UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Finance Committee

Thursday, May 9, 2013

1:15 - 3:15 p.m.
600 McNamara Alumni Center, West Committee Room

Board Members
John Frobenius, Chair
Clyde Allen
Richard Beeson
Laura Brod
Thomas Devine
Peggy Lucas

Student Representatives
Meghan Mason
Cody Miki

A G E N D A

1. Financial Components of the President's Recommended Six-Year Capital Plan - Review - R. Pfutzenreuter (pp. 2-3)

2. Financial Components of the President's Recommended FY 2014 Capital Improvement Budget - Review - R. Pfutzenreuter (p. 4)

3. Purchasing & eProcurement Update: Operational Excellence - R. Pfutzenreuter/M. Volna (p. 5)

4. Decentralization vs. Centralization: Finance & Budget Function - R. Pfutzenreuter/M. Volna (pp. 6-7)

5. Consent Report - Review/Action - R. Pfutzenreuter (pp. 8-15)

6. Information Items - R. Pfutzenreuter (pp. 16-42)

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance Committee **May 9, 2013**

Agenda Item: Financial Components of the President's Recommended Six-Year Capital Plan

☒ **review** ☐ **review/action** ☐ **action** ☐ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ **policy** ☒ **background/context** ☐ **oversight** ☐ **strategic positioning**

To set priorities and direction for continued capital and academic planning efforts.

Outline of Key Points/Policy Issues:

The President's recommended Six-Year Capital Improvement Plan includes major capital improvements planned for FY 2014 - 2019. The Plan includes projects to be funded with state capital support as well as projects to be funded by the University through a combination of University debt obligations, local unit resources, and fundraising. The plan envisions a total of $1,116,700,000 in capital investments and is built on a state contribution of $878,700,000, which will be requested through the normal state capital request process and the University of Minnesota expenditure of $238,000,000. The University of Minnesota's share of the plan will be funded through a combination of debt, local academic unit resources, user fees and fundraising.

The FY 2014 - 2019 Six-Year Capital Improvement Plan attempts to align capital planning with strategic academic and financial planning. Specific capital projects listed for each year are driven by academic priorities and facility conditions. Academic programs proposing capital projects have been evaluated in terms of long standing academic review criteria, including:

- Centrality to the University's mission;
- Quality, productivity and impact;
- Uniqueness and comparative advantage;
- Enhancement of academic synergies;
- Demand and availability of resources;
- Efficiency and effectiveness; and
- Development and leveraging of resources.

Background Information:

Board of Regents Policy: *Board Operations and Agenda Guidelines* directs the administration to conduct capital planning with a 6-year time horizon, updated annually. This annual capital planning process is completed in two parts:

- The Six-Year Capital Improvement Plan establishes the institutions' capital priorities for six years into the future. This plan will become the basis for continued capital and financial planning.

- The annual Capital Improvement Budget for the next fiscal year includes projects with completed predesigns and financing plans are approved to proceed with design and construction. It will be presented to the Board in May and June of 2013.

President's Recommendation for Action:

The President recommends approval of the Six-Year Capital Plan for FY 2014 - 2019.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance Committee **May 9, 2013**

Agenda Item: Financial Components of the President's Recommended FY 2014 Capital Improvement Budget

☒ **review** ☐ **review/action** ☐ **action** ☐ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ **policy** ☒ **background/context** ☐ **oversight** ☐ **strategic positioning**

To review the proposed FY 2014 Annual Capital Improvement Budget, which authorizes projects to begin design and construction during the upcoming fiscal year.

Outline of Key Points/Policy Issues:

The FY 2014 Annual Capital Improvement Budget authorizes projects totaling $289,774,000 to begin design or construction during the next fiscal year. Approximately 60 percent of the capital budget is State of Minnesota supported debt for the University's 2013 capital request. The remaining 40 percent of the capital budget supports the University's share of the state bonding projects as well as University-funded capital improvements. This capital improvement budget includes the University's full legislative request. The Capital Improvement Budget will be updated in June to reflect the outcome of the 2013 session.

The Annual Capital Improvement Budget is reflective of the planning priorities established by the Six-Year Capital Plan approved by the Board of Regents annually.

Background Information:

The University requires that all capital projects spending more than $500,000 on either design or construction be included in the Annual Capital Improvements Budget. In order to be included in the Annual Capital Improvement Budget, the project must be approved by the respective Vice President or Chancellor, have completed an appropriated level of planning, have all the required funding identified, and be ready to proceed if approved by the Board of Regents. As these projects meet the Board's criteria, they will be presented as Capital Budget Amendments.

President's Recommendation for Action:

The President recommends approval the FY 2014 Annual Capital Improvement Budget.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance Committee **May 9, 2013**

Agenda Item: Purchasing and e-Procurement Update: Operational Excellence

☐ **review** ☐ **review/action** ☐ **action** ☒ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter
Associate Vice President Michael Volna

Purpose:

☐ **policy** ☒ **background/context** ☒ **oversight** ☐ **strategic positioning**

To provide a status report on procurement and purchasing activities which are transforming the University's procure-to-pay processes to align with the goals of Operational Excellence.

Outline of Key Points/Policy Issues:

The University embarked on a series of projects and initiatives in 2009 designed to improve the procurement processes used by University faculty and staff. Subsequently new tools and skills have been deployed to identify opportunities for smarter purchasing and transform the procure-to-pay processes. This presentation will highlight some of the more significant changes that have occurred or are underway, including the deployment of spend analysis tools, the adoption of strategic sourcing practices, the implementation of a new eProcurement system, and planned enhancements to materials management and campus logistics.

Background Information:

The administration reported to the Board of Regents Finance Committee on purchasing and procurement activities in July 2009. The Board has received updates on other activities supporting Operational Excellence at various Board of Regents meetings.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance Committee **May 9, 2013**

Agenda Item: Decentralization vs. Centralization: Finance & Budget Function

☐ **review** ☐ **review/action** ☐ **action** ☒ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter
Associate Vice President Michael Volna

Purpose:

☐ **policy** ☒ **background/context** ☒ **oversight** ☐ **strategic positioning**

To provide background information on the extent to which finance functions are decentralized or centralized at the University, and the factors and considerations used for assessment.

Outline of Key Points/Policy Issues:

There are many factors and considerations in assessing the suitability of various organizational models for the delivery of financial services and performance of financial activities. The design of the University's financial organization has been influenced by a number of factors including the type of budget and financial management model used, the diverse array of academic programs and support activities, and the use of internally developed technology to allow financial activities to be broadly distributed. As a result, financial management activities such as budget development and management, purchasing and vendor payments, travel and expense reimbursements, and financial reporting are widely decentralized. New financial realities and the need to contain administrative and technology costs are causing the University to consider alternative models for some financial services and activities. This presentation will provide an overview of:

- The state of decentralization vs. centralization and the use of clusters and shared service models in the University's current financial management model;
- Factors to consider when determining whether centralization, decentralization, or some other model is best for the performance of any particular financial function; and
- How the University is evaluating current trends and leading practices as alternatives to current financial service models.

Background Information:

The issue of decentralization vs. centralization has been discussed at various Board Meetings on a range of administrative activities including human resources activities, the recalibration of risk in administrative policies and activities, and the Enterprise Systems Upgrade Program.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance Committee **May 9, 2013**

Agenda Item: Consent Report

☐ **review** ☒ **review/action** ☐ **action** ☐ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ **policy** ☐ **background/context** ☒ **oversight** ☐ **strategic positioning**

General Contingency
To seek approval for allocations from General Contingency greater than $250,000.

Purchase of Goods and Services $1,000,000 and Over
To seek approval for purchases of goods and services of $1,000,000 and over

Outline of Key Points/Policy Issues:

General Contingency
There are no items in the General Contingency report requiring Board approval.

Purchase of Goods and Services $1,000,000 and Over To:

- Blue Cross Blue Shield, HealthPartners, Medica, and UCare for the estimated amount of $49,900,000 of Medicare supplemental insurance for the six-year period of January 1, 2014 - December 31, 2020, through the University of Minnesota Office of Human Resources Employee Benefits. There is no cost to the University for this coverage since retirees pay all premiums. Vendors were selected through a competitive process.
- Delta Dental and HealthPartners for $114,192,000 for administering a self-funded UPlan dental plan option for the six-year period of January 1, 2014 - December 31, 2020, through the University of Minnesota Office of Human Resources Employee Benefits. The administrative fees and claims are funded on an annual basis through the fringe pool. Vendors were selected through a competitive process.

- Minnesota Life/ING for the estimated amount of $32,700,000 for life insurance coverage for the six-year period of January 1, 2014 - December 31, 2020, through the University of Minnesota Office of Human Resources Employee Benefits. These services are funded on an annual basis through the fringe pool. The vendor was selected through a competitive process.
- Oracle America, Inc. for an estimated $4,565,000 to purchase Exadata and Exalogic computer appliances, including installation services and one year of maintenance and support for all components, for the Enterprise System Upgrade Program (ESUP). ESUP is a University-wide program. Purchase of this equipment is included in the approved budget for the program.
- Siemens Medical Solutions USA, Inc. in the amount of $1,100,000 for a five-year service contract on the 7.0T magnet electronics for the period June 8, 2013 - June 7, 2018, for the Center for Magnetic Resonance Research, Department of Radiology. The service contract will be funded by usage charges to grants and is included in financial forecasts for this facility. The vendor was selected through a competitive process.

