

UNIVERSITY OF MISSOURI
Columbia . Kansas City . Rolla . St. Louis

BOARD OF CURATORS

Minutes of the Board of Curators Meeting
April 14-15, 2016
Rolla, Missouri

BOARD OF CURATORS MEETING – PUBLIC SESSION

A meeting of the University of Missouri Board of Curators was convened in public session at 8:30 A.M., on Pamela Q. Henrickson, Chair of the Board of Curators, presided over the meeting.

Present

The Honorable Donald L. Cupps
The Honorable Maurice B. Graham
The Honorable Pamela Q. Henrickson
The Honorable John R. Phillips
The Honorable Phillip H. Snowden
The Honorable David L. Steelman

Also Present

Mr. Michael A. Middleton, Interim President
Mr. Stephen J. Owens, General Counsel
Ms. Cindy Harmon, Secretary of the Board of Curators
Dr. Gary K. Allen, Vice President for Information Technology
Dr. Brian D. Burnett, Vice President for Finance
Dr. Henry "Hank" Foley, Interim Chancellor for University of Missouri-Columbia
Dr. Thomas F. George, Chancellor for University of Missouri-St. Louis
Mr. Stephen C. Knorr, Vice President for University Relations
Mr. Leo E. Morton, Chancellor for University of Missouri-Kansas City
Dr. Cheryl B. Schrader, Chancellor for Missouri University of Science and Technology
Dr. Robert W. Schwartz, Interim Vice President for Academic Affairs, Research and Economic Development

Mr. John Fougere, Chief Communications Officer, UM System
Media representatives

General Business

Review Consent Agenda – No discussion.

Resolution for Executive Session of the Board of Curators Meeting

It was moved by Curator Henricks and seconded by Curator Grah that there shall be an executive session with a closed record and closed vote of the Board of Curators meeting April 14-15, 2016 for consideration of:

- Section 610.021(1), RSM, relating to matters identified in that provision, which include legal actions, cases of action or litigation, and confidential or privileged communications with counsel; and
- Section 610.021(2), RSMo, relating to matters identified in that provision, which include leasing, purchase, or sale of real estate; and
- Section 610.021(3), RSM, relating to matters identified in that provision, which include hiring, firing, disciplining, or promoting of particular employees; and
- Section 610.021(12), RSMo, relating to matters identified in that provision, which include sealed bids and related documents and sealed proposals and related documents or documents related to a negotiated contract; and
-

Missouri University of Science and Technology Strategic Plan Highlights presented by Chancellor Schrader (slides on file)

Board of Curators standing committee meetings were convened at 8:58 A.M. and concluded at 3:45 P.M. on Thursday, April 14, 2016. Committee actions were presented to the full Board for action following each Committee vote.

Finance Committee

Curator Steelman provided time for discussion of committee business.

Review of Fiscal Year 2017 Operating Budget Planning, UM – (slides and information on file) This was in information item.

Approval of Collected Rules and Regulations 140.013, 140.015 Investment Policies, UM – presented by Treasurer Richards (information on file)

It was recommended by Vice President Burnett, endorsed by Interim President Middleton, recommended by the Finance Committee, moved by Curator Steelman and seconded by Curator Graham that the:

Existing investment policies of Collected Rules and Regulations, Sections 140.013, 140.015, be amended as outlined in the attached documents (on file with the minutes of this meeting):

Roll call vote of Board of Curators

Curator Cupps was absent for vote.
Curator Graham voted yes.
Curator Henrickson voted yes.
Curator Phillips voted yes.
Curator Snowden voted yes.
Curator Steelman voted yes.

The motion carried

Chapter 140: Investments

140.013 Investment Policy for Endowment Pool

Bd. Min 7-22-11. Revised in entirety, Bd. Min. 6-26-12. (Note: Board approval on 6-26-12 replaced previous rules 140.010, 140.011, 140.012 and 140.013 with new language and

reissued new rules 140.010 through and including 140.016. (Revised Bd. Min 6-14-13; Revised 9-12-13; Revised 6-25-15; Revised 2-4-16; Revised 4-14-16.

