

BOARD OF DIRECTORS

Minutes of the Fall Meeting November 12, 2021

The Board of Directors held their 35th meeting at 10:30 a.m. EST on Friday, November 12, virtually on Zoom at <https://tennessee.zoom.us/j/99927509826>.

I. WELCOME, OPENING REMARKS, and INTRODUCTIONS

Chair Phil Wenk welcomed everyone and stated the meeting was being webcast for public viewing. He introduced new Board members attending their first meeting: Isaac Bennett, Judi Herbert, Renee Iacona, Debbie Ingram, Mark La Branche, Richard Warren and Jamie Woodson. Dr. Wenk then called for the roll.

II. CALL TO ORDER AND ROLL CALL

The Secretary recorded roll, and the following members of the Board of Directors were present:

Philip A. Wenk, Chair
Ronald E. Frieson, Vice Chair
Kerry W. Witcher, President and CEO
Randal D. Boyd, University President
Hans N. Airee
Isaac E. Bennett
Phillip A. Clendenin
Gregory E. Cox
Kimberly W. Cross
Robert F. Decosimo
Judith A. Herbert
Renee B. Iacona
Deborah A. Ingram
Mark D. La Branche
Kathy W. Ledbetter
Donde A. Plowman
Timothy L. Tucker
Charles A. Wagner III
Richard F. Warren
Jamie R. Woodson

Board of Directors not present:

Alexis G. Bogo
Christopher B. Bollinger

Ms. LeBlanc announced the presence of a quorum.

Officers of the foundation and vice chancellors for advancement were also participating, as well as foundation and university leadership and counsel Dan Holbrook. Others were watching via livestream at <https://mediasite.utk.edu/UTK/Play/6ba3c9e2752f424ba6df0be4793ae7551d>.

III. UNIVERSITY CONSOLIDATED INVESTMENT POOL UPDATE

UT CFO David Miller shared the FY June 30, 2021 endowment performance (Exhibit 1). He commended donors and fundraisers for the \$66M in new endowed gifts and also thanked Fred Decosimo for his service to the Investment Advisory Council. The endowment performance for the year was very good.

Mr. Miller also pointed out the university's long-term approach to investing and gave an update to the figures on his slide. Private equity return at the end of the fiscal year is not yet available; so since private equity returns have been brought in, we have shown a fiscal year gain of 35% (more than 31% as indicated on the slide). He stated that the most important thing to note is the asset allocations. Private equity gains were missed in the past. The university sought to re-evaluate the fund manager a few years ago and selected Cambridge Associates which is performing incredibly. Private equity is better and will increase, public equity will decrease and possibly cash as well. The market has leveled off, and calendar year return is about 12%, so we are hoping to close without a dip before yearend.

David closed by stating not only is UT's Investment Advisory Council pleased with Cambridge's performance, Cambridge is pleased with UT as a client. Due to the organization's solid financial reputation, they have been able to get into otherwise closed funds with good returns. He noted that this endowment does not include the UT Chattanooga endowment.

IV. UNIVERSITY PRESIDENT'S REMARKS

Dr. Wenk welcomed UT president Randy Boyd, who acknowledged the impact UT has across the state of Tennessee. He has been interviewing finalists for the UTHSC Chancellor, Peter Buckley and Alicia Monroe, either of whom would be outstanding to lead the health science center into the future. 70% of all dentists in the state go through UTHSC, and 40% of all physicians as well as nurses and pharmacists do also. The most exciting thing is the impact UTHSC can have on the health of the citizens of our state, where we have so much work to do. Dr. Boyd expects to announce the next Chancellor of the UT Health Science Center before Thanksgiving.

Over the last two months, President Boyd has been on an Everywhere You Look UT tour, to get across the state to thank colleagues, to listen more to people in all aspects of the system, and to build the UT brand. He shared a couple facts many may not know. UTHSC has a very close relationship with St. Jude Children's Hospital; 60% of their physicians are UT faculty. We have dental clinics across the state for our students to provide free care with Helping Hands. Agriculture is still the largest industry in the State. AgResearch provides information for farmers all across the state. Tobacco invented in Greenville (TN) is exhibited in the Tobacco Hall of Fame Museum in China.

President Boyd also mentioned that the mural campaign continues, with twenty completed and thirteen more under contract. They are a source of pride in communities and a huge

advertising bargain for us. Billboards rent at \$2000 monthly, and we pay \$5000 for ten years. He went on to recap his report to the Board of Trustees last month.