Background Information:

Approvals are sought in compliance with Board of Regents Policy as follows:
- General Contingency: *Reservation and Delegation of Authority, Sec.VII, Subd. 1.*
- Purchase of Goods and Services $1,000,000 and Over: *Reservation and Delegation of Authority, Sec.VII, Subd. 6*

President's Recommendation for Action:

The President recommends approval of the Consent Report.

General Contingency

2012-13 General Contingency:

	Recipient	Allocation	Balance	Purpose
	FY2013 General Contingency		**$1,000,000**	
	Carryforward from FY2012 into FY2013	596,132	1,596,132	
1	Executive Director, Board of Regents	(89)	1,596,221	Return unused funds from Presidential Search
2	Exec Director Office for Business & Community Economic Dev	55,000	1,541,221	Awards, Incentive and Recognition Program
3				
4	**New items this reporting period:**			
5				
6	AVP Capital Planning & Project Management	(18,652)		Return unused amount Eastcliff Historic Summer House project
7	AVP Capital Planning & Project Management	(7,621)		Return unused amount from demolition of several properties
8				
9	**Ending Balance as of April 30, 2013**		**1,567,493**	
10				
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Purchase of Goods and Services $1,000,000 and over

To Blue Cross Blue Shield, HealthPartners, Medica, and UCare for the estimated amount of $49,900,000 of Medicare supplemental insurance for the six-year period of January 1, 2014 through December 31, 2020 through the University of Minnesota Office of Human Resources Employee Benefits.

Total estimated cost for the contract over a six-year period:

Blue Cross Blue Shield	*$17,300,000*
HealthPartners	*$17,000,000*
Medica	*$10,200,000*
UCare	*$ 5,400,000*

Each medical insurance carrier listed above was selected during a request for proposal process. The initial contract will be for a two-year period, with four one-year options to renew the contract.

The estimated total amounts are based on participation assumptions. Participation could vary from the assumptions due to participation elections by plan members.

There is no cost to the University for this coverage since retirees pay all premiums.

Submitted by: Dann Chapman
Director, Employee Benefits

Approval for this item is requested by:

4/18/13

Kathryn F. Brown
Vice President, Office of Human Resources

May 9, 2013

Purchase of Goods and Services $1,000,000 and over

To Delta Dental and HealthPartners for $114,192,000 for administering a self-funded UPlan dental plan option for the six-year period of January 1, 2014 through December 31, 2020 through the University of Minnesota Office of Human Resources Employee Benefits.

Total estimated cost for the contract over a six-year period:

Delta Dental	*$90,284,000*
HealthPartners	*$23,908,000*

Each dental claims administrator listed above was selected during a request for proposal (RFP). The initial contract will be for a two-year period, with four one-year options to renew the contract.

The estimated total amounts are based on administrative service fees and projected claims based on estimated enrollment.

The administrative fees and claims are funded on an annual basis through the fringe pool.

Submitted by: Dann Chapman
Director, Employee Benefits

Approval for this item is requested by:

4/18/13

Kathryn F. Brown
Vice President, Office of Human Resources

May 9, 2013

Purchase of Goods and Services $1,000,000 and over

To Minnesota Life/ING for the estimated amount of $32,700,000 for life insurance coverage for the six-year period of January 1, 2014 through December 31, 2020 through the University of Minnesota Office of Human Resources Employee Benefits.

Minnesota Life was selected as a provider for life insurance as a result of a request for proposal. The initial contract will be for a two-year period, with four one-year options to renew the contract. Total estimated cost includes Basic and Supplemental Life coverage.

These services are funded on an annual basis through the fringe pool.

Submitted by: Dann Chapman
Director, Employee Benefits

Approval for this item is requested by:

4/18/13

Kathryn F. Brown
Vice President, Office of Human Resources

May 9, 2013

Purchase of Goods and Services $1,000,000 and over

To Oracle America, Inc for an estimated $4,565,000 to purchase Exadata and Exalogic computer appliances, including installation services and one year of maintenance and support for all components, for the Enterprise System Upgrade Program (ESUP).

The Exalogic appliance and the Exadata database appliance are jointly engineered software and hardware systems that will house and support the Oracle applications and databases associated with the University-wide upgrade of the PeopleSoft Student, Financial and Human Resources systems. Use of these Oracle appliances will benefit the University through its provision of a robust environment for upgraded enterprise system consistent with existing equipment and designed to optimize PeopleSoft access, availability and performance.

The contract includes installation and configuration of the appliances by the vendor. In addition, the maintenance and support agreement provides preventative maintenance and problem resolution including around-the-clock online and telephone support plus on-site response for serious hardware problems.

ESUP is a University-wide program approved by the Boards of Regents of the University of Minnesota. Purchase of this equipment is included in the approved budget for the program.

Submitted by: Andrew Hill
Director, Enterprise System Upgrade Program
150 Williamson Hall
Phone: 612-625-1387
Email: ajhill@umn.edu

Approval for this item requested by:

Vice President and CIO — 4.18.13
Date

Purchase of Goods and Services $1,000,000 and over

To Siemens Medical Solutions USA, Inc. for $1,100,000 for a five year service contract on the 7.0T magnet electronics for the period June 8, 2013 through June 7, 2018 for the Center for Magnetic Resonance Research, Department of Radiology.

As part of the Center for Magnetic Resonance Research (CMRR) Renovation and Expansion project, the University acquired a 7.0T whole body imaging magnet. The 7.0T magnet purchase price and related construction costs were jointly funded by the State of Minnesota and University of Minnesota. The magnet is used on many advanced biomedical imaging applications and will be used extensively on the NIH blueprint Human Connectome Project.

The University negotiated a two year warranty period for the electronics which power the magnet. After the two years warranty period expires on June 7, 2013, a service contract is necessary to ensure the electronics are properly maintained and serviced to ensure the magnet's capabilities are available to researchers. The five year service contract is for $220,000 per year or $1,100,000 and covers parts and labor. The warranty and service contract period were negotiated together, therefore the need to procure the service contract at this time.

Due to the unique nature of these electronics, service can only be performed by the equipment manufacturer. The equipment vendor was selected through a competitive bid process.

The service contract will be funded by usage charges to grants and is included in financial forecasts for this facility.

Submitted by: Kamil Ugurbil, Director, Center for Magnetic Resonance Research
2021 Sixth St. SE
Phone: (612) 626-2001

Approval for this item requested by:

VP or Exec. VP Signature

3/12/13
Date

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Finance Committee **May 9, 2013**

Agenda Item: Information Items

☐ **review** ☐ **review/action** ☐ **action** ☒ **discussion**

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ **policy** ☐ **background/context** ☒ **oversight** ☐ **strategic positioning**

Quarterly Investment Advisory Committee (IAC) Update
To provide the Board of Regents with a summary of the quarterly meeting of the IAC held on February 6, 2013.

Quarterly Asset Management Report
To report on the quarterly performance results for assets managed by the Office of Investments & Banking (OIB) for the quarter ended December 31, 2013. OIB prepares this report, as required by Board policy, for review by the Investment Advisory Committee and the Board of Regents.

Debt Management Advisory Committee Update
To provide a report on the meeting of the Debt Management Advisory Committee (DMAC) held on March 6, 2013.

Outline of Key Points/Policy Issues:

Quarterly Investment Advisory Committee Update

Regent Frobenius and Mr. Mason introduced the newest member of the IAC, Marie Pillai, the VP and Chief Investment Officer of General Mills, where she manages over $7.0 billion of pension and other assets.

Mr. Mason reviewed the investment performance for the Consolidated Endowment Fund (CEF) for the quarter and the 12 months ending December 31, 2012. The overall portfolio value rose in the quarter by $21.0 million, or 2.77%, versus the custom benchmark, which was 2.04% and the passive benchmark of 70/30, which was 0.24%. For the last 12 months, CEF investment performance was 13.80% versus the custom benchmark of 11.42% and the passive benchmark of +12.77%. The outperformance relative to custom benchmarks for the quarter and the strong performance for the year were driven primarily by two factors: a) the return-generating fixed income sub-portfolio was up 4.40% for the quarter and 17.08% for the 12 month period, and b) both private capital and energy resources sub-portfolios continued their strong relative performance, up 16.23% and 21.62% respectively for the past 12 months.

Liquidity continued to improve as private partnerships made net cash distributions totaling $97.8 million for the calendar year, $18.0 million above the planned amount. The forecast level of distributions, net of capital calls, for calendar 2013 is $110 million. This improving liquidity is being used to rebalance the portfolio closer to strategic asset allocation ranges in accordance with the three-year rebalancing plan.