- A. Introduction -- The University's Endowment Pool contains gifts, bequests and other funds directed to be used to support a University program in perpetuity. Some donors require such a commitment as a condition of their gift ("true endowments"). Also, funds may be assigned to function as endowments by the Board of Curators or by University administration ("quasi endowments").
- B. Responsibilities and Authorities –See CRR 140.010 Policy for Management and Oversight of Selected University Investment Pools
- C. Investment Objectives --The Endowment Pool must be managed to provide ongoing support of endowed programs in perpetuity, in conformance with donor stipulations. To accomplish this, investment returns, net of inflation, should be sufficient over time to cover annual spending distributions while maintaining or growing the underlying purchasing power of each endowed gift.
- D. Authorized Investments –The Endowment Pool shall be invested in externally managed funds, consistent with the guidelines established in CRR 140.011 Policy for Investment Manager Selection, Monitoring and Retention,” in the following asset sectors:

Sector	Target	Asset	Allowable Range
Global equity	43%		33% - 53%
Private equity	10%		6% - 15%
Global fixed income	4%		2% - 8%
U.S. Treasuries	0%		0% - 20%
Emerging markets debt	5%		3% - 8%
Opportunistic debt	7%		4% - 10%
Hedge funds	6%		4% - 9%
Risk parity	10%		7% - 14%
Real estate/infrastructure	10%		6% - 12%
Inflation-linked bonds	3%		1% - 6%
Commodities	2%		0% - 5%
Cash and cash equivalents	0%		0% - 10%
Total	100%		

Portfolio Rebalancing

Sector allocations shall be monitored on an ongoing basis as changes in market behavior may result in variations from the target asset mix. Rebalancing of the portfolio shall be considered at least quarterly and more often if necessary to maintain allocations within the allowable range. The need to rebalance shall take into account any logistical issues associated with fully funding a particular asset sector, as well as any tactical decisions to overweight or underweight a particular asset sector based on current market conditions. The University may utilize external managers to synthetically rebalance portfolio exposures consistent with targets and allowable ranges established by this policy. Synthetic market exposures can be obtained through the use of conventional derivative instruments commonly accepted by other institutional investors, such as futures contracts and swap agreements.

Actual sector allocations shall not fall outside of the allowable ranges, with the exception of violations caused solely by periods of extreme market distress, when it may not be possible or advisable to immediately bring such allocations back to within the allowable ranges.

Currency Risk Management

In the context of a global investment portfolio, currency risk exists to the extent that

levels. The allowable range of the portable alpha portfolio shall be 10% of the total Endowment Pool.

The Global Equity Portable Alpha Program shall be managed in accordance with prudent risk management practices established by the Treasurer, Vice President for Finance, and Investment Consultant. Such risk management practices shall include a requirement to maintain appropriate levels of margin collateral. Derivative instruments and associated cash and cash equivalent balances shall be managed by an external investment firm with appropriate expertise, experience and depth of resources.

- E. Spending Policy –To provide ongoing support to endowed programs in perpetuity, the spending policy must be managed in conjunction with investment objectives and other factors in compliance with applicable law, such that the spending rate plus an inflationary assumption shall not exceed expected investment returns over time. At minimum, the spending policy should be reviewed in conjunction with asset/liability studies performed by the Investment Consultant not less than once every three years.
1. The formula used to determine the Endowment Pool spending distribution for each fiscal year shall apply a rate of 4.5% to a base equal to the 28 quarter trailing average of market values as of December 31 of the prior fiscal year. Endowment spending distributions shall be paid on a monthly basis.