- Student Success: System-wide we have 53,983 students enrolled overall, which is a new record for the most students ever for us. Knoxville's new freshman enrollment had another record for the third year in a row.
- UT Southern, effective July 1, became a part of the UT system. Their enrollment is up 9%; and more importantly, their applications for the upcoming semesters are up over 200%!
- UT Promise was updated to include families with incomes up to \$60,000 annually, covering over half of Tennessee residents. The endowment is also tracking well.
- We are going to the Legislature to request in-state tuition for veterans, active service men and women, ROTC, etc, from anywhere in the country.
- IPS is celebrating 50 years of service to the state. CTAS is helping county mayors re-district their counties in only six weeks.
- UTIA is also beginning a search for a new leader.
- UTK announced they are increasing minimum wage to \$15, and UTHSC accomplished this last year. Other campuses are looking at this goal for the future as well.
- COVID has caused legal chaos in the last few weeks, due to President Biden's executive order stating that companies receiving federal money must require all employees to be vaccinated and to follow CDC guidance on masks. Counties which are orange or red, which all of our campuses are in, must wear masks indoors at all times. The required vaccination date has now been moved out to January 18, 2022. We have no choice to say we will not comply, because we have over 3500 jobs dependent on \$750M in federal government contracts. However, Tennessee has decided to pass a law stating if you abide by the federal mandate, then your state funding will be cut off. We also receive about \$750M annually in state funding. This put the university in a dilemma; but thanks to the general counsel and government relations work, the legislature will allow an exemption to those who receive significant federal contracts and would lose jobs, to appeal to the comptroller for an exemption. Health wise, our students are doing great with less than 50 cases statewide.

V. FUNDING A CONSTITUENT RELATIONSHIP MANAGEMENT (CRM) SOLUTION

The UT Foundation's current CRM solution, Alumni and Development Information System (ANDI), was first implemented two decades ago. The technology upon which it is built is nearing the end of its life cycle, and the vendor will not be upgrading its database infrastructure. In anticipation of the inevitable sunset of ANDI, the Foundation undertook a comprehensive needs analysis almost one year ago. This analysis, involving more than 125 key stakeholders, formed the basis of our request for proposals. The subsequent selection process was comprised of more than 60 hours of vendor demonstrations, conversations with colleagues at two dozen peer institutions, and surveys that collected feedback from nearly 350 responses. UT Foundation leadership and the evaluation committee recently selected the preferred CRM solution and implementation partner to satisfy the Foundation's strategic goals. The design and deployment of the new CRM is scheduled to be completed over a period of 18-24 months and will require an estimated investment of \$3.5 million.

Chancellor Plowman moved to approve a withdrawal from the Foundation's general operating reserve, not to exceed \$3.5 million, to fund the CRM replacement design and implementation investment. Withdrawal will occur over the implementation project timeline, which is currently estimated at 18 to 24 months. Mr. Decosimo seconded, the secretary called the roll, and the motion was approved.

VI. COMMITTEE REPORTS

Dr. Wenk noted there was not a Directorship Committee report at this time; however, their work will begin soon, in order to prepare for the 2022 nominations.

a. Executive Committee

Article VI Section 1 of the UTFI Bylaws states the Executive Committee shall report to the Board all decisions made since its last meeting. Chair Wenk shared the report (Exhibit 2) in the material. With no questions, he mentioned the increase in real estate activity brought before the committee.

The UT Foundation engaged Pearl Meyer as an advisory partner to perform a comprehensive compensation market study. Their independent analysis and extensive market assessment resulted in recommendations for staff compensation to ensure competitiveness and alignment with organizational mission. After six months of work with the Foundation's Executive Leadership Team, the Executive Committee reviewed the recommended staff compensation plan and recommends the Board's approval to implement the plan.

Tim Tucker moved to approve the major design concepts and elements of the staff compensation plan (Exhibit 3) which had been reviewed and was recommended by Executive Committee. Greg Cox seconded, the secretary called the roll, and the motion was approved.

b. Audit and Finance Committee

Committee Chair Greg Cox stated that in June, the preliminary budget for FY22 was presented and approved. He asked CFO Adam Heller to review the changes based on final FY21 numbers. Mr. Heller briefly reviewed the June 30, 2021 financial reports (Exhibit 4). The impact of the pandemic resulted in an unusual but fortunate operational year. Investment earnings were 9% versus targeted 4%. We also had favorable expense variables in travel and entertainment, resulting in nearly \$9.6M in net surplus. Of the net surplus, \$2.2M was used for one-time special initiatives in the FY22 budget and over \$7M will be saved for future needs. The total saved for future use was over \$27M at June 30.