OIB staff presented the Peer Comparison Report with data from the NACUBO/Commonfund survey, the Big Ten survey, and the survey carried out by MIT. All three surveys indicated that the one-year performance for the fiscal year end, which totaled 4.8%, ranked the University of Minnesota Endowment in the upper decile of returns. By most measures, the median return for the period was between -1.0 and +1.0%.

Mr. Mason presented materials supporting a recommendation to engage a new investment manager for the TIPS allocation: Dimensional Fund Advisors. After a lengthy discussion, the committee approved the recommendation to engage the manager. However, their recommendation came with the caveat that, given the negative current real rates of return for TIPS, there needed to be further discussion about the timing of allocating the funds to make the investment. This recommendation will be forwarded to the President.

Mr. Mason also presented materials supporting a recommendation to engage another manager to invest in high yield, or return-generating fixed income: Reams Asset Management. Although Reams has a long and impressive record of outperformance relative to the benchmark, the current positioning of the portfolio caused the committee to request additional information before making the recommendation. The committee spoke via phone on March 15 to review additional data and make a decision.

Mr. Mason then reviewed highlights of the quarterly report for CEF, and other managed assets including RUMINCO, TIP, and GIP.

<u>Quarterly Asset Management Report</u>

- The invested assets of the University totaled approximately $2.2 billion on December 31, 2012.

- The Consolidated Endowment Fund (CEF) value as of December 31, 2012, was $1,032.6 million, an increase $21.0 million over the last quarter after distributions of $6.6 million. The total investment return for CEF was 2.8% for the quarter and 13.8% for the last 12 months compared to custom benchmarks of 2.0% and 11.4% respectively.

- The investment return for CEF exceeded the benchmark primarily for two reasons: a) the public equity portfolio was up over 2.3% for the quarter and over 18.9% for the 12-month period with the active managers outperforming their benchmarks and b) the risk-mitigating and return-generating fixed income portfolios were up 11.5% and 17.1% respectively over the last 12 months, also exceeding their specific benchmarks.

The market value of the short-term reserves was $933.2 million as of December 31, 2012. This was a decrease of $122.4 million over the last quarter. The investment return on the portfolio over the last 12 months was 1.4% compared to a benchmark return of 0.3% due largely to the out-performance of the mortgage and government agency bond sub-portfolios. The decline in value was due to timing of the receipt of tuition payments and the specific payroll funding cycle.

Debt Management Advisory Committee Update

The agenda for the meeting held on March 6, 2013, included:

- Issuance of Debt - Series 2013A & 2013B
    - Moody & S&P Ratings
    - Pricing & the Competitive Sales Process
- 2012 Capital Finance & Debt Management Report

Quarterly Asset Management Report

December 31, 2012

Office of Investments & Banking

University of Minnesota
Driven to Discover℠

Table of Contents

Overview – All Funds

OIB Managed Funds ($ millions)	Dec-12	June-12	June-11
Consolidated Endowment Fund (CEF) *	$ 1,032.6	$ 977.6	$ 956.8
Long-Term Reserves (GIP)**	47.1	44.7	44.3
Short-Term Reserves (TIP)	933.2	972.2	824.9
RUMINCO Ltd.	37.1	32.6	32.3
Invested Assets Related to Indebtedness	106.5	189.7	181.9
Total	2,156.5	2,216.8	1,963.5
Other Funds Not Managed by OIB			
U of M Foundation Fund	$ 1,393.7	$ 1,337.7	$ 1,328.0
MN Medical Foundation Fund	230.2	222.4	236.4
Faculty Retirement Plans	$ 3,229.5	$ 3,107.8	$ 3,012.2

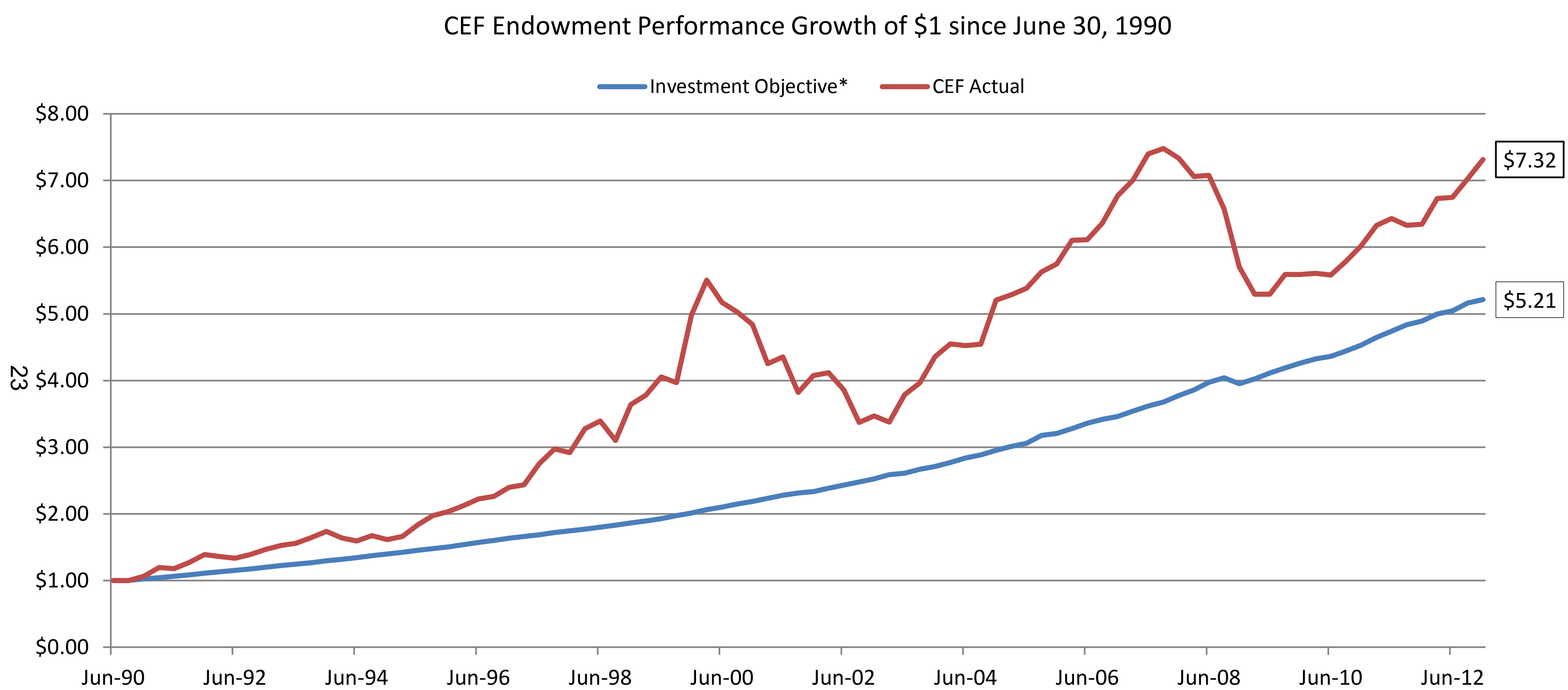
* Includes TIP, GIP and PUF investments, which as of 09/30/12 were $120.2, $11.3, and $421.7, respectively
** GIP market value excludes the $11.3 invested in CEF. Elsewhere in the presentation this value is included for purposes of calculating total fund performance

CEF Review

<u>Investment Policy Objectives:</u>

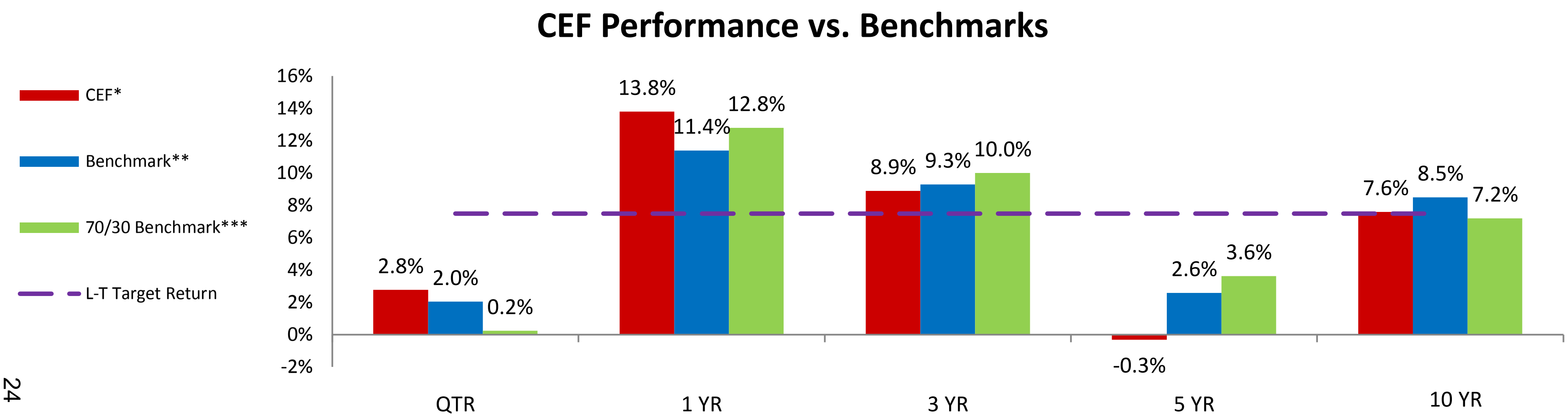
1) Maintain Inflation Adj. Endowment Value
2) Acceptable Risk Parameters
3) Stable Distributions

