



**Virginia Commonwealth University
Finance, Investment and Property Committee of the Board of Visitors**

Minutes

Date: May 10, 2013
 Time: 9:15 a.m. – 10:45 a.m.
 Location: Student Commons, Richmond Salons I and II, 907 Floyd Avenue, Richmond, VA

Present: Mr. Thomas F. Farrell, II, Chair
 Mr. Alexander B. McMurtrie, Jr., Vice Chair
 Mr. Michael D. Fraizer
 Mr. John A. Luke, Jr.
 Mr. William A. Royall, Jr.
 Mr. Stuart C. Siegel
 Dr. John C. Doswell II, Rector
 Mr. William Ginther, Vice Rector
 Dr. Michael Rao
 Staff from VCU and VCUHS
 Members of the press

Unavailable: Mr. Sudhakar Shenoy

The meeting was called to order at 9:15 a.m. On motion made and seconded, the Finance, Investment and Property Committee recommended to the full Board the approval of the following action items:

- Minutes of a Meeting held February 14, 2013
- Six-Year Capital Plan Project Prioritization
- A/E Selections:
 - Raleigh Building Renovations
 - Sanger Hall Phase II
 - Virginia Treatment Center for Children BOV Fund Quarterly Report and Amendment Resolution
- Resolution Certifying Merit Process for FY 2014 Faculty Salary Increases

**RESOLUTION
BOARD OF VISITORS
VIRGINIA COMMONWEALTH UNIVERSITY**

**CERTIFYING MERIT PROCESS FOR
FY 2014 FACULTY SALARY INCREASES**

Recitals

A. The Governor and General Assembly authorized an average salary increase of 3.0 percent for full time Teaching and Research (T&R) and Administrative and Professional (A&P) faculty, effective July 25, 2013.

B. HB 1500, 2013, as enacted, Item 468, P. 2.b., requires that institutions have in place a process to ensure faculty “receiving salary awards are performing at levels at least comparable to employees subject to the Virginia Personnel Act.”

C. Employees subject to the Virginia Personnel Act are required to have completed performance evaluations and receive ratings of at least “Contributor” prior to receiving salary increases.

D. Full time T&R and A&P faculty members hired as of August 10, 2011 and who continue employment in a full time T&R and A&P faculty position on or after July 25, 2013 were eligible for the FY 2014 salary increase.

E. Salary increase recommendations by Deans/vice provosts/associate vice presidents/directors were based on performance. Eligible faculty members’ performance evaluations were evaluated over a minimum of a three year period in making salary increase recommendations.

F. Deans/vice provosts/associate vice presidents/directors developed defensible stratified approaches to awarding merit that included a distribution of merit pools across a range of recommended merit awards. This distribution and rationale was presented to their respective senior vice president/vice president for approval. Each senior vice president/vice president met with the president for final review and approval.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY:

1. Virginia Commonwealth University had a process in place to ensure faculty receiving faculty salary awards were performing at levels at least comparable to employees subject to the Virginia Personnel Act.

2. The Senior Vice President and Chief Operating Officer is authorized to transmit this Resolution to the Secretary of Education and the Director of the Department of Human Resource Management.

- Resolution Certifying Contract with Investment Advisors

**RESOLUTION
BOARD OF VISITORS
VIRGINIA COMMONWEALTH UNIVERSITY
CONTRACT WITH INVESTMENT ADVISORS**

Recitals

G. Virginia Commonwealth University (the “University”) established the Financial Structure Task Force (the “FSTF”) in September 2011, to seek ways for the University, its major affiliated foundations, and the VCU Health System (collectively referred to as the “VCU Entities”) to leverage its resources in order to provide the most efficient management of cash, investments, debt, and similar financial structures.

H. The FSTF was co-chaired by the University’s Senior Vice President and Chief Operating Officer and VCU Health System’s Chief Financial Officer, and comprised 15 other University and VCU Health System

employees who represent specific organizations that make up the VCU Entities. The FSTF met twice a month over a 7-month period and formed a number of workgroups to carry out its' detailed benchmarking and research efforts. Such efforts included an exhaustive review of literature, benchmarking with over 25 peer institutions, and consultation with a number of national and local investment experts.

I. The FSTF collaborated with the VCU Entities to put contracts in place for a single investment advisory firm to oversee approximately \$600 million in long-term assets (> 10 years). The contracts were not competed, as they were primarily initiated as a temporary measure until the FSTF completed its research. The contracts were entered into on December 31, 2011, for a one-year term, with options to renew for two additional years. The new contracts also include a 30-day exit clause, which can be executed at any time by the VCU Entities.

