

**UNIVERSITY OF MINNESOTA ALUMNI ASSOCIATION
NATIONAL BOARD OF DIRECTORS MINUTES
Wednesday, June 19, 2013, 4:00 – 6:00 p.m.
Gross Family Board Room, McNamara Alumni Center**

Board Members Attending

Adams Loyd, Susan
Beniak, Judy
Blissenbach, Henry
Campe, John - phone
du Bois, Jim
Finsness, Elizabeth
Gates, Leah - phone
Edwards, Brittany
Hallin, Gayle
Hancher, Michael
Hofflander, Linda
Horsager, Kent
Joselyn, Bernadine
La Valleur, June
Lewis, Lisa
Lichty, Marshall
Linster, Janice
McDonald, Dan
Oftelie, Alexander
Omlie, Joey
Page, Alison
Phenix, Amy
Schaff, Clint - phone
Schott, Patrick
Walstad, Dave
Welshons, Bonnie
Williams, Todd

Board Members Unable to Attend con't

Williams, Taylor
Wilson, Grant
Wiese, Sandra

UMAA Staff Attending

Coffer, Curtis
Gore, Daniel
Isaak, Ruth
Korman, Caryn Schultz
Radar, Bruce

Board Members Unable to Attend

Abbruzzese, Dave
Bond, Walter
Campe, John
Freimark, Natasha
Lanphere, Jane
Martin, Roy
McDonald, Tom
Pichler, Jim
Pinkney, Beth
Reed, Maureen
Schultz, Martin
Spence, Pat
Trecker, Andrew

Guests:

Bob Burgett, Vice President of Development, University of Minnesota Foundation

Chair's Report

Chair Horsager welcomed board members to the final FY13 board meeting and recognized Bob Burgett, Associate Vice President of Development for the University of Minnesota Foundation.

He introduced Brian Herman, Vice President for Research. He noted that Herman came to the U of M at the beginning of this year from the University of Texas where he served as the Chancellor's Health Fellow in Collaboration for the UT System and Special Assistant to the President for the UT Health Science Center. He is a full professor of cellular and structural biology, receiving his doctorate from the University of Connecticut Health Science Center and postgraduate training from Harvard Medical School.

His role at the University is to oversee all aspects of research at the 5 campuses, manage the university's research enterprise and identify future directions for research at the University.

University Report

Vice President Herman told board members he came to the University because of the opportunity to accomplish big things with the promise of more to come. President Kaler recognizes that research is critical and the University has grown and supports the best scientists. He has spent his first six months at the University developing strategic priorities.

His goal is to foster transdisciplinary areas of research where scientists come together to discover new concepts and approaches. His hope is to foster partnerships with business and make it less cumbersome for businesses to bring research to a commercial stage. The University has helped initiate 25 new companies within the last year. He hopes to develop new ways to support the University's fledgling companies to grow them to the stage of being attractive to venture capitalists.

He discussed the need to create a return to the University on intellectual property that does not stifle young companies. He hopes alumni will be able to help in this area by advising and providing investment opportunities. He has begun a strategic planning process that will dovetail with the University's strategic planning process.

Consent Agenda

Horsager directed board members' attention to the consent agenda.

MOTION: Approve April 6, 2013 National Board Minutes, Bank Authorization for CEO Lewis, Audit Approval Authority for the FY13 audit to the Finance and Audit Committee and appointing Lisa Lewis and Kent Horsager as UMAA directors on the University Gateway Corporation Board.
APPROVED UNANIMOUSLY

The April 30, 2013 Financial Statements, March 31, 2013 Investment Report, May, 2013 Membership Report, May, 2013 Alumni Survey and June, 2013 Outreach Report were provided for board information.

CEO Report

Lisa Lewis thanked everyone for their warm welcome, especially Chair Horsager. She is delighted to be on the job since May 31. She recognized Ruth Isaak for all of the transition help as well as the management team.

She shared early observations that the Alumni Association has talented volunteer leaders, and the committees are a true resource. There is a strong and experienced staff. She is meeting individually with each staff member and has scheduled her first staff retreat in mid-August.