Maintain Inflation-Adj. Endowment Value



*CPI plus payout plus actual expenses (calculated quarterly)

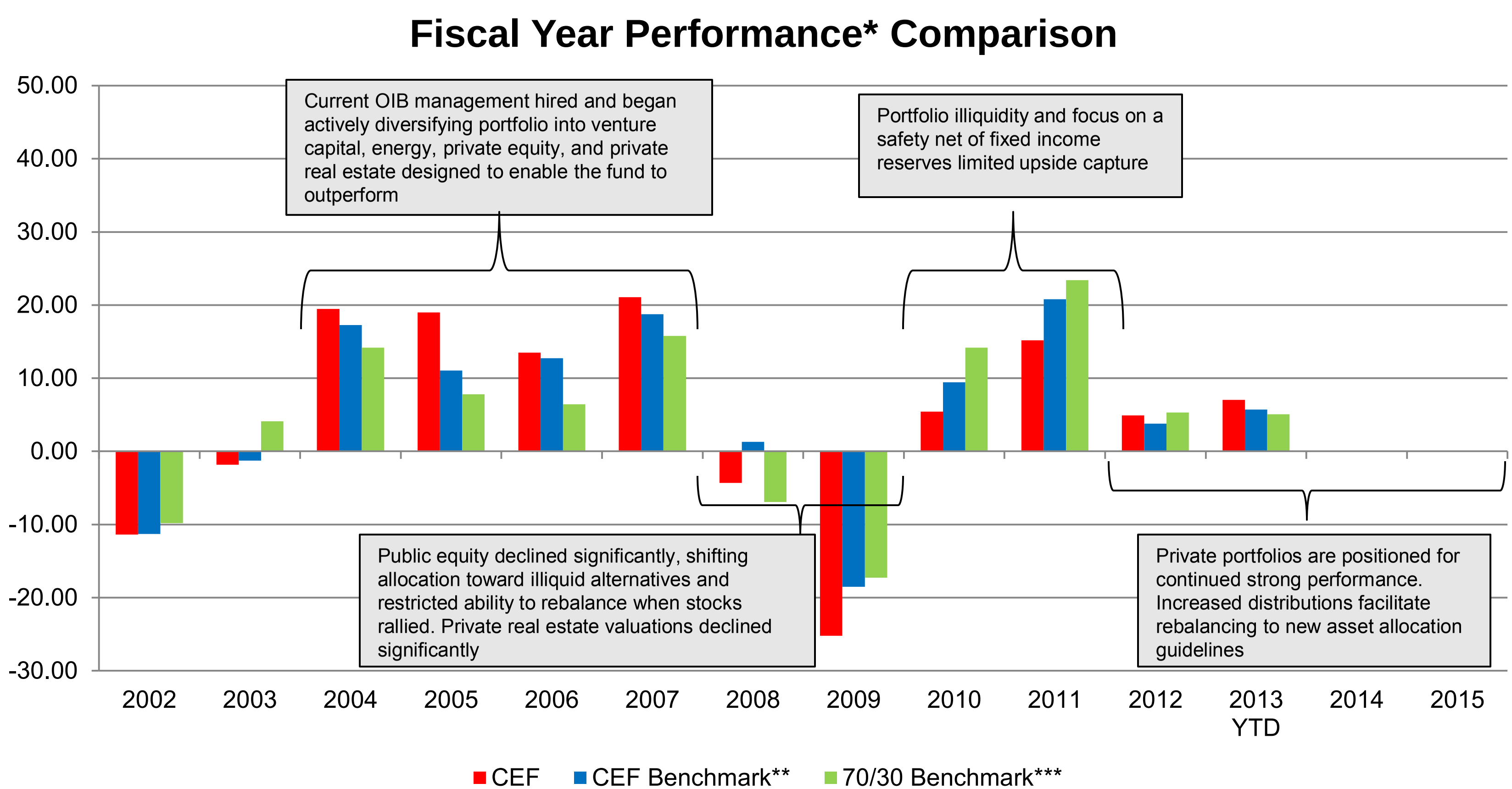
Maintain Inflation-Adj. Endowment Value



- One quarter outperformance driven primarily by the following:
  - Tactical overweight in risk mitigating fixed income to MBS and other non- US Treasury securities
  - Slight outperformance (58 bps) by Emerging Markets equity
  - Outperformance (113 bps) return generating fixed income managers
  - Slight outperformance (133bps) by private equity managers, especially in venture and distressed debt
  - Fund Value $1,033MM****

* Net of Manager Fees
** Benchmark: CEF Custom Index
*** Benchmark: 70% Russell 3000, 30% Barclays Capital Aggregate
**** Total CEF Market Value includes $120.2 in TIP and $11.3 in GIP investments

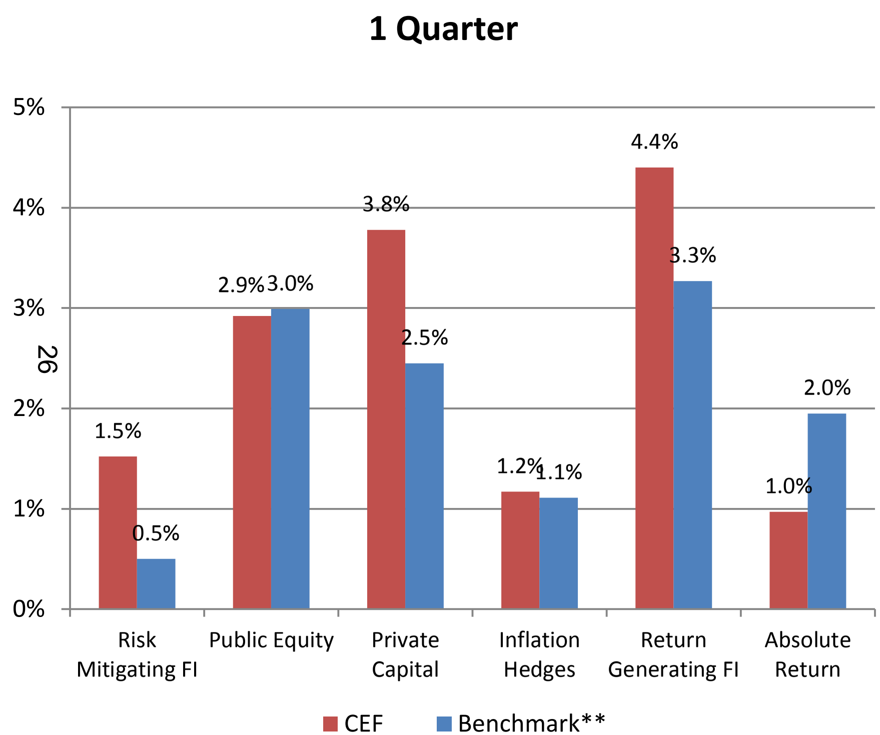
Maintain Inflation-Adj. Endowment Value

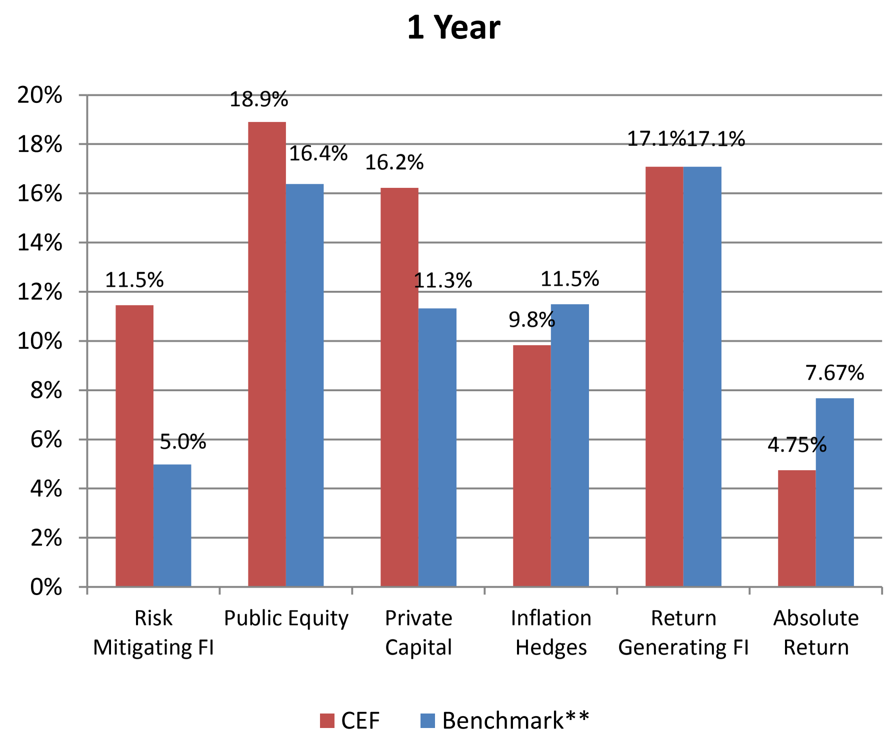


* Net of Manager Fees
** Benchmark: CEF Custom Index
*** Benchmark: 70% Russell 3000, 30% Barclays Capital Aggregate