The transition of the rate from 5.0% to 4.5% shall be accomplished in a methodical manner over a period not to exceed the seven years ended June 30, 2019. In no case shall the transition from 5.0% to 4.5% cause the actual spending distribution to decrease from one year to the next during the transition phase.
 2. In addition to the spending distribution noted above, the President shall have the discretion to distribute from the Endowment Pool an administrative fee each fiscal year to be used for support of internal endowment administration and development functions. Such administrative fee shall be calculated by applying a rate of up to 1% to a base equal to the 28 quarter trailing average of market values as of December 31 of the prior fiscal year. The administrative fee shall be paid on a monthly basis.
 3. The spending policy, spending distribution formula and administrative fee may be adjusted over time by the Board to respond to general economic conditions and other factors as appropriate and in compliance with applicable law.
 4. Implementation of the spending policy is delegated to the Vice President for Finance and Administration or her/his designees.

Bd. Min. 6-2612, Revised Bd. Min. 6-143, Revised Bd. Min 9-123, Revised Bd. Min.

Commodities	3%	0% - 6%
Cash and cash equivalents	0%	0% - 10%
Total	100%	

Portfolio Rebalancing

Sector allocations shall be monitored on an ongoing basis as changes in market behavior may result in variations from the target asset mix. Rebalancing of the portfolio shall be considered at least quarterly, and more often if necessary to maintain allocations within the allowable range. The need to rebalance shall take into account any logistical issues associated with fully funding a particular asset sector, as well as any tactical decisions to overweight or underweight a particular asset sector based on current market conditions. The University may utilize external managers to synthetically rebalance portfolio exposures consistent with targets and allowable ranges established by this policy. Synthetic market exposures can be obtained through the use of conventional derivative instruments commonly accepted by other institutional investors, such as futures contracts and swap agreements.

Actual sector allocations shall not fall outside of the allowable ranges, with the exception of violations caused solely by periods of extreme market distress, when it may not be possible or advisable to immediately bring such allocations back to within the allowable ranges.

Currency Risk Management

In the context of a global investment portfolio, currency risk exists to the extent that investments contain exposures to foreign currencies. The desirability of this currency exposure is not necessarily aligned dollar for dollar with the desired exposure to assets denominated in foreign currencies. As such, external managers in any asset sector may implement currency strategies to alter the currency exposure of the portfolio when deemed prudent to do so in the context of the particular investment mandate. In addition, the University may utilize external managers to implement currency strategies to alter exposures in an active or passive manner as part of a portfolio or asset class overlay when deemed prudent to do so.

Global Equity Portable Alpha Program

Within the global equity sector, market exposures may be obtained through the use of passive investment vehicles, traditional long only active management, active long/short strategies and conventional derivative instruments commonly accepted by other institutional investors, such as futures contracts and swap agreements. Equity market exposure obtained through active long/short strategies and derivative instruments shall not exceed 15% and 35% of the total global equity allocation, respectively.

To the extent that equity market exposure is obtained using derivative instruments, a

portion of the underlying cash and cash equivalent balances may be managed in an active fashion by external managers as an additional tool to add excess returns above the global equity benchmark. To maximize the probability of consistently positive returns within the portable alpha portfolio, appropriate alpha strategies should exhibit low correlations to one another, and manage effective equity market beta to target levels. The allowable range of the portable alpha portfolio shall ~~10%~~ of the total Retirement Fund.

The Global Equity Portable Alpha Program shall be managed in accordance with prudent risk management practices established by the Treasurer, Vice President for Finance, and Investment Consultant. Such risk management practices shall include a requirement to maintain appropriate levels of margin collateral. Derivative instruments and associated cash and cash equivalent balances shall be managed by an external investment firm with appropriate expertise, experience and depth of resources.

- E. Other – The Board ~~6~~ Curators delegates to the President of the University the following responsibilities with respect to the Plan:
1. Recommend contributions to the Plan.
 2. Recommend annuity, mortality and other tables as may be useful in actuarial determination.
 3. Recommend ~~actuarial~~ valuations made by experts retained for that purpose.
 4. Maintain data necessary for actuarial valuations of the assets of the Plan.
 5. Maintain accurate records for the Plan.

