Developed Asia	Emerging Asia	Latin America	Other EM	Total
Equity	27.3%	14.4%	7.1%	4.7%	2.5%	2.8%	58.7%
Public Equity	18.9%	10.6%	7.0%	4.6%	2.5%	2.3%	45.9%
Venture	2.4%	0.1%	0.0%	0.1%	0.0%	0.3%	2.9%
Buyout	6.0%	3.6%	0.0%	0.0%	0.0%	0.3%	9.9%
Real Assets	3.9%	0.1%	0.5%	0.0%	0.1%	0.4%	5.1%
Real Estate	1.7%	0.1%	0.2%	0.0%	0.1%	0.0%	2.1%
Resources	2.2%	0.0%	0.3%	0.0%	0.0%	0.4%	3.0%
Fixed Income	13.8%	0.5%	0.0%	0.0%	1.0%	0.0%	15.3%
Investment Grade	9.6%	-0.5%	-0.2%	0.0%	0.0%	0.0%	8.9%
High Yield / EM	4.3%	1.0%	0.2%	0.0%	1.0%	0.0%	6.4%
Market Exposure	45.1%	15.0%	7.6%	4.7%	3.5%	3.2%	79.1%
Cash & Currency	31.0%	-5.2%	-0.7%	-2.1%	-1.6%	-0.7%	20.9%
Currency Exposure	76.1%	9.8%	6.9%	2.6%	2.0%	2.6%	100.0%

Investment Report
March 31, 2007
UVIMCO Long-Term Pool

Investment Performance

	Current				Annualized				
	MO	3MO	CYTD	FYTD	1 YR	3 YR	5 YR	10 YR	20 YR
TOTAL FUND	3.1	5.2	5.2	15.7	15.5	15.0	13.1	14.8	13.2
<i>Target Benchmark</i>	3.2	4.5	4.5	14.6	15.4	15.1	11.4	10.1	10.3
<i>65% Russell 3000 / 35% Lehman Agg.</i>	0.7	1.4	1.4	11.1	9.7	8.2	6.8	8.2	9.8
Public Equity⁽⁶⁾	3.2	3.5	3.5	21.6	19.0	22.4	18.5	13.5	13.3
U.S.	1.7	3.5	3.5	16.2	13.7	14.6	11.0	10.3	12.0
<i>Russell 3000</i>	1.0	1.3	1.3	13.5	11.3	10.8	7.2	8.7	10.7
Non-U.S. Developed	4.8	4.1	4.1	24.9	24.1	33.5	--	--	--
<i>MSCI World Ex-USA</i>	2.6	4.1	4.1	19.0	20.1	20.5	16.5	8.9	7.6
Emerging	2.9	2.9	2.9	24.2	18.9	25.8	24.4	12.4	--
<i>MSCI Emerging Markets</i>	4.0	2.3	2.3	26.4	21.0	28.0	24.8	8.8	--
Hedge Funds	1.4	4.3	4.3	13.8	11.5	11.6	11.2	12.6	--
Equity Long/Short	1.8	4.9	4.9	15.4	12.3	12.8	11.3	14.3	--
Equity Market Neutral	2.6	(1.3)	(1.3)	(7.9)	(7.8)	--	--	--	--
Fixed Income Arbitrage	--	--	--	--	--	--	--	--	--
Global Macro	(0.6)	1.7	1.7	15.5	13.0	13.3	11.0	--	--
Event Driven / Multi-Strategy	1.2	4.6	4.6	9.4	10.9	3.8	5.2	6.1	--
Distressed	0.2	5.0	5.0	17.5	20.3	13.3	--	--	--
<i>60% Tremont HF / 40% Tremont L/S</i>	1.5	3.5	3.5	11.6	11.4	10.9	10.7	11.5	--
Private Equity (IRR⁶)	--	13.8	13.8	24.7	29.1	21.4	14.1	60.3	35.0
Venture Capital	--	7.4	7.4	11.6	15.6	5.3	(6.2)	106.3	41.1
<i>Cambridge U.S. Venture Capital</i>	--	9.3	9.3	13.0	17.4	13.3	1.3	42.1	21.6
Buyouts	--	15.3	15.3	28.2	32.7	26.9	24.9	19.3	--
<i>Cambridge U.S. Private Equity</i>	--	11.8	11.8	21.8	28.5	25.4	17.3	13.9	15.1
Real Assets (IRR⁶)	--	1.4	1.4	12.0	13.2	30.8	13.3	13.1	--
Real Estate	--	0.6	0.6	2.3	2.4	25.2	1.4	10.9	--
<i>Cambridge Real Estate</i>	--	13.1	13.1	22.3	26.9	27.7	17.8	15.6	12.6
Resources	--	2.0	2.0	19.8	22.1	35.7	29.6	--	--
<i>Cambridge Resources</i>	--	6.4	6.4	25.2	36.0	39.2	26.7	18.2	17.7
Fixed Income⁽⁷⁾	0.6	2.3	2.3	6.7	7.1	4.0	7.7	7.3	8.1
Investment Grade	0.4	1.5	1.5	7.9	8.3	4.4	7.9	8.1	8.5
<i>Lehman U.S. Aggregate</i>	0.0	1.5	1.5	6.7	6.6	3.3	5.4	6.5	7.3
High Yield	9.2	9.3	9.3	(4.1)	--	--	--	--	--
<i>Lehman U.S. Corp. High Yield</i>	0.1	2.6	2.6	11.3	11.6	8.6	10.4	6.7	8.5
Cash	0.4	1.3	1.3	4.2	5.4	3.4	--	--	--
<i>Repo⁽⁸⁾</i>	(0.5)	(1.4)	(1.4)	(4.2)	(5.5)	--	--	--	--