Maintain Inflation-Adj. Endowment Value

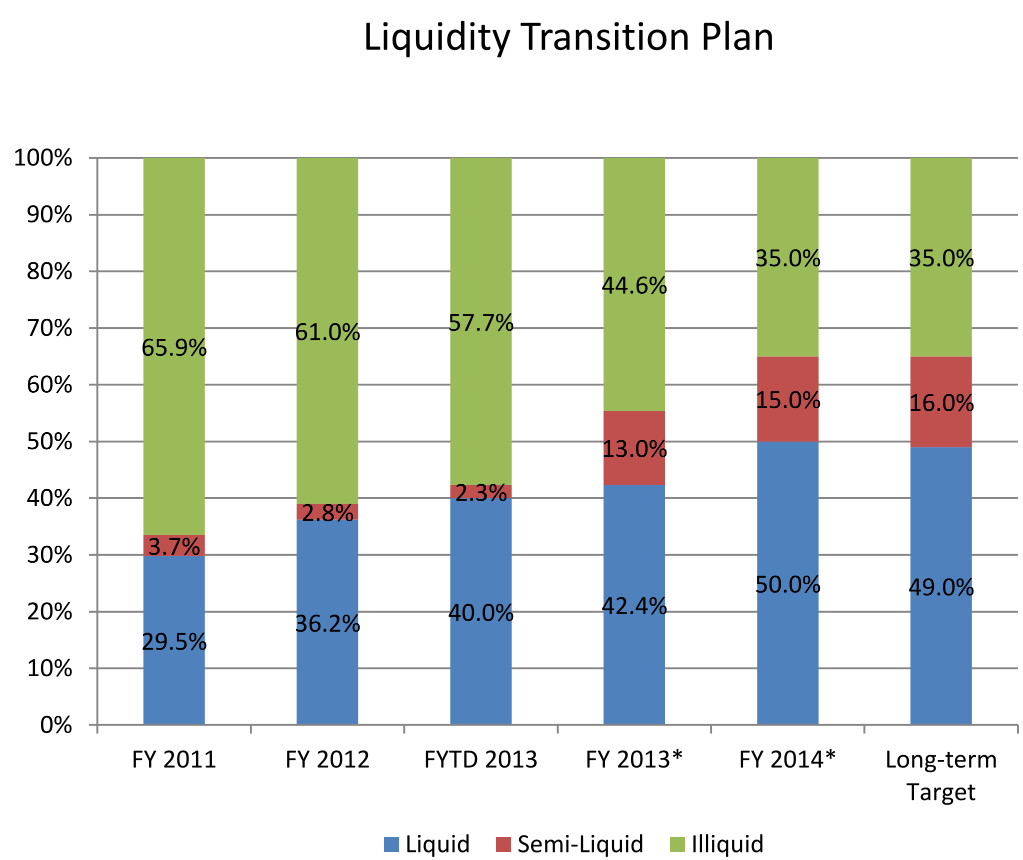
Sector vs. Benchmark Returns





* Net of Manager Fees
** Components of CEF Custom Index

Acceptable Risk Parameters



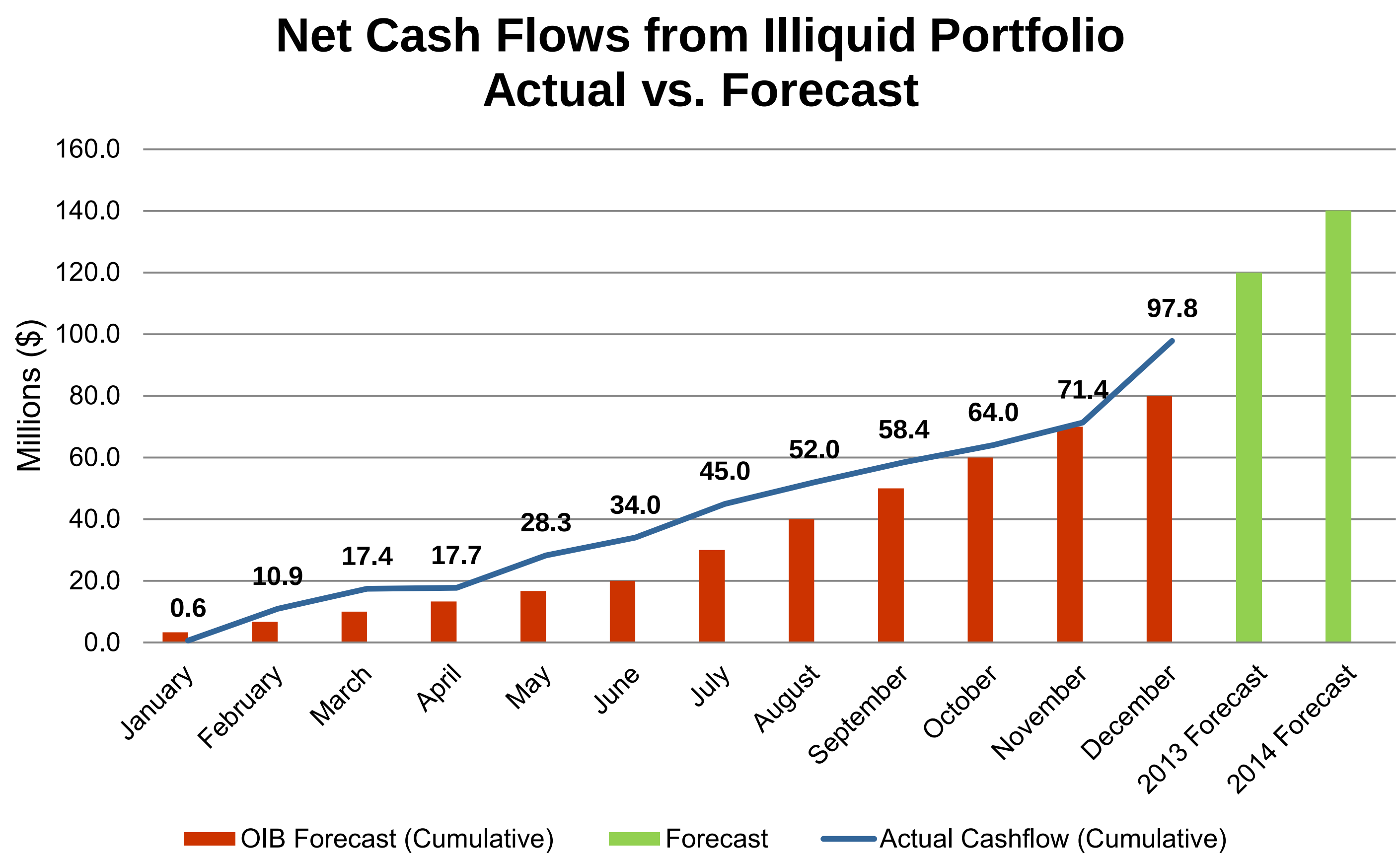
Definition: Liquidity is a measure of assets that can be sold at reasonable prices within one year. Higher levels of liquidity enable timely rebalancing and responses to new opportunities

Target: No more than 35% invested in illiquid assets. Illiquid assets market value plus unfunded commitments should not exceed 55%

Strategy: Reduce illiquid investments to 35-40% of the overall portfolio over the next 2 years

* Forecast

Acceptable Risk Parameters



Acceptable Risk Parameters

Top 10 Managers

Manager	Total Market Value ($M)	% of Total Fund
Blackrock*	173.7	16.8
TCW	73.4	7.1
Goldman Sachs	55.0	5.3
PIMCO	51.2	5.0
PineBridge	37.3	3.6
Oaktree	31.1	3
LaSalle	29.9	2.8
Kayne Anderson	29.8	2.9
Insight	25.3	2.4
MHR	24.8	2.4