Project Approval – MU Health Care Emergency Power System Modifications Phase 2,
– presented by Vice President Burnett (information on file)

It was recommended by ~~Interim~~ Chancellor ~~Foley~~, endorsed by ~~Interim~~ President Middleton, recommended by the Finance Committee, moved by Curator ~~Stearns~~ and seconded by Curator ~~Graham~~ that the following action be approved:

the project approval for MU Health Care Emergency Power System Modifications – Phase 2, University of Missouri – Columbia.

Funding of the project budget is from:
MU Healthcare Reserve Funds

\$6,900,000

Roll call vote Full Board:

Curator Cupps voted yes.
Curator Graham voted yes.
Curator Henrickson voted yes.
Curator Phillips voted yes.
Curator Snowden voted yes.
Curator Steelman voted yes.

The motion carried.

Project Approval, University of Missouri Teaching Hospital West Wing Expansion and Renovation Project, MU – presented by Vice President Burnett (information on file)

It was recommended by Interim Chancellor Foley, endorsed by Interim President Middleton, recommended by the Finance Committee, moved by Curator Graham and seconded by Curator Snowden, that the following action be approved:

the project approval for Missouri University Teaching Hospital West Wing Expansion and Renovation Project, University of Missouri – Columbia.

Funding of the project budget is from:
MU Healthcare Reserve Funds

\$15,950,000

Roll call vote Full Board:

Curator Cupps voted yes.
Curator Graham voted yes.
Curator Henrickson voted yes.
Curator Phillips voted yes.
Curator Snowden voted yes.
Curator Steelman voted yes.

The motion carried.

Curator Graham voted yes.
Curator Henrickson voted yes.
Curator Phillips voted yes.
Curator Snowden voted yes.
Curator Steelman voted yes.

The motion carried.

Audit Committee

Chairman Graham provided time for discussion of committee business.

Information

1. Fiscal Year 2015 A-133 Audit Report and NCAA Agreed Upon Procedures

Chairman Snowden provided time for discussion of committee business.

1. University Relations Report (slides on file for this information item)

Action

1. Masters of Science: Applied Behavior Analysis, MU
2. Bachelor of Arts: Film and Media Arts, UMKC

Masters of Science: Applied Behavior Analysis, MU presented by Senior Associate Vice President Graham (information on file)

It was recommended by Interim Executive Vice President Robert W. Schwartz endorsed by Interim President Michael Middleton, recommended by the Academic,

that the University of Missouri, Kansas City authorized to submit the attached proposal

Vice President Brian Burnett, Chief Audit Executive Ryan Rapp, Interim Chancellor Hank Foley, Ms. Rhonda Gibler, Provost Garnet Stokes joined the meeting.

Internal Audit Update and Legal Advice – presented by Chief Audit Executive Rapp and General Counsel Owens

Ms. Rhonda Gibler and Provost Garnet Stokes excused themselves from the meeting.

Mr. Mitch Wasden and Mr. Robert Hess joined the meeting.

Contract and Legal Advice – presented by Chief Audit Executive Rapp and General Counsel Owens

General Business

General Counsel's Report and Legal Advice – presented by General Counsel Owens

²⁷²New Entity Formation, MU – this item is excluded from the minutes and may be given public notice upon completion.

²⁷³New Entity Formation, MU – this item is excluded from the minutes and may be given public notice upon completion.

Mr. Wasden and Mr. Hess excused themselves from the meeting.

Property License, Normandie Hall (Boiler House), St. Louis, St. Louis County, Missouri, UMSL – presented by Vice President Burnett (information on file)

It was recommended by Chancellor George and seconded by Interim President Middleton, moved by Curator Graham and seconded by Curator Phillips that the following action be approved:

that the Vice President for Finance be authorized to enter into a five-year license with Incarnate Word Academy (IWA) for non-exclusive use of the 'boiler house' building located at 2794 Normandy Drive, St. Louis, St. Louis County, Missouri (Normandie Hall) and the equipment contained therein serving the IWA campus facilities for the University of Missouri, St. Louis

Cost: \$ 0

Roll call vote:

Curator Cupps voted yes.
Curator Graham voted yes.
Curator Henrickson voted yes.
Curator Phillips voted yes.
Curator Snowden voted yes.
Curator Steelman voted yes.