J. The FSTF recommended that a dedicated investment management function be made available to the VCU Entities. A dedicated investment function is a best practice for large and complex institutions similar to the VCU Entities. The FSTF found that institutions which can leverage \$1 billion (or approaching) in investable assets benefit considerably from enhanced returns and lower fees. The FSTF envisioned that it could take up to 3 years to fully plan and implement a dedicated investment management function for the VCU Entities.

K. The FSTF recommended to the Board of Visitors (the Board) that a competitive and national search begin for a single investment advisor, while plans are implemented to create a dedicated investment function for the VCU Entities. The national search was conducted so that a single investment advisory firm can be put in place prior to the expiration of the current contract discussed in Section C above. The extent of investible assets under advisory by a single investment advisor is unknown, but the FSTF expected a high degree of voluntary participation from the VCU Entities. Even if participation is initially low, the FSTF recommended the University take the lead in conducting a national search for the VCU Entities. The FSTF also expected the VCU Entities to add to their existing long-term investment pools, as they continue to better understand their individual liquidity and cash flow needs.

L. On May 11, 2012, in recognition of its fiduciary responsibility under the terms of the May 20, 1983 Memorandum of the Attorney General of Virginia to the Presidents of Virginia's Public Institutions of Higher Education, §55-268 of the Code of Virginia, the Uniform Prudent Management of Institutional Funds (UPMIFA) Act, §2.2-4500 through 2.2-4516 the Investment in Public Funds Act, and the Board of Visitors' (the Board) bylaws, §3.02(d)(8), the Board directed the Vice President for Finance and Administration to develop and launch a national search for investment advisors across the VCU Entities and permit any VCU entity to "opt-in" to that process.

M. The VCU Health System and all VCU Entities opted in to the process.

N. Investment Advisory and Financial Services Request for Proposals (RFP) Selection and Advisory Committees were established immediately and a Request for Proposals was issued to 60 firms in June 2012 to provide the a number of financial services; a pre-proposal conference call was held and answers were provided to 120 questions provided in advance of the call; a total of 44 vendor responses were received in September 2012.

O. The Selection Committee was co-chaired by the University's Senior Vice President and Chief Operating Officer and VCU Health System's Chief Financial Officer, and comprises 9 other University and VCU Health System employees who represent specific organizations that make up the VCU Entities. Advisory Committee members comprise members from VCU's Board of Visitors, the VCU Health System Board and each of the VCU Entities' boards.

P. In September and October, 2012 the Selection Committee held four meetings to review proposals and provided updates to the Advisory Committee; in November 3 Financial Advisory and 2 Financial Modeling firms were invited to on-site oral presentations and PFM was selected for those two services in December 2012.

Q. In January 2012, six long-term investment advisory firms were invited to on-site oral presentations to the Selection Committee and Advisory Committee members; members of the Selection Committee conducted extensive due diligence on the firms throughout February and March 2013.

R. At a public meeting held at 910 West Franklin Street, Richmond, Virginia, on April 9, 2013, attended by all members of the Selection Committee, with a vote of 9 for JPMorgan Chase Bank and 2 for another global firm, the firm of JPMorgan Chase Bank was selected for Investment Advisory Services for mid-term and long-term investments.

S. At the same meeting two firms were selected for continued due diligence for Investment Advisory Services for cash and short-term investments.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY:

3. The Senior Vice President and Chief Operating Officer is authorized negotiate with and upon successful completion of such negotiations to execute all agreements necessary to enter into a contract for investment advisory services for mid-term and long-term investments with JPMorgan Chase Bank.

4. The Senior Vice President and Chief Operating Officer is authorized, upon the completion of appropriate due diligence, to negotiate with the appropriate firm and upon successful completion of such negotiations to execute all agreements necessary to enter into a contract for investment advisory services for cash and short-term investments with that firm.

The following priority agenda items were presented for information:

- Updates:
 - Safety Committee
 - Technology Services Update
 - Revised Management Agreement with Foundations Tuition Modeling
- Capital Projects Update
- Art on Campus Annual Report
- Cash, Debt and Investment Monitoring Report as of May 3, 2013
- Glasgow Endowed Fund Quarterly Report as of March 31, 2013
- Revenue and Expense Summary as of March 31, 2013
- Virginia Commonwealth University Health System Financial Operations as of February 28, 2013.

The meeting was adjourned at 9:57 a.m.