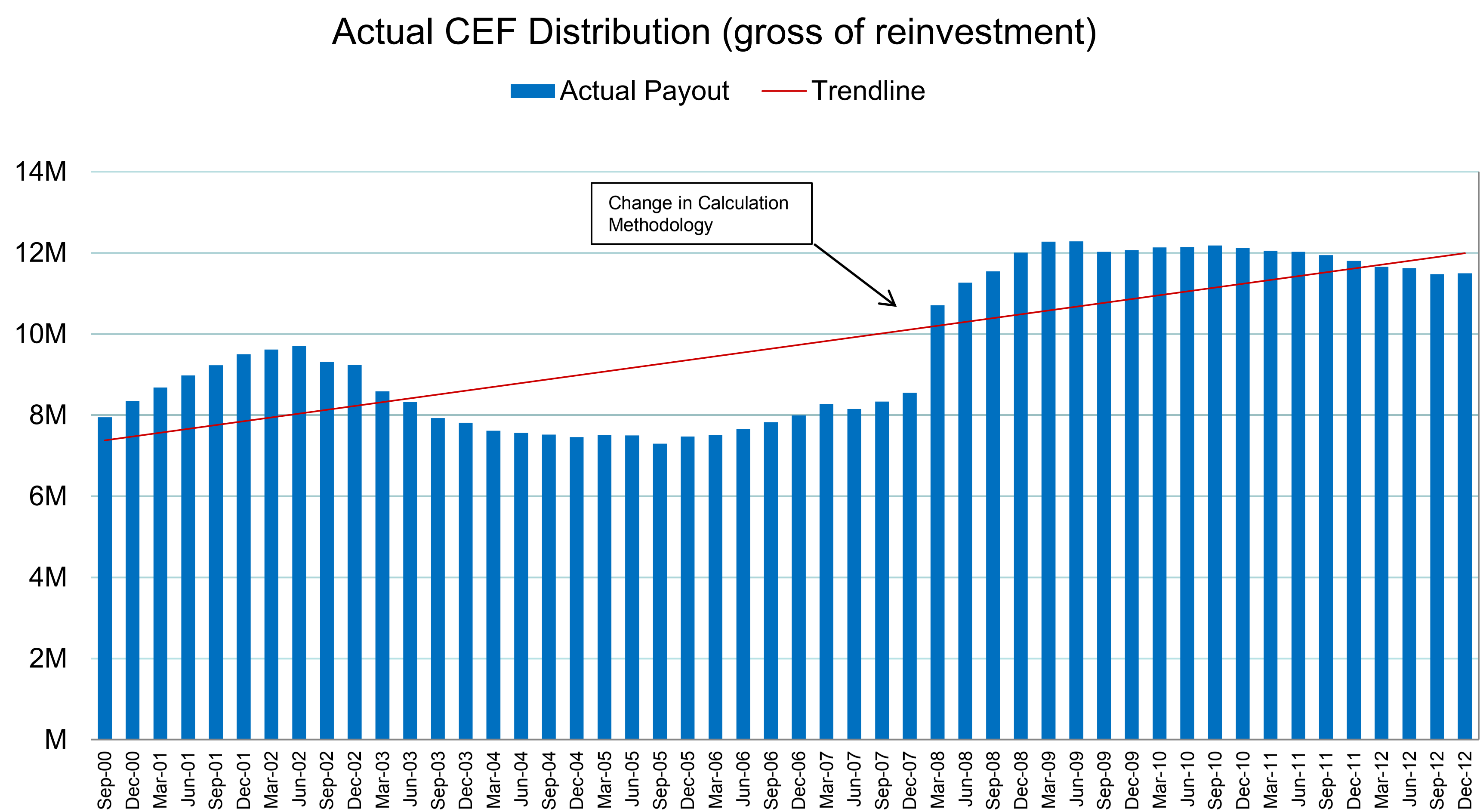
Definition: Maintain concentration in managers and funds at appropriate levels

Target: No individual fund > 10%, no manager > 20%

Strategy: Closely monitor large core positions and adjust holding size to maintain compliance with targets

* Blackrock investment consists of three funds, the largest of which is a Russell 1000 index fund at 11.0% of the endowment

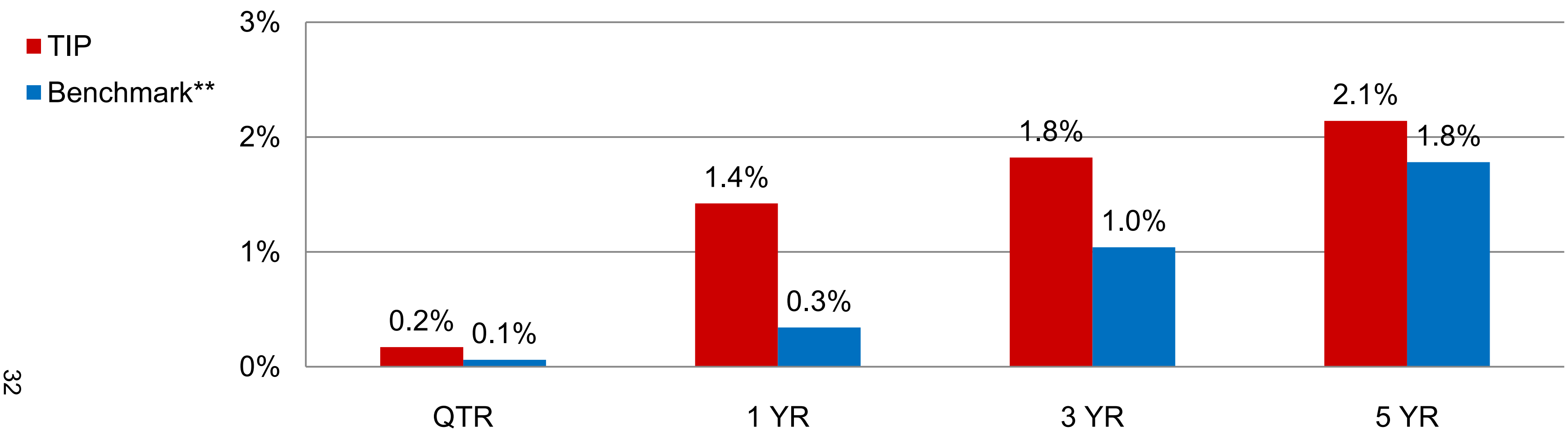
Stable Distributions



TIP Review

TIP – Total Fund Performance*

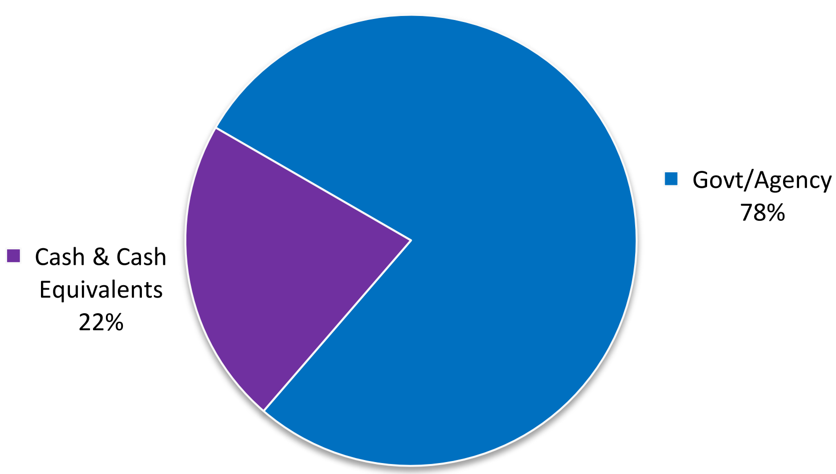
Market Value: $933M

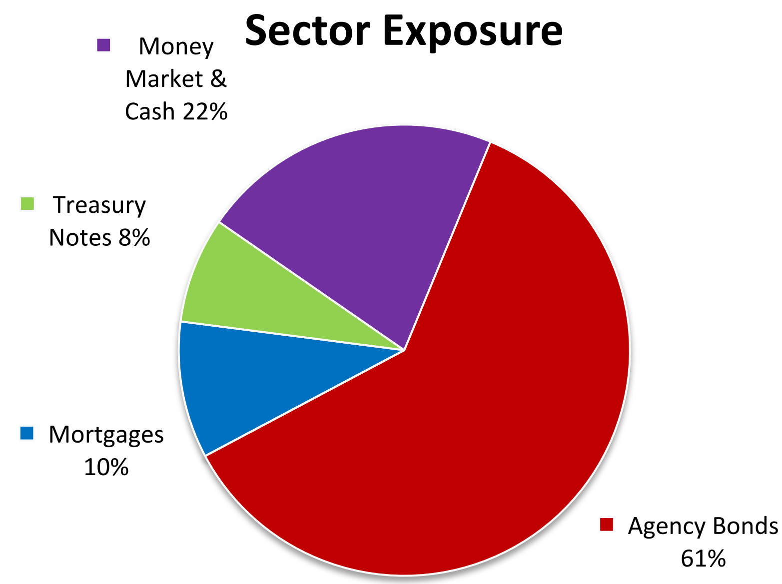


- One quarter outperformance driven primarily by:
  - Higher current yield of the fund (97 bps) vs. the benchmark (19 bps)
  - Overweight to US government agency bonds and mortgages
  - Strong outperformance from Sit Investment Associates

* Performance is net of manager fees and excludes balances at Wells Fargo and US Bank used to offset banking fees
** Benchmark: 70% BofAML U.S. Treasuries 1-3 Yr / 30% 91 Day T-Bill
*** Total TIP Market value excludes the $120.2 investment in CEF