She is also spending time meeting key campus partners at the foundation, deans, university relations, athletics and government relations. From her early meetings with University colleagues, she noted that the University values its alumni and considers them an asset. Also, she observed that McNamara Alumni Center is a privilege to work in and also an asset to the association.

She has noted the following challenges:

1. The alumni association is highly undercapitalized, noting that the board is aware of this and is responding with the business model committee.
2. The University is very decentralized so alumni relations takes more effort. There are multiple systems for tracking alumni and the Alumni Association will need to solve technology issues around that issue.
3. The Alumni Association must be responsive to the needs of alumni. She will seek to improve our communication, strengthening our alumni voice with a more expansive message.

She is looking forward to meeting with each board member individually and will rely on the board to help her learn the culture of the University, community and state. In closing she noted that every day is an adventure and she is thrilled to have the opportunity to lead the organization.

She introduced Dan Gore, newly hired VP of Communications. Gore joined the association on June 3. Gore has 20 years of experience in strategic marketing and communications with large corporations, agencies, and non-profits. He is a U of M graduate from the School of Journalism & Mass Communications.

Brand Discussion

Gore presented the differences between the Association and University word mark. The Association has a different 'M' as well as different font style in their word mark from the University. He explained that when the marks are not aligned, it can cause confusion to alumni as well as not take full advantage of the power of the University's brand. He showed samples of how the Alumni Association could be changed to mirror the University's 'M' and font style.

Chair Horsager explained that the association and the University are two separate entities and he hoped for discussion from the board on their thoughts on the issue. He noted it is important to consider contracts with current affinity partners and make sure that adopting the University's 'M' does not jeopardize trademark income. Following discussion, the consensus of the board was to support the alignment of the association's mark with the University's after staff has taken proper steps to protect the Alumni Association's ability to enter into affinity partnerships without University oversight.

Investment Task Force Report

Patrick Schott, Investment Task Force chair and Board Secretary/Treasurer, reported on the work of the task force. The task force was comprised of board members Schott, Kent Horsager, Hank Blissenbach, Sandy Wiese and John Campe; and alumnus and investment professional Phil Dobrzynski. They met March 20 in joint session with the UMAA Finance and Audit Committee, and had an in-depth discussion with Doug Gorence, President and Chief Investment Officer, University of Minnesota Foundation Investment Advisors. The UMAA has \$24 million invested in the UM Foundation's \$1.9 billion pooled

investment fund. The task force focused on three topics: returns, risks and fees. Returns both over the long term and in most years have exceeded both the fund's passive benchmark and the investment goal of 5% plus inflation. The notable exception was 2008 – 2009 in which the pooled fund lost 14% of its value whereas the benchmark was down 12% for the two-year period. The fund's asset allocation (mix of types of investments) and investment strategy is sophisticated and complex, providing relatively lower risk in terms of volatility in value. The fund is highly illiquid, but UMAA is less than 1.3% of the total, so liquidity risk is not a concern. Total investment fees for the fund are approximately 2.0%. Estimated fees if UMAA was independently managed range from 1.4% to 2.0%, with transaction costs of \$130,000 – \$140,000 to make the change. The resulting allocation and strategy would be significantly less sophisticated and complex, and UMAA governance responsibilities would be significantly greater.

The task force concluded that the UM Foundation pooled investment fund has strong management and world class asset allocation with acceptable mix of risk, return and fees. The second conclusion of the task force is that lower expected return for the foreseeable future has spending and governance implications. The UM Foundation's endowment spending rule is 4.5% of the trailing five year average fund balance. The purpose of this payout ratio is to maintain the purchasing power of the fund in perpetuity. UMAA should evaluate its spending of invested funds at unsustainable levels, consider which funds are endowments versus reserves, and address the strategic thinking around high draw percentages.

Finance Report and FY14 Budget

Curtis Coffey, Vice President of Operations and Chief Financial Officer, began the Finance report with a request for board approval of the use of up to \$100,000 from the Adrian Buttz Fund principal for expenses already incurred or to be incurred in fiscal year 2013 to hire a new President and Chief Executive Officer. Expenses for this transition include search firm fees, search committee meeting expenses, candidate travel expenses, and relocation expenses. A motion was approved unanimously.