Investment Report
March 31, 2007
UVIMCO Long-Term Pool

Footnotes

- (1) Actual Pool allocations account for securities transactions, manager cash flows and depositor transactions using trade or valuation dates.
- (2) Represents equally-weighted average asset allocation of the Colleges & Universities Over \$1 Billion universe as defined by Cambridge Associates. Data as of June 30, 2006.
- (3) Cash is reported as the Long-Term Pool's cash reserve net of proceeds from securities sold under agreement to repurchase.
- (4) The Market and Currency Exposures Report presents the Long-Term Pool's look-through net exposure to principal asset classes, regions and foreign currency. Manager exposures are aggregated quarterly and updated monthly where possible. March 31, 2007 region exposure breakdowns were used to estimate exposures.
- (5) Public Equity composite includes performance contribution of S&P 500 / Russell 1000 Growth Swap, effective March 2007.
- (6) Internal rate of return (IRR) reported quarterly on a one-quarter lag. No return is reported for periods within quarter-end dates.
- (7) Fixed Income composite includes performance contribution of 2-Year Treasury Note Futures, effective September 2006.
- (8) Represents the cost associated with the Repo program.

MISCELLANEOUS FINANCIAL REPORTS
Finance Committee
University of Virginia

June 7, 2007

UNIVERSITY OF VIRGINIA ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF MARCH 31, 2007

Summary of Accounts Receivable:

The University's Academic Division's total accounts receivable at March 31, 2007 was \$16,608,000 as compared to \$73,557,000 at December 31, 2006. The major sources of receivables at March 31, 2007 were sponsored programs of \$10,428,000 and other receivables of \$4,371,000.

The past due receivables over 120 days old were \$1,511,000 as of March 31, 2007 or 9.1 percent of total receivables, which is below the Commonwealth's management standard of ten percent.

	<u>Student Accounts</u>	<u>Sponsored Programs</u>	<u>Other Receivables</u>	<u>Total</u>
Gross Accounts Receivable	\$ 1,809,000	\$ 10,428,000	\$ 4,371,000	\$ 16,608,000
Less: Allowance for Doubtful Accounts	200,000	750,000	250,000	1,200,000
Net Accounts Receivable	<u>\$ 1,609,000</u>	<u>\$ 9,678,000</u>	<u>\$ 299,000</u>	<u>\$ 1,511,000</u>
Accounts Receivable Greater than 120 Days Past Due	<u>\$ 223,000</u>	<u>\$ 989,000</u>	<u>\$ 299,000</u>	<u>\$ 1,511,000</u>

SOURCE: Financial Administration
DATE: April, 27, 2007

UNIVERSITY OF VIRGINIA ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF MARCH 31, 2007

Summary of Loans Receivable:

The default rate for the Perkins Student Loan Program increased by 1.22 percent to 5.85 percent. This is based on the cohort default calculation and is well below the 15 percent threshold set by federal regulations. The Health Professions Loan Program default rate remained the same at zero percent. Both medical loan programs are well below the five percent federal threshold. The University Loan Program default rate decreased by 0.52 percent to 4.34 percent.

	<u>Gross Loans Receivable</u>	<u>Current Default Rate</u>	<u>Inc./ (Dec) From Last Quarter</u>
Perkins Student Loans	\$ 17,287,000	5.85%	1.22%
Health Professions Loans	58,000	0.00%	0.00%
Undergraduate Nursing Loans	943,000	1.25%	-0.33%
University Loans	<u>10,561,000</u>	4.34%	-0.52%
Total Student Loan Outstanding	<u>\$ 28,849,000</u>		

SOURCE: Financial Administration
DATE: April 27, 2007

University of Virginia
Capital Campaign Summary
As Of 4/30/07

All Units

	Expendable	Endowment	Total
Gifts and Pledge Payments	497,051,441	196,148,491	693,199,932
Outstanding Pledge Balances	221,412,823	169,202,821	390,615,644
Deferred Gifts	82,041,933	13,106,081	95,148,014
Private Grants	80,716,774	0	80,716,774
Gifts in Kind	49,524,654	751,931	50,276,585
Subtotal	930,747,625	379,209,324	1,309,956,949
Additional Amounts To Be Raised	441,202,375	1,248,840,676	1,690,043,051
Total	1,371,950,000	1,628,050,000	3,000,000,000
Future Support	60,570,625	19,502,537	80,073,162

Rector & Visitors Gift Accounts Only

	Expendable	Endowment	Total
Gifts and Pledge Payments	193,069,386	109,055,021	302,124,407
Outstanding Pledge Balances	52,472,979	110,266,589	162,739,568
Deferred Gifts	52,785,921	3,851,385	56,637,306
Private Grants	0	0	0
Gifts in Kind	14,732,047	85,000	14,817,047
Subtotal	313,060,333	223,257,995	536,318,328
Additional Amounts To Be Raised	TBD	TBD	TBD
Total	313,060,333	223,257,995	536,318,328
Future Support	37,121,853	3,039,701	40,161,554