TIP – Asset Allocation
Market Value: $933M

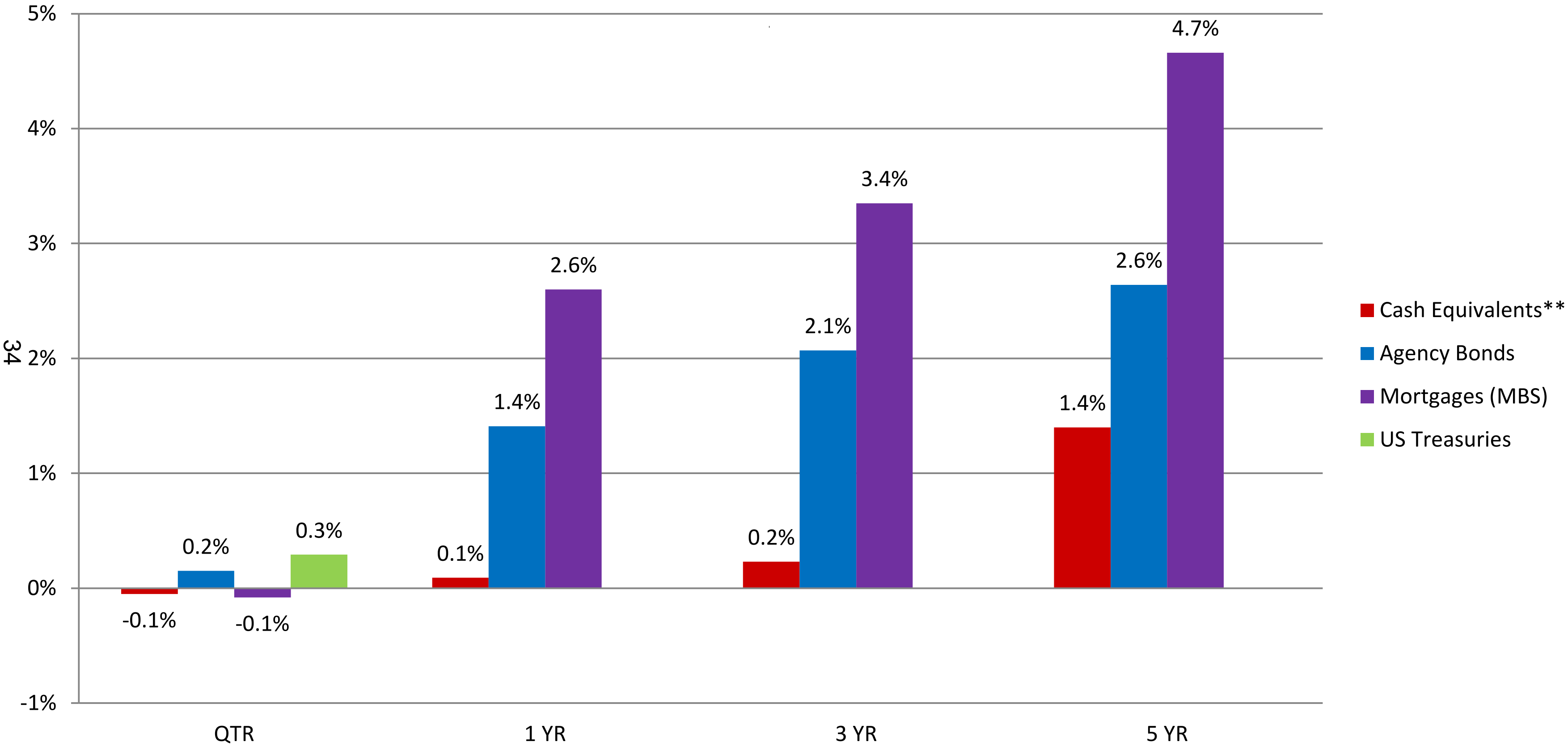




Statistic	Portfolio	Benchmark
Average Duration	1.53	1.38
Average Credit Rating	Govt/Agency	Govt/Agency
Current Yield	0.97%	0.19%