The motion carried.

This item was completed on April 30, 2016.

²⁷⁴Property Purchase, MU – this item is excluded from the minutes and may be given public notice upon completion.

²⁷⁵Property Purchase, MU – this item is excluded from the minutes and may be given public notice upon completion.

Property Sale, 3211, 3213, 3217 and 3301 South Providence Road, Columbia, Missouri,

Curator Steelman voted yes.

The motion carried

This item was completed on May 31, 2016.

Vice President Burnett excused himself from the meeting.

General Counsel's Report and Legal Advice – presented by General Counsel Owens

No action taken by the Board.

The executive session of the Board of Curators meeting recessed at 6:25 pm on Thursday, April 14, 2016.

to public notice given of said meeting. Curator Pamela Q. Henrickson, Chair of the Board of Curators, presided over the meeting.

Present

The Honorable Donald L. Cupps
The Honorable Maurice B. Graham
The Honorable Pamela Q. Henrickson
The Honorable John R. Phillips
The Honorable Phillip H. Snowden
The Honorable David L. Steelman

Also Present

Mr. Michael A. Middleton, Interim President
Mr. Stephen J. Owens, General Counsel
Ms. Cindy Harmon, Secretary of the Board of Curators
Dr. Gary K. Allen, Vice President for Information Technology
Dr. Brian D. Burnett, Vice President for Finance
Dr. Henry "Hank" Foley, Interim Chancellor for University of Missouri-Columbia
Dr. Thomas F. George, Chancellor for University of Missouri-Saint Louis
Mr. Stephen C. Knorr, Vice President for Operations

The motion carried.

Governance, Resources and Planning Committee

Chair Cupps provided time for discussion of committee business.

Creation of a Health Affairs Standing Committee of the Board of Curators, Amendment to Collected Rules and Regulations 10.050 and Appointment of Initial Members (information on file)

It was recommended by President Middleton, moved by Curator ~~Cupps~~ seconded by Curator Steelman that a standing committee on health affairs be created, the Collected Rules and Regulations, Section 10.050 "Standing Committees" be amended as outlined in the attached document, and the following individuals be appointed ~~to~~ as members of the Health Affairs Committee:

Roll call vote of the Board of Curators:

Curator Cupps voted yes.

Curator Graham voted yes.

Curator Henrickson voted yes.

Curator Phillipps voted yes.

Curator Snowden voted yes.

Curator Steelman voted yes.

The motion carried.

Collected Rules and Regulations 10.050 Standing Committees

Chapter 10 Board of Curators

Bd. Min. 11-10-67, p. 33,579; Amended 8-6-71, p. 35,988; Amended 5-23-03; Amended 9-9-04; Amended 3-23-06, Amended 7-21-06, Amended 10-6-06, Amended 4-6-07, Amended 6-1-07, Amended 2-6-09, Amended 9-24-10, Amended 5-19-11, Amended 4-15-16.

The Chair of the Board of Curators, subject to the approval of the Board, shall appoint the following standing committees: ACADEMIC, STUDENT AND EXTERNAL AFFAIRS COMMITTEE; AUDIT COMMITTEE; COMPENSATION AND HUMAN RESOURCES COMMITTEE; FINANCE COMMITTEE; GOVERNANCE, RESOURCES AND PLANNING COMMITTEE, and HEALTH AFFAIRS COMMITTEE. The Board Chair shall designate one member of each committee as committee chair. The Chair of the Board shall consider in making such appointment that it is desirable for each Board member to serve on as many committees as possible during his/her term, but that no committee should be left without continuity.

A. Academic, Student and External Affairs Committee- The Academic, Student and External Affairs Committee may have referred to it matters relating to curricula, faculty and student affairs, government relations and external relations.