Rector & Visitors Unrestricted Giving

Gifts and Pledge Payments	1,775,307	0	1,775,307
Outstanding Pledge Balances	123,567	0	123,567
Total	1,898,874	0	1,898,874

Source: Office of Development and Public Affairs

Date:

May 12, 2007

UNIVERSITY OF VIRGINIA
INTERNAL LOANS TO UNIVERSITY DEPARTMENTS AND ACTIVITIES
As of March 31, 2007

PURPOSE (INT PROJECT)	DATE OF LOAN	INTEREST RATE	ORIGINAL LOAN AMOUNT	PRINCIPAL PAYMENTS MADE TO DATE	OUTSTANDING PRINCIPAL	APPROXIMATE FINAL PAYMENT
Astronomy Large Binocular Telescope	02/06/06	4.75%	\$ 400,000	\$ 48,840	\$ 351,160	January 2009
Cocke Hall	06/30/06	4.75%	1,941,787	264,880	1,676,907	June 2011
Columbarium	10/03/03	4.75%	85,000	85,000	-	January 2007
ITC ISIS Software	06/30/06	4.75%	1,575,000	286,462	1,288,538	July 2010
National Radio Astronomy Observatory Piping	09/01/06	6.25%	706,833	72,779	634,054	August 2011
Wise Student System	04/21/04	4.75%	200,000	150,000	50,000	July 2007
Wise Football Facility	12/22/98	Fed.Funds +60 pts.	3,000,000	1,440,272	1,559,728	June 2009
Total Internal Loans Subject to \$15M Limit Established by BOV ¹			\$ 7,908,620	\$ 2,348,233	\$ 5,560,387	

- NOTE: 1. Per January 1990 Board of Visitors resolution establishing the internal loan pool at \$10 million and per April 2003 Board of Visitors resolution approving the expansion of the internal loan pool from \$10 million to \$15 million. All internal loans are subject to the approval of the Executive Vice President and Chief Operating Officer.
2. The University's blended borrowing rate for tax exempt financing is 4.75%. A taxable rate of 6.25% was charged for the National Radio Astronomy Observatory Piping project.

SOURCE: Financial Administration
DATE: April 12, 2007

UNIVERSITY OF VIRGINIA
 REPORT ON WRITE-OFF OF NON-PATIENT BAD DEBTS FOR
 FISCAL YEAR 2006-2007

Report on Write-Off of Non-Patient Bad Debts

The University's write-off of non-patient bad debts for fiscal year 2006-2007 is \$307,386. This year's write-off decreased by \$7,089 or 2.25 percent. These write-offs do not constitute a compromise, settlement, or discharge of the debts. For the past ten years, the University averages a collection rate of approximately 48 percent of all previously written off student debts.

	FY 2006-07	FY 2005-06	FY 2004-05	FY 2003-04	FY 2002-03
Tuition and Fees	\$96,691	\$91,177	\$132,638	\$112,511	\$95,352
Auxiliary Services Fines and Charges	49,131	105,609	111,555	78,380	84,926
UVA's College at Wise	29,798	32,348	20,717	61,994	-
Library Fines and Charges	19,942	23,886	25,480	28,765	25,776
University Student Loans	8,387	16,268	17,011	15,170	20,879
Uncollectable Salary Overpayment	8,807	15,978	40,280		
Other Charges	94,630	29,209	33,876	30,282	57,310
TOTAL	\$307,386	\$314,475	\$381,556	\$327,103	\$284,243

Report on Equipment Inventory

	<u>Remaining Book Value</u>	<u>Cumulative Depreciation</u>	<u>Original Cost</u>
Equipment Inventory Write-Off	\$93,149	\$1,640,943	\$1,734,092

Write-off represents equipment that has been surplus, lost or disposed. Most of the items were purchased in the mid- to late-1990s.

SOURCE: Financial Administration
 DATE: May 1, 2007

QUARTERLY BUDGET REPORT

As of March 31, 2007

This report compares the actual results for the sources and uses of funds to the Academic Division annual budget (excluding the Medical Center and the University of Virginia's College at Wise). At the end of the third quarter of 2006-07, 85.3 percent of the budgeted sources were collected and 77.1 percent of the budgeted uses were expended.

The operating budget is developed using differing rules and conventions from the audited financial statements, which are developed in accordance with generally accepted accounting principles (GAAP). In some cases, similar descriptions are used in both reports even though the precise definitions and the specific amounts are not identical. However, both sets of figures are accurate for their particular purposes, and both are drawn from the University's financial applications. Outlined below are several of the differing conventions used in the operating budget and the actual results presented on the accompanying statement:

- The operating budget is prepared on a cash basis.
- The operating budget presents tuition and fees as gross income and the full amount of student aid as an expense.
- In the operating budget, depreciation is not funded and non-capital outlay purchases are recognized as expensed rather than spread over the useful life of the purchase. Debt service, major repair or renovation expenditures occur within the capital outlay accounts - and off the operating budget.
- The Federal Family Education Loan Program is excluded from the operating budget.
- Sources of funds are shown net of transfers to capital reserves/projects in the operating budget.
- Fringe benefit expenditures are included in the operating budget using pooled benefit rates.
- The operating budget recognizes recoveries of indirect costs only upon distribution of those revenues, and not when billed to granting agencies.