TIP – Performance* by Sector

Market Value: $933M



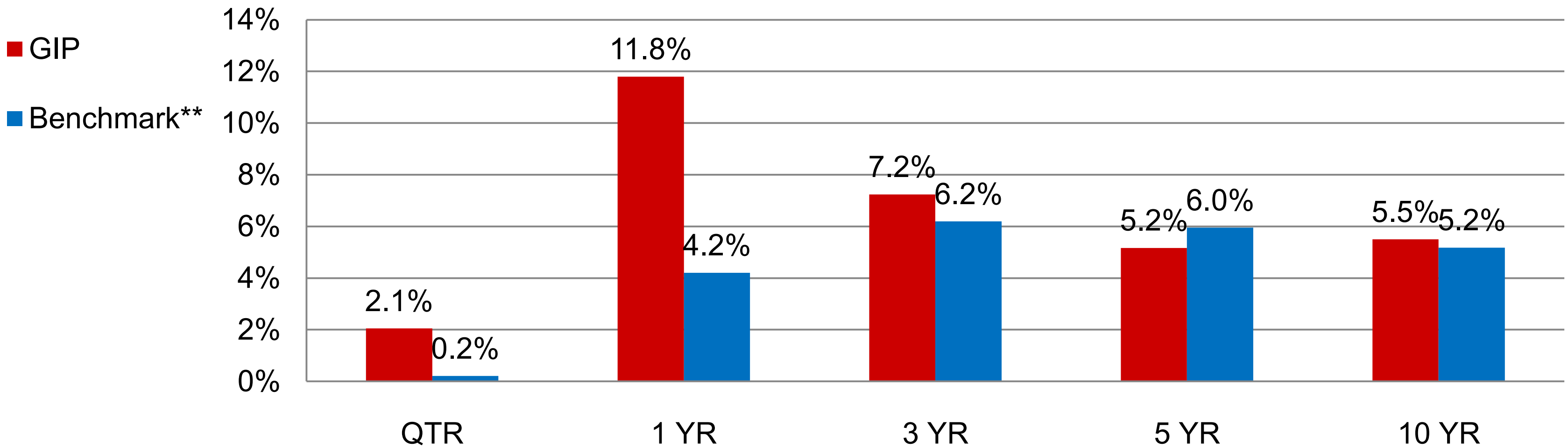
*Performance is net of manager fees

** Performance excludes balances at Wells Fargo and US Bank used to offset banking fees

GIP Review

GIP – Total Fund Performance*

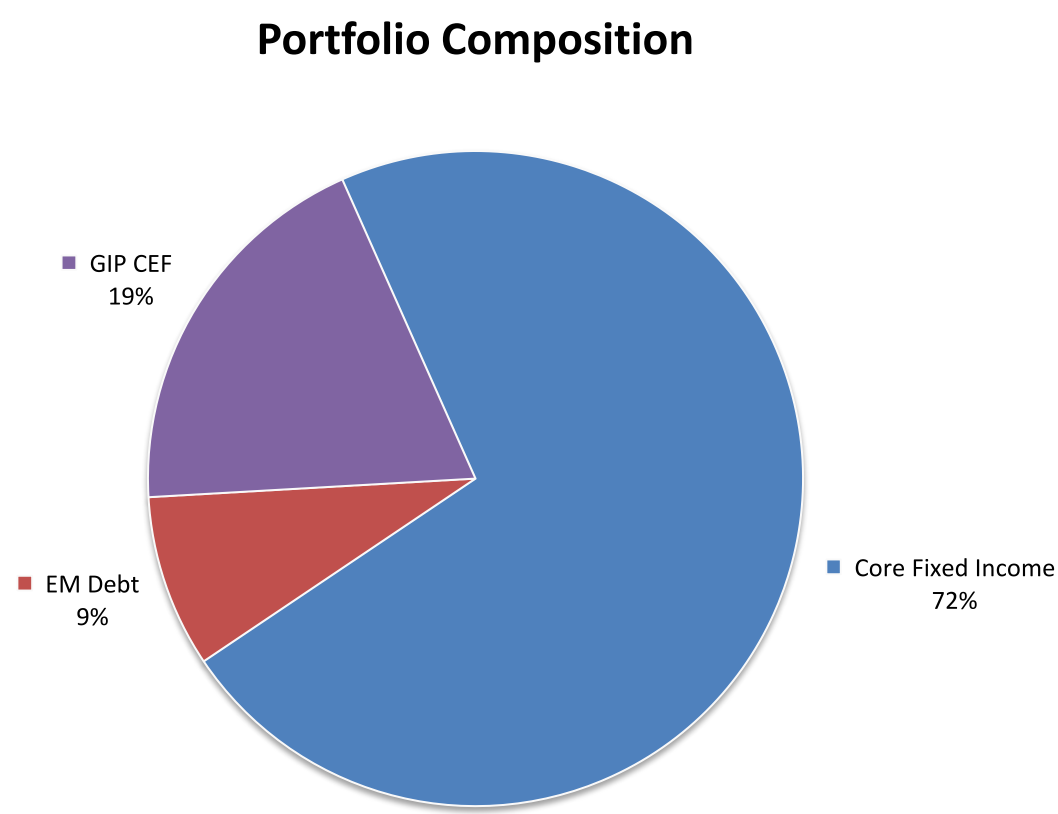
Market Value***: $58M



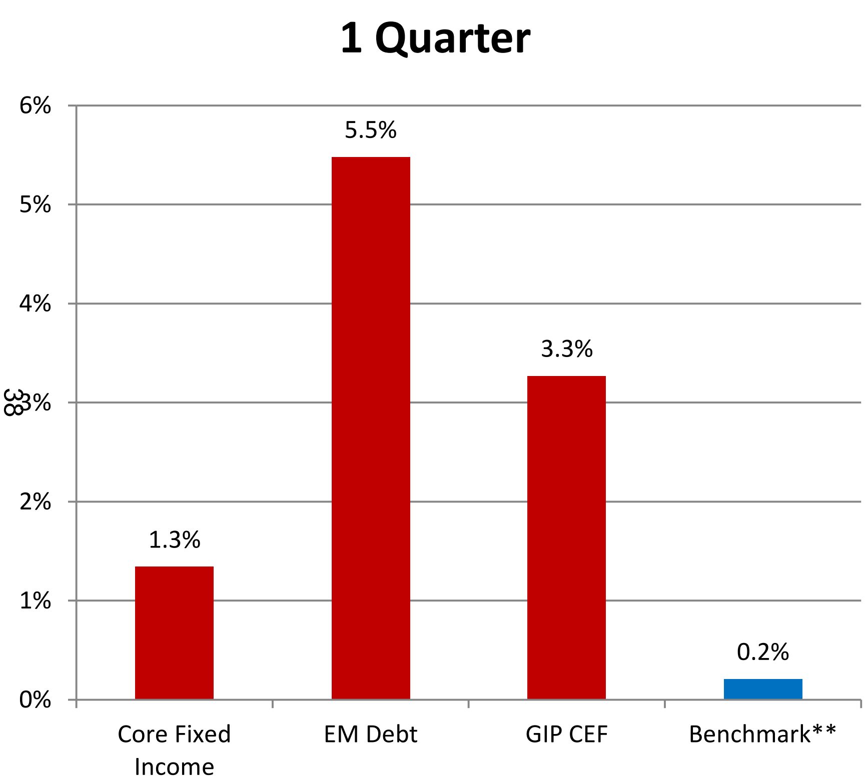
- One quarter outperformance driven primarily by:
  - Investment in CEF (19% allocation) outperformed the GIP benchmark by 306 bps
  - Underweight to US Treasuries relative to the benchmark
  - EM debt outperformed the GIP benchmark by 527 bps

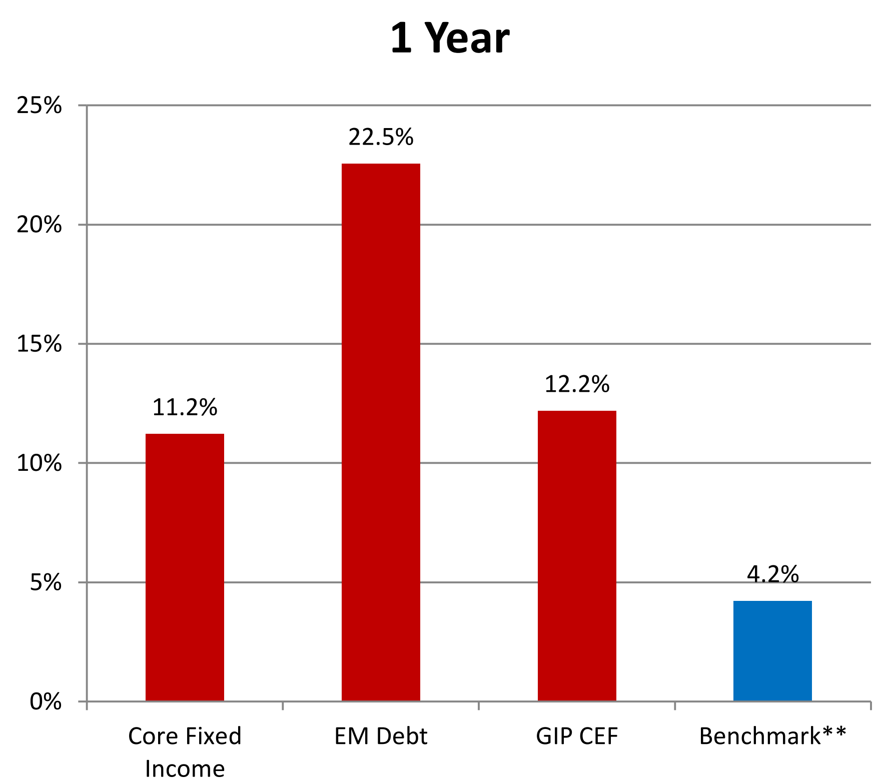
* Net of Manager Fees
** Benchmark: 100% Barclays Capital Aggregate
*** Total GIP market value and investment performance includes the $11.3 investment in CEF

GIP – Asset Allocation
Market Value: $58M



GIP – Performance* by Sector
Market Value: $58M



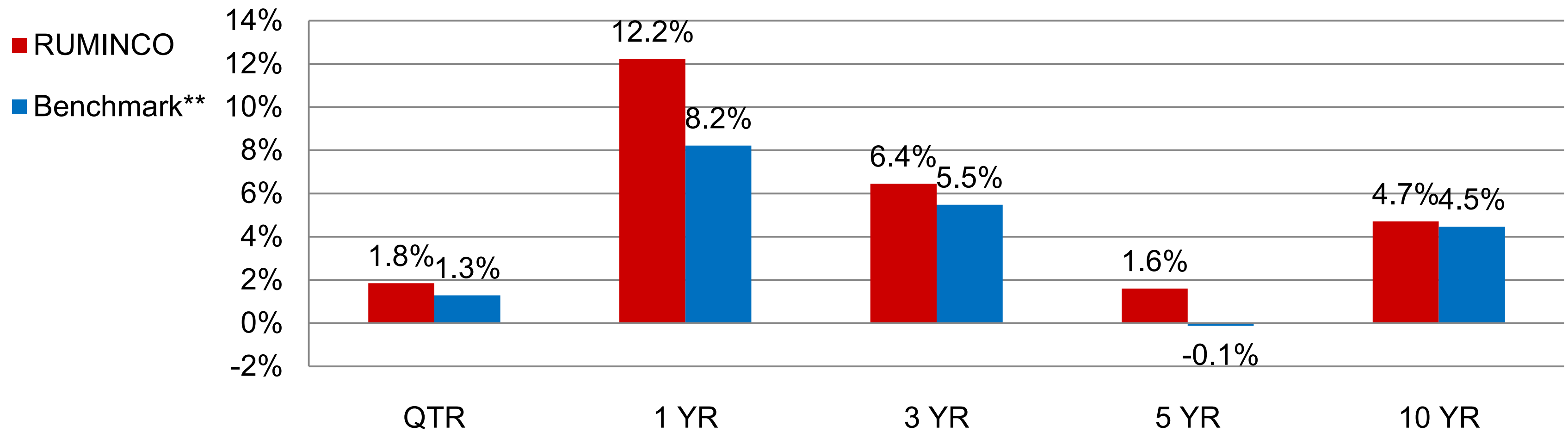


* Net of Manager Fees
** Benchmark: 100% Barclays Capital Aggregate

RUMINCO Review

RUMINCO – Total Fund Performance*

Market Value: $37M



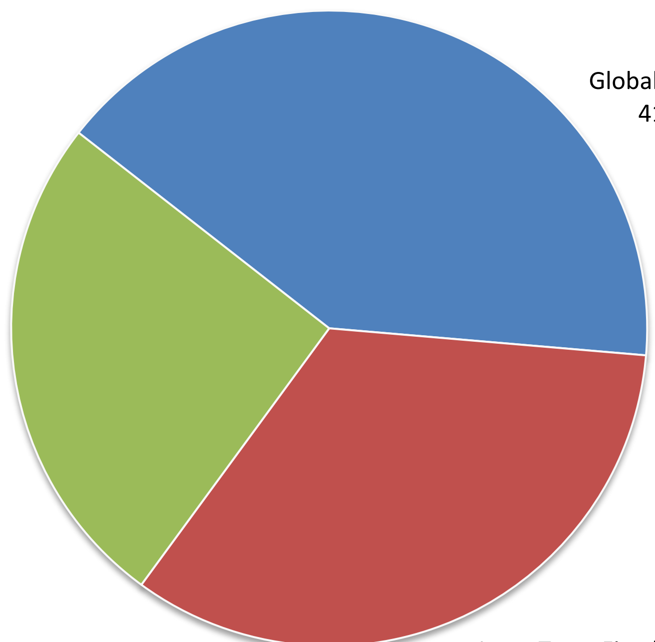
- One quarter outperformance primarily driven by:
  - Underweight to US Treasuries relative to the benchmark
  - Slight underweight to short-duration fixed income relative to the benchmark
  - Strong outperformance by core fixed income, especially MBS securities

* Net of Manager Fees
** Benchmark: 40% MSCI AC World Net, 30% Barclays Capital Aggregate, 30% BofAML U.S. Corp & Govt 1-3 Yr

RUMINCO – Asset Allocation

Market Value: $37M

Portfolio Composition



Investment Manager Changes

New:
- Kayne Anderson Energy Fund VI (CEF)

Terminated:
- None