Mr. Heller then presented a summary of the differences between the draft and final fiscal year 2022 budget. He stated Audit and Finance Committee had met October 29 to review the final version and are recommending it for board approval. Greg Cox moved approval of the final FY 2022 budget, Mr. Frieson seconded, the secretary took a roll call vote, and the final FY2022 budget (Exhibit 5) was approved as submitted.

Chair Cox asked Mr. Heller to give an investment overview as of September 30, 2021 (Exhibit 6). Investment earnings were below budgeted; however, they have since adjusted. Expenses are tracking and operations are still diminished, so showing savings.

The Audit and Finance Committee had met with LCG, whose advisors recommended increasing the portfolio to include semi-liquid investments. The CFO and the Committee recommend board approval of the change.

Greg Cox moved approval to change the recommended allocation guidelines for investments as recommended by LCG (Exhibit 7). Kathy Ledbetter seconded, the secretary call roll for the vote, and the motion was approved.

c. Real Estate Committee

Charlie Wagner shared the report on the Real Estate Committee activities since the June meeting (Exhibit 8).

VII. UT SOUTHERN OVERVIEW

Mark La Branche stated Martin Methodist College was established as a female college in 1870, by an estate gift from Thomas Martin. In 1938, men were added. They were a two-year college until the 1990s, then became a four-year. MMC was critical to southern middle Tennessee because there is no other university in the state that is accessible to this rural area. The sustainability of MMC was in question as the pandemic hit. Collaborations, partnerships and mergers were being discussed. Randy Boyd came by for coffee in May 2020 to learn more about the college. Mark shared with him their recent discussions, and Randy started working on the idea of MMC becoming a part of UT. MMC realized this was the pathway not only to sustain, but to enhance the mission of the institution in southern middle Tennessee. MMC Trustees put identity in the background in order to accept UT's resources for the betterment. The students and citizens are excited and hopeful; it's the greatest economic catalyst ever in the area.

New UTFI Board member Richard Warren was former chair of the MMC Board. He commended Randy Boyd, Mark La Branche, and the administrative teams on both sides of the acquisition.

Dr. La Branche also stated that UTS has gained the UT reputation in fundraising, raising over \$3 million, with the Boyd Foundation \$1 million match as a strong beginning. We shared the video of the courthouse in Pulaski at midnight on June 30, when the red lights were changed to orange.

VIII. FOUNDATION PRESIDENT'S REPORT

President Kerry Witcher reported to the board (Exhibit 9) with year-end results from FY2021. At over \$312M, UT experienced its second-best year of fundraising commitments. Donors were also at their second highest, and both engaged alumni and advocacy members were at the all-time high.

He went on to share goals for the year in donors, dollars, alumni and advocacy. UTFI Vision 2025 has been updated since inception in 2019, to assure ongoing alignment with the University's strategic plan. Next, Mr. Witcher shared slides regarding the advances UTFI has made since restructuring in 2011. He closed with the Foundation's FY22 priorities.

Greg Cox inquired about the Vice Chancellor for UTC, and Mr. Witcher stated Lofton Stuart would remain in the interim role much longer than anticipated due to the pandemic. Mr. Witcher thanked the board members for the leadership they provide in so many ways.

IX. CONSENT AGENDA

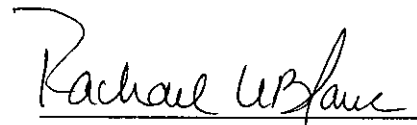
Having received no requests to discuss any item on the consent agenda, Mr. Frieson moved approval of the items. Tim Tucker seconded the motion, and the consent agenda (Exhibit 10) items were approved, including: June 11, 2021 Minutes and Proposed Fall 2022 Meeting Date.

X. INFORMATIONAL ITEMS

The UTFI 2021 Annual Report (Exhibit 11), which had been presented to the UT Board of Trustees was included in the material. Dr. Wenk as Chair has completed committee chairs and general committee appointments, and they are provided in the material (Exhibit 12), as well as 2022 meeting dates and locations (Exhibit 13).

XI. ADJOURNMENT

Dr. Wenk is hopeful all 2022 meetings will be held in person. He thanked the Directors and Vice Chancellors for continuing to give us their time and efforts. With no additional business, the meeting was adjourned.


Rachael LeBlanc, Secretary