A definition of terms is included to explain the categories for the sources and uses of funds.

SOURCE: Budget Office
DATE: May 24, 2007

University of Virginia Academic Division
2006-2007 Operating Budget Report
As of March 31, 2007
(in thousands)

	2006-07 Revised Budget	3/31/07 Actual Results	Variance	3/31/07 Percentage of Budget
Sources of Available Funds, net of transfers to capital reserves				
Tuition & Fees for Operating Plan	\$299,866	\$290,203	\$9,663	96.8%
State General Fund Appropriation for Operating Plan	162,001	159,128	2,873	98.2%
Sponsored Research for Operating Plan	273,939	243,289	30,650	88.8%
Endowment Distribution	94,306	38,628	55,678	41.0%
Net Gifts Available for Operating Plan	110,590	58,441	52,149	52.8%
Sales, Investment & Other	31,319	34,247	(2,928)	109.3%
Net Auxiliary Enterprises for Operating Plan	142,711	126,437	16,274	88.6%
Total Sources of Available Funds	<u>\$1,114,732</u>	<u>\$950,373</u>	<u>\$164,359</u>	<u>85.3%</u>
Uses of Available Funds				
Direct Instruction	275,665	198,465	77,200	72.0%
Research and Public Service	273,079	214,728	58,351	78.6%
Library, Information Tech., & Academic Administration	112,253	87,999	24,254	78.4%
Student Services	23,327	20,893	2,434	89.6%
General Administration	76,283	52,188	24,095	68.4%
Operation & Maintenance of Physical Plant	63,363	52,669	10,694	83.1%
Scholarships, Fellowships, and Other Graduate Support	109,363	93,790	15,573	85.8%
Athletics	35,403	31,603	3,800	89.3%
Bookstore	34,286	27,539	6,747	80.3%
Housing and Conference Services	18,549	12,235	6,314	66.0%
Other Auxiliary Operations	52,129	40,062	12,067	76.9%
Total Operating Expenses	<u>1,073,700</u>	<u>832,171</u>	<u>241,529</u>	<u>77.5%</u>
Total Operating Reserves and Temporary Allocations	<u>5,347</u>	<u>-</u>	<u>5,347</u>	<u>0.0%</u>
Total Uses of Available Funds	<u>\$1,079,047</u>	<u>\$832,171</u>	<u>\$246,876</u>	<u>77.1%</u>
Net Sources and Uses of Operating Funds	<u>\$35,685</u>	<u>\$118,202</u>	<u>(\$82,517)</u>	<u>n/a</u>

DEFINITION OF TERMS

Sponsored Research -- primarily research projects, but also includes activities restricted to institutional and service programs.

Auxiliary Enterprises -- those activities which are supported entirely through fees charged to users, such as housing, athletics, dining services, the telephone system and the bookstore.

Instruction -- expenditures for the primary mission of the University, which includes teaching faculty, support staff, instructional equipment, and related routine operating costs.

Research -- includes expenditures for activities such as support for research faculty and sponsored research. Activities include the Center for Public Service, the State Climatologist, and the Center for Liberal Arts.

Public Service -- includes activities such as the Miller Center of Public Affairs, the Virginia Foundation for the Humanities, and that portion of the medical school's clinical physicians' salaries and fringe benefits related to patient care.

Library, Information Technology and Academic Administration -- encompasses the libraries, the activities of the deans of the schools, and other related expenditures.

Student Services -- activities whose primary purpose is to contribute to the students' emotional and physical well-being and to their intellectual, cultural, and social development outside the classroom.

General Administration -- includes the financial, administrative, logistical, and development activities of the University.

Operation and Maintenance of Physical Plant -- includes expenditures for activities related to the operation and maintenance of the physical plant, net of amounts charged to auxiliary enterprises and the Medical Center.

**Endowment/Long Term Investments for UVa and Related Foundations
March 31, 2007**

Unaudited
(in thousands)

	Rector and Visitors Funds	Related Foundation Funds Invested by UVIMCO	Alumni Association Funds Invested by UVIMCO	Related Foundation Funds Invested by Direction of Foundation Board	Total
The University of Virginia Medical School and related foundations	\$ 749,835	\$ 31,785	\$ 5,750	\$ 1,336	\$ 788,706
The College of Arts and Sciences and related foundations	315,600	31,967	9,154	24,161	380,882
Darden School and related foundation	110,736	220,996	-	6,003	337,734
The University of Virginia Law School and related foundation	41,776	128,569	-	146,833	317,178
The McIntire School of Commerce and related foundation	75,881	-	21,467	464	97,813
School of Engineering and related foundation	75,357	124	3,776	2,326	81,583
Graduate School of Arts and Sciences	46,622	-	-	-	46,622
University of Virginia's College at Wise and related foundation	35,233	1,375	2,053	6,073	44,735
School of Nursing	34,781	-	1,532	-	36,313
Curry School of Education and related foundation	12,619	7,963	-	8,395	28,977
School of Architecture	16,097	-	409	33	16,540
School of Continuing and Professional Studies	73	-	50	-	123
Alumni Association*	-	-	268,441	-	268,441
University of Virginia Medical Center and related foundations	160,750	37,855	-	53,968 *	252,572
University of Virginia Foundation and related entities	-	66,737	-	-	66,737
Centrally Managed University Scholarships	143,598	-	-	-	143,598
Athletics and related foundation	39,066	57,950	376	-	97,393
Provost	94,117	-	-	-	94,117
Miller Center and related foundation	51,008	4,718	-	-	55,726
Alumni Board of Trustees	-	48,378	-	40	48,418
University Libraries	45,096	-	45	-	45,141
University - Unrestricted but designated	338,383	-	-	-	338,383
University - Unrestricted Quasi and True Endowment	184,346	-	-	-	184,346
University - Unrestricted Other	149,321	-	-	-	149,321
All Other	181,637	8,009	-	-	189,646
	<u>\$ 2,901,932</u>	<u>\$ 646,426</u>	<u>\$ 313,053</u>	<u>\$ 249,633</u>	<u>\$ 4,111,043</u>