The FY14 operating budget projects revenues of \$2.7 million, down \$88,000 or 3%; transfers from invested funds of \$1.8 million, down \$153,000 or 8%; and expenses of \$4.5 million, down \$241,000 or 5% compared to the FY13 budget. The FY14 capital budget includes \$20,000 for technology and \$12,500 for prepaid building improvements to be drawn from the Adrian Buttz earnings fund. Office renovations planned for FY14 are not in the capital budget, as the scope and cost of the project has not yet been determined. UMAA has \$200,000 in the UGC-held tenant reserve (prepaid building improvement) fund which can be used for the project. A motion to approve the FY14 operating and capital budgets passed without dissent.

Business Model Report

Jim du Bois, Business Model Committee chair, reported that the Business Model committee had met to explore revenue generating ideas for the association. The committee welcomes input from all board members and will entertain all great ideas. Committee members are du Bois, Kent Horsager, Gayle Hallin, Wendy Blackshaw, Natasha Freimark, Susan Adams Loyd, Dan McDonald, Andy Trecker, Todd Williams and staff members Lisa Lewis, Bruce Rader, Curtis Coffey, Caryn Korman, Dan Gore, Maureen Arbogast and Jen Benson.

Board Recognition

Chair Horsager thanked board members completing their service, noting their dedication, support of alumni events, committee service and most importantly input on key issues. The following individuals were recognized:

- Dave Abbruzzese –Southeast USA geographic representative, 3 years

- Walter Bond – at-large representative, 4 years.
- John Campe – Southeast Minnesota geographical representative , Finance and Audit Committee, 3 years
- Brittany Edwards –Graduate and Professional Student Assembly, CEO Search Committee, 1 year
- Lisa Finsness –College of Education and Human Development, awards committee, 4years
- Leah Gates –College of Biological Sciences, 4 years
- Michael Hancher, Vice Chair of the Faculty Consultative Committee, 1 year
- Jane Wildung Lanphere – SW Minnesota geographic representative, 4 years
- June La Valleur – Medical School representative, 2 years
- Marshall Lichty – Law School representative before assuming Vice Chair roll, Bylaws Revision Committee, 7 years
- Roy Martin – College of Veterinary Medical, 3 years
- Tom McDonald – Northeast USA representative, 3 years
- Joey Omlie – Dental School, Awards Committee, 6 years
- Jim Pichlar – College of Science and Engineering, 3 years
- Beth Pinkney – at-large representative, Awards Committee, 4 years
- Maureen Reed - Executive Committee Vice Chair, Advocacy Committee Chair, past board chair, 2012 CEO search committee chair, 6 years
- Patrick Schott – Northeast USA and then secretary-treasurer, 6 years
- Martin Schultz – Northwest Minnesota geographic representative, 5 years
- Pat Spence – Central MN geographic representative, 3 years
- Andrew Trecker – College of Liberal Arts, 2 years
- Bonnie Welshons - CFANS representative for 4 years and vice chair for 2 years, Program committee and instrumental in arranging the Knowledge Transfer process, 6 years
- Taylor Williams – Minnesota Student Association President, 1 year
- Grant Wilson – College of Food, Agricultural and Natural Resource Sciences , 2 years

Horsager presented departing members with a gift, saying it was a small reminder of their board service and their gift to the association was their committed board service.

Incoming chair Susan Adams Loyd stepped to the podium to thank Horsager for an extraordinary year of leadership as chair during a year of transition. She said it had been her privilege to observe closely his commitment and effort to keep the organization running smoothly. She presented him with a crystal gavel commemorating his year of leadership. Horsager thanked all board members for their effort, noting that the commitment of the board and other volunteers is what makes the organization succeed.

Susan Adams Loyd noted the upcoming year board schedule and said that although she has big shoes to fill, she has chair-elect Jim du Bois to help her.

She invited board members to stay for a reception, noting that past presidents/ chairs were joining the group to meet and welcome CEO Lisa Lewis.

The meeting adjourned at 6:00 p.m.

Submitted by Ruth Isaak
For Patrick Schott, Secretary-Treasurer