1. The Vice President for Academic Affairs, the Vice President for Government Relations and the Assistant Director of Strategic Communications, of the University or some other person(s) designated by the President shall be an ex officio member of this Committee and be responsible for the agenda and for transmitting Committee recommendations.

policies, procedures and programs as are deemed appropriate to obtain donor financial support for the University as a whole and each of its campuses in order to fulfill identified financial goals necessary for the University to accomplish its mission. The Committee shall assist the Board in identifying ways to participate and encourage active participation of the Board and its individual members in the development activities of the University.

B. Audit Committee -

1. The Audit Committee will assist the Board of Curators in fulfilling its oversight responsibilities relating to: the integrity of the University's financial statements, the systems of internal control, the performance of the University's independent auditors and internal audit function, the independent auditor's qualifications and independence, and the University's compliance with legal and regulatory requirements.

a. The Audit Committee shall be the Board Committee on audit.

b. The

2. The Compensation and Human Resources Committee shall be the Board Committee for executive compensation based on established individual dollar threshold and multi-year contract arrangements; Retirement Disability and Death Benefits Program, a plan and all other benefit programs of the University; human resource and labor policy; and attendant financial considerations associated with these programs with the exception of the Retirement Trust. The Compensation and Human Resources Committee has broad responsibility for oversight in matters involving personnel and compensation throughout the University. The President shall regularly consult with the Committee in the following areas:

- a. Multi-year employment contracts and extensions;
- b. Compensation and salary levels for General Officers, faculty, and staff;
- c. Performance and annual review protocols;
- d. Market and wage comparator groups;
- e. Evaluating benefits, retirement, and pension plans; and
- f. Promulgating employee recruitment, hiring, and termination policies.

D. Finance Committee - The Finance Committee may have referred to it matters relating to the fiscal and accounting functions of the University and associated programs and policies.

1. The Vice President for Finance and Administration of the University or some other person or persons designated by the President of the University shall be an ex officio member of this Committee. The Vice President for Finance and Administration shall be responsible for the agenda and for transmitting Committee recommendations.

2. The Finance Committee shall be the Board Committee on investments.

3. The Finance Committee shall be the Board Committee on physical facilities and management services. The Finance Committee may have referred to it matters relating to the planning, building, maintenance and operation of the physical facilities of the University, and the purchasing of equipment and supplies utilized by the University.

E. Governance, Resources and Planning Committee

1. The Governance, Resources and Planning Committee shall consist of three curators. The Board Chair and the President of the University shall serve as ex officio members of the committee. Ordinarily, not more than two of the three committee members shall be

current and future needs of the University of Missouri and systems or means to accomplish the future ambitions of the University of Missouri.

F. Health Affairs Committee

1. The Health Affairs Committee shall include curators and may include additional non-curator members appointed by the Board Chair, subject to approval of the Board. The Board Chair, subject to approval of the Board, shall determine the number of curators and non-curator members to appoint to the Committee; provided that, the number of non-curator members on the Committee shall not exceed the number of curator members on the Committee, unless the Committee temporarily has more non-curator members than curator members because a curator member of the Committee has resigned from the Board or the Committee. Committee members may be reappointed to serve additional terms. Non-curator members may resign their committee membership by providing written notice to the Board chair. Non-curator members of the Health Affairs Committee serve at the pleasure of the Board of Curators and may be removed by the Board Chair at any time, subject to approval of the Board. Curator vacancies shall be filled in the same manner as original appointments.

2. The Health Affairs Committee will assist the Board of Curators in overseeing the clinical health care operations of the University and in coordinating those operations in furtherance of the University's teaching, research, and clinical missions. The Health Affairs Committee shall receive and review regular reports from University of Missouri Health Care ("MU Health Care") and the MU School of Medicine's faculty practice plan ("University Physicians"). Areas of oversight for the Health Affairs Committee shall minimally include: mission, strategy, governance, compliance, operations, and coordination of the clinical, teaching, and research missions. The Health Affairs Committee may also request information and reports, receive referrals from the Board

President's Report on personnel and contracts presented by Interim President Middleton.

No action taken by the Board.

T