*Includes funds on deposit for other areas/schools not individually listed.
**Excludes approximately \$26.4 million of board designated pension funds.

Source: Financial Administration
Date: March 31, 2007

UNIVERSITY OF VIRGINIA
QUASI-ENDOWMENT ACTIONS

January 1, 2007 - March 31, 2007

The quasi-endowment actions listed below were approved by either (1) the Executive Vice President and Chief Operating Officer, under the following Board of Visitors' resolutions, or (2) the Vice President for Management and Budget, under the delegation of authority from the Executive Vice President and Chief Operating Officer:

October 1990 and June 1996 resolutions permitting the approval of quasi endowment actions, including establishments and divestments of less than \$2,000,000.

February 2006 resolution permitting approval of quasi endowment transactions, regardless of dollar amount, in cases in which it is determined to be necessary as part of the assessment of the business plan for capital projects. In addition, to the extent that the central loan program has balances, they may be invested in the long term investment pool managed by UVIMCO or in other investment vehicles as permitted by law.

<u>Additions</u>	<u>Amount</u>
Cole, Avalon Visiting Lectureship in Musculoskeletal Medicine	\$ 5,000.00
Dean's Discretionary Research Fund for Infectious Disease	84,439.18
President's Fund Excellence Unrestricted Quasi-Endowment*	1,746,576.35
Whitener, Ellen Quasi-Endowment Fund	55,611.69
University Quasi Endowment Fund (1)	164,431.90
	<hr/>
Total Additions to Quasi Endowments	\$ 2,056,059.12

<u>Divestments</u>	
Carlson Psychiatry Research Fund	\$ 130,000.00
Marching Band Quasi-Endowment	10,000.00
Mcintire, Virginia Gift	70,000.00
Thaler, Myles H. Quasi-Endowment for HIV Research	50,000.00
	<hr/>
Total Divestments from Quasi Endowments	\$ 260,000.00

Endowment Income Capitalizations

Alumni Council - Thomas Jefferson Quasi-Endowment	\$ 6,688.00
Arts and Sciences Alumni Council #2 Professorship Quasi-Endowment	9,903.00
AT & T Professorship in Engineering Quasi-Endowment	19,286.63
Ball, Frances M. Professorship Quasi-Endowment	27,492.00
Bryan, John Stewart Professorship in English Quasi-Endowment	33,414.00
Burger, Albert Professorship Quasi-Endowment	4,911.00
Cabell, James B. Memorial Quasi-Endowment	10,534.00
Daniels Family Distinguished Teaching Professorship Quasi-Endowment	3,086.00
Dean's Discretionary Research Fund for Infectious Disease	16,208.74
Ern, Ernest H. Professorship Quasi-Endowment	4,092.00
Glass, Carter and Robertson, Willis Professorship Quasi-Endowment	3,267.00
Goldsmith, Horace W. Distinguished Teaching Quasi-Endowment	20,068.00
Hamilton, Janet S. and John D. Quasi-Endowment	14,732.06
Hughes Endowment Income Capitalization Quasi-Endowment	1,565.42
Kyle, Edwin B. Quasi-Endowment	125,000.00
Madison, James Professorship in History	70,641.00
Miller, Mae W. Quasi-Endowment for Heart Research	13,640.00
Munster, W. S. Professorship Restricted Quasi-Endowment	12,575.25
Pratt, Lillian T. Unrestricted School of Medicine Quasi-Endowment	21,895.31
Robertson Professorship in Media Studies Quasi-Endowment	8,696.00
Vaughan, Joseph L. Chair Restricted Quasi-Endowment	18,390.03
Weedon, Ellen B. Professorship in East Asian Studies Quasi-Endowment	18,921.00
Total Endowment Income Capitalizations	\$ 465,006.44

NOTES:

*Quasi-endowment newly established or originally funded since January 1, 2007.

(1) Includes current unrestricted gifts to the University which, under a standing Board of Visitors resolution, are required to be added to the University's Unrestricted Endowment Fund.

SOURCE: Financial Administration
DATE: May 18, 2007

2007 SUMMER RATES REPORT
FOR DINING SERVICES AT UVA AND
THE MOUNTAIN LAKE BIOLOGICAL STATION

On June 16, 2001, the Board approved the Signatory Authority Policy which delegates the "[e]stablishment of summer conference rates for housing facilities and for meals, overnight accommodation rates for the Birdwood Pavilion, and room rates for the International Center" to the "President, the Executive Vice President and Chief Operating Officer and the Vice President for Finance". Any approved transaction must be reported to the Board of Visitors at its next meeting following the action.

The rates below were approved by Yoke San Reynolds on March 19, 2007 and are hereby being reported to the Board of Visitors as required.

UNIVERSITY OF VIRGINIA

2007 Summer Meal Rates	<u>Actual</u> <u>2006</u>	<u>Amount</u> <u>of Increase</u>	<u>Approved</u> <u>2007</u>
<u>Student Meal Plans</u>			
Summer 20 w/ \$40 Plus Dollars	\$180.00	\$10.00	\$190.00
Summer 40 w/ \$80 Plus Dollars	\$350.00	\$15.00	\$365.00
Summer 60 w/ \$120 Plus Dollars	\$520.00	\$20.00	\$540.00
<u>Casual Meal Rates</u>			
Breakfast - Youth	\$4.50	\$0.50	\$5.00
Lunch - Youth	\$6.00	\$0.75	\$6.75
Dinner - Youth	\$7.25	\$0.75	\$8.00
Breakfast - Adult	\$6.50	\$0.25	\$6.75
Lunch - Adult	\$8.00	\$0.00	\$8.00
Dinner - Adult	\$8.50	\$0.25	\$8.75
<u>Summer Conference Rates</u>			
Breakfast - Youth	\$4.35	\$0.40	\$4.75
Lunch - Youth	\$5.95	\$0.55	\$6.50
Dinner - Youth	\$7.25	\$0.50	\$7.75
Breakfast - Adult	\$6.00	\$0.50	\$6.50
Lunch - Adult	\$7.50	\$0.25	\$7.75
Dinner - Adult	\$8.15	\$0.35	\$8.50

MOUNTAIN LAKE BIOLOGICAL STATION

2007 Summer Meal Rates	<u>Actual</u> <u>2006</u>	<u>Amount</u> <u>of Increase</u>	<u>Approved</u> <u>2007</u>
Daily Rate, 17 yrs and up	\$20.86	\$0.64	\$21.50
Daily Rate, 10-16 yrs	\$12.50	\$0.50	\$13.00
Daily Rate, 3-9 yrs	\$6.68	\$0.22	\$6.90

SOURCE: Business Operations
DATE: March 19, 2007

ATTACHMENT A

(2007-2008 PRATT FUND ALLOCATION)

2007-2008 PRATT FUND ALLOCATIONS

ARTS AND SCIENCES – \$2,495,098

Biology - The Biology proposes to allocate \$ 221,496 for graduate fellowships in 2007-2008. Of this amount, \$138,846 will be used to provide full support to two outstanding first year graduate students in Biology, and to augment the fellowship packages of six president's fellows in the Biology Department. The remaining \$82,650 will be allocated in support of the Biomedical Sciences Graduate Program, an important interschool initiative, by funding two graduate fellowships. Biology proposes to use \$53,504 in Pratt funds to augment the salaries of the Director and Associate Director of the Mountain Lake Biological Station (MLBS). The University has made and continues to make significant investments in the instructional and research capacity of this Appalachian mountain field research and teaching facility which provides summer courses, an Research Experiences for Undergraduates (REU) program and hosts researchers from around the world every summer.

Chemistry - The department proposes to allocate \$15,000 for Undergraduate Summer Fellowships. These fellowships help to maintain a strong summer research program for UVA Chemistry undergraduates. This summer research experience is a component of the research program required for the department's Distinguished Majors Program. The department proposes to allocate \$170,000 for graduate fellowships to support a selected group of excellent students in the second through fourth years of graduate research. In many cases this support is supplementary to prestigious internal (President's) and external (NSF, Merck) graduate awards. This support will enable the department to continue to recruit and retain first rate graduate students in a very competitive market. The department requests that \$90,000 be allocated to provide faculty summer wages to support new faculty (Chruma, Venton, Columbus) and to support faculty engaged in innovative curriculum development projects.

Mathematics - The Department of Mathematics requests \$124,867 to support its Whyburn Postdoctoral Fellowship program. Internationally recognized for its excellence, this competitive fellowship program brings new Ph.D. recipients in mathematics to UVA for three years of teaching and research. The department also requests \$16,722 for summer wages for new Assistant Professors Melcher and Gromoll. The Pratt endowment is

essential for success in competition against other universities in these faculty hires. Finally, the department requests that \$33,411 be allocated for equipment purchases to upgrade the department's computing facilities.

Physics - The department proposes to allocate \$15,766 to provide summer support for new faculty members Paschke and Zheng. The department proposes to allocate \$259,234 in fellowship support to seven outstanding students. Attracting the most highly qualified science graduate students requires that we offer competitive fellowships and the Pratt funds are crucial to the recruitment effort.

New Faculty Start-up Fund - The dean's office has retained \$300,000 to use as components of start up packages associated with new hires, some of which are still being negotiated (plant developmental biologist and biochemist in Biology, spectroscopist in Chemistry, number theorist, mathematical physicist, and operator algebraist in Math, and an experimentalist in Physics) as well as cost share on grants and other opportunities that may arise in the coming year. Additionally, an annual allocation of \$500,000 from the Arts and Sciences Pratt Fund has been previously approved by the Board of Visitors for distribution to a New Faculty Start-Up Fund managed by the Vice President and Provost. In 2007-2008, the College requests an additional \$695,098 of the distribution on the Pratt Fund be allocated to this fund, which is critical in the recruitment of faculty members in Biology, Chemistry, Mathematics, and Physics.

SCHOOL OF MEDICINE - \$5,300,000

Support and Training of Student Researchers - \$294,740

Graduate students and post-doctoral 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 superlative students. These individuals are critical in enhancing the quality of research in the Ph.D. and M.D./Ph.D. programs at the University. The success of these programs has a direct impact on the quality of faculty research at the School of Medicine.

Core Facility Support - \$1,005,260

Core facilities - including, but not limited to, the Small Animal Multimodality Imaging Core, Advanced Microscopy Facility, Tissue Culture Facility, and Biomolecular Research Facility - provide access to large, expensive equipment and techniques that otherwise would not be available or cost-effective to individual investigators. They also offer techniques and technologies allowing investigators to move into new, cutting-edge areas of research. Each core serves investigators from a diverse group of departments and centers. These facilities operate on a fee-for-service basis, and, after development costs and other expenses, average a cost recovery of 60-80 percent, with the differential funded by Pratt allocations. These resources provide a competitive advantage to the University's research programs, provide flexibility to acquire emerging technologies, and are critical to the School of Medicine's success in recruitment and retention and its ability to continue to grow its externally funded research programs.

The Decade Plan - \$4,000,000

The School of Medicine proposes a special distribution of \$4 million to continue implementation of the Decade Plan. The funds will be used to retain and recruit outstanding faculty (\$1.5 million), initiate new research ventures (\$1.0 million), and improve recruitment of outstanding applicants to medical school through a three-year merit scholarship initiative (\$1.5 million).

ATTACHMENT B

**(POLICY ON QUALIFIED DEFINED CONTRIBUTION
RETIREMENT PROGRAM)**

UNIVERSITY OF VIRGINIA

POLICY ON
QUALIFIED DEFINED CONTRIBUTION RETIREMENT PROGRAM

("Retirement Program Policy")

JULY 9, 1997
Revised MAY 18, 2007

University of Virginia

Policy on Qualified Defined Contribution Retirement Program
("Retirement Program Policy ")

- I. Purpose
- II. Goals
- III. Program Provisions
- IV. Authority and Responsibility

I. Purpose

The Board of Visitors has overall responsibility for the University's Qualified Defined Contribution Retirement Program, which is administered by the Chief Human Resources Officer. The purpose of this Retirement Program Policy ("RPP") is to establish the roles of the Finance Committee of the Board of Visitors and the Retirement Administrative Committee in the oversight of this program to ensure program goals are met.

II. Program Goals

The University of Virginia Retirement Program sponsors several qualified retirement plans, including but not limited to the Faculty Retirement Plan and the Medical Center Retirement Plan (the "Plan" or "Plans"). Although not required to follow ERISA standards, ERISA Section 404(c) is used as a guideline. The Plans are designed to:

- Provide a retirement benefit attractive to current and prospective staff and faculty
- Provide flexibility to participants in directing and reallocating University contributions
- Maintain a limited but sufficient number of investment options to provide access to diversified investment alternatives
- Through plan providers and direct communications from the University, inform the participants about the benefits of the Plan and the characteristics of the investment choices
- Provide regular, accurate and concise participant statements

III. Program Provisions

The Plans are defined contribution plans.

Key Information

- Name of Plans:
 - The Defined Contribution Retirement Plan for the General Faculty of the University of Virginia
 - The Defined Contribution Retirement Plan for Employees of the University of Virginia Medical Center
 - The Commonwealth of Virginia Matching Contribution Retirement Plan for Salaried Employees of the University of Virginia

- The Matching Contribution Plan for the University of Virginia Medical Center
- The Defined Contribution Retirement Plan for Executive Employees of the University of Virginia
- The Supplemental Defined Contribution Benefit Plan for Physicians of Community Medicine
- The Supplemental Defined Contribution Benefit Plan for the General Faculty of the University of Virginia
- Program Fiduciary: The Rector and Visitors of the University of Virginia
- Program Administrator: Chief Human Resources Officer
- Retirement Administrative Committee ("RAC"): RAC members are appointed by the Executive Vice President and Chief Operating Officer
- Oversight Committee: The Finance Committee of the Board of Visitors
- Contracting Officer: Executive Vice President and Chief Operating Officer

Policy Provisions

- Plan Year: Twelve month period commencing January 1.
- Enrollment Dates: Within 60 days of becoming eligible, a faculty member must choose to participate in the Faculty Retirement Plan, or default to the Virginia Retirement System ("VRS"). Within 180 days of becoming eligible, a Medical Center employee with prior VRS service must choose between the VRS and Medical Center Retirement Plan, or default to the Medical Center Retirement Plan.
- Employee Eligibility: Varies depending on the plan.
- Transfers: The Plan shall accept no transfers of any kind on behalf of a Participant other than accrued benefits from the VRS.
- University Contribution:
 - Faculty Retirement Plan: 10.4 percent of compensation, or the greater of 10.4 percent of compensation or 11.5 percent of up to \$100,000 in compensation for Participants with uninterrupted participation since before January 1, 1991.
 - Medical Center Retirement Plan: for employees hired prior to October 1, 2002: eight percent of compensation, for employees hired October 1, 2002 or after: four percent of compensation.
 - Physicians of Community Medicine Retirement Plan: 11.9 percent of compensation or \$12,500, whichever is greater.

- In no event shall the University contribution exceed the limits established by Internal Revenue Code section 415.
- Investment Options: The Participant shall allocate the University's contribution among the various investment options offered by the Plan.

IV. Authority and Responsibility

The Board of Visitors has overall responsibility for the Program and delegates oversight to the Finance Committee of the Board of Visitors or its appointees, and Program administration to the Retirement Administrative Committee.

The Finance Committee or its Appointees will:

- Establish and maintain this Retirement Program policy
- At least annually:
 - Review the investment performance of the various investment funds offered to participants as reported by the Retirement Administrative Committee to ensure compliance with the Retirement Program Policy
 - Report to the Board of Visitors

The Retirement Administrative Committee will:

- Establish and maintain Investment Procedures (IP) to meet program goals for investment options
- Review the investment performance of the various investment funds offered to participants not less frequently than semi-annually
- At least annually:
 - Review the investment funds for compliance with the guidelines established in the Investment Procedures
 - Make deletions or changes in investment funds offered under the Program
 - Review expenses paid by the Plans to ensure that they are reasonable and necessary
 - Report to the Finance Committee or its Appointees
- Oversee:
 - The professionals whose expertise is deemed by the contracting officer to be appropriate and necessary
 - The communications provided to Plan participants regarding the investment alternatives offered by the Plan

- As necessary make revisions to the Investment Procedures to reflect changing conditions within the Plan, or to refine the Investment Procedures in order to make them more effective

The Program Administrator will generally be responsible for:

- Administration of the Program
- Oversight of the Plan Providers
- Service to potential and current participants including, but not limited to:
 - Identifying the name, address, and phone number of the plan providers
 - Providing a general description of the investment alternatives available under the plan, and a general description of the investment objectives and risk and return characteristics of each alternative, including information relating to the type and diversification of assets comprising the portfolio of the designated investment alternative
 - Providing a description of transaction fees and expenses connected to purchases and sales
 - Providing a description of procedures established to provide confidentiality of information relating to investments in the Plan and without providing advice, direct employees to plan providers to access information and full plan provisions and benefits

ATTACHMENT C

**(BOARD OF VISITORS FINANCE COMMITTEE APPOINTEES
ON RETIREMENT ADMINISTRATIVE COMMITTEE)**

Minutes

University of Virginia
Board of Visitors Finance Committee Appointees on Retirement
Administrative Committee

May 18, 2007

4:00 p.m.

Madison Hall Lower Conference Room

Board of Visitors Finance Committee Appointees: Heywood Fralin
and Sandy Fitz-Hugh (via phone)

Also in Attendance: Leonard Sandridge, Executive Vice President
and Chief Operating Officer; Yoke San Reynolds, Vice President
and Chief Financial Officer; Susan Carkeek, Chief Human Resource
Officer; Anne Broccoli, Interim Director of Benefits and Megan
Lowe, Assistant to the Executive Vice President and Chief
Operating Officer.

The meeting began with a review of the Board of Visitors Finance
Committee oversight of the University's retirement programs and
the selection of Mr. Fralin and Mr. Fitz-Hugh as appointees to
oversee the program through the Retirement Administrative
Committee (RAC) and to report back to the Finance Committee on
an annual basis.

The appointees reviewed the current composition of the RAC, as
appointed by Executive Vice President and Chief Operating
Officer Leonard W. Sandridge. Current membership consists of
Vice President and Chief Financial Officer Yoke San Reynolds
(Chair); Susan Carkeek (Plan Administrator), James Matteo,
Director of Treasury Operations; Jeff Chitester, Medical Center
Administrator of Human Resources, and Chris Brightman, Chief
Executive Officer of UVIMCO. Possible addition of a faculty
member with expertise in investments and retirement programs was
also discussed. Mr. Brightman also chairs the Investment
Subcommittee of the RAC. An outside consultant, Cap Trust, is
retained to provide additional advice and guidance to RAC.

Executive Vice President and Chief Operating Officer Leonard W.
Sandridge reminded the appointees that the University retirement
program included faculty and Medical Center employees and that

although not required by law, the University follows ERISA as a guideline of sound business practice.

The appointees reviewed proposed changes to the University of Virginia Policy on Qualified Defined Contribution Retirement Program ("Retirement Program Policy"). RAC Chair Reynolds reviewed the changes in the proposed policy.

The "third party" referred to in the program goals was clarified as the plan vendors - TIAA CREF, Fidelity, and Vanguard. After further discussion, the appointees expressed support for the policy revisions.

The appointees reviewed the performance of current funds offered by the third party vendors and were generally complimentary of the range and variety of options provided. Overall, the fund offerings are appropriate and performing well with only minor "fine tuning" anticipated. Mr. Fitz-Hugh requested additional information at future meetings to include data on mutual fund rankings by sector over time. Additional information on one particular fund, Vanguard Explorer, was also requested.

The RAC is engaged in a thorough review of its procedures and of individual fund performance. The RAC recommended the addition of two "life cycle" funds be added, one for TIAA-CREF and one for Vanguard (the third vendor, Fidelity, already offers a life cycle fund) to further improve the options provided to employees. A draft of the current procedures was also provided. The RAC will report back to the appointees at their next meeting on these two initiatives.

The appointees agreed to provide the annual report to the Finance Committee at the June 2007 meeting and recommend approval of the policy changes as discussed.

The meeting was adjourned at 5:15 p.m.