



UNIVERSITY
of VIRGINIA

Board of Visitors Finance Committee Meeting
March 6, 2020



ACTION ITEMS

- A. Revised Capital Project Financial Plan for Brandon Avenue Upper-Class Residence Hall Phase II
- B. Delegation of Signatory Authority
 - 1. Medical and Pharmacy Services Agreements
 - 2. Medical Center Contract

REPORTS

- A. Commonwealth Financial and Legislative Update
- B. Report on Student Information System
- C. Executive Vice President's Remarks
- D. Endowment Report as of December 31, 2019



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MAJOR CAPITAL PROJECT FINANCIAL PLAN

Revised Capital Project Financial Plan: Brandon Avenue Upper-Class Residence Hall Phase II



- Approved in June 2018, the second phase of Brandon Avenue student housing will provide:
 - 350 beds for upper-class students
 - 16,000 SF dining space
 - 16,000 SF social and community spaces (informal gathering and study spaces)
 - Approximately 100 parking spaces
- Revised project budget of \$114.0 million:
 - \$96.0 million in debt
 - \$18.0 million cash



DELEGATION OF SIGNATORY AUTHORITY

Medical and Pharmacy Services Agreements

- UVAHR conducted request for proposal (RFP) for medical program administrative services and pharmacy program administrative services. Recommendations include:
 - Remain with the current medical plan provider, with a negotiated reduction in administrative fees
 - Change pharmacy plan provider, resulting in better coordination with medical and lower administrative fees
- Effective date of new contracts would be 1/1/2021, following expiration of current contracts
- Requires delegation of authority to execute medical and pharmacy administrative services agreements

Cardiac Rhythm Management Products Contract

- Board approves execution of any contract where annual spending exceeds \$5 million
- Contract is with Medtronic USA, Inc. for cardiac rhythm management products
- Health System Board recommends approval of by the Finance Committee and the Full Board



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2020 GENERAL ASSEMBLY SESSION UPDATE

2020 Session Update

- 2020-22 Biennial Budget
- Expand eligibility of in-state tuition rates for certain students
- Consolidate existing research entities to create the Virginia Innovation Partnership Authority (VIPA) to oversee and support research, development, and commercialization in the Commonwealth
- Require members of Boards of Visitors to participate in SCHEV training program on board governance every two years
- Expand the provisions of the Freedom of Information Act (FOIA) and require institutions to make publicly available:
 - Information related to pledges and gifts that direct academic decision making
 - Annual reports regarding expenditures of University foundations
- Increase the statewide minimum wage



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STUDENT INFORMATION SYSTEM

UVA ERP System Overview

Human Resources



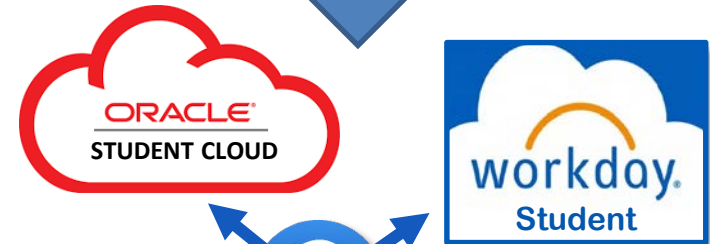
January 2019

Finance



July 2021

Student Information System (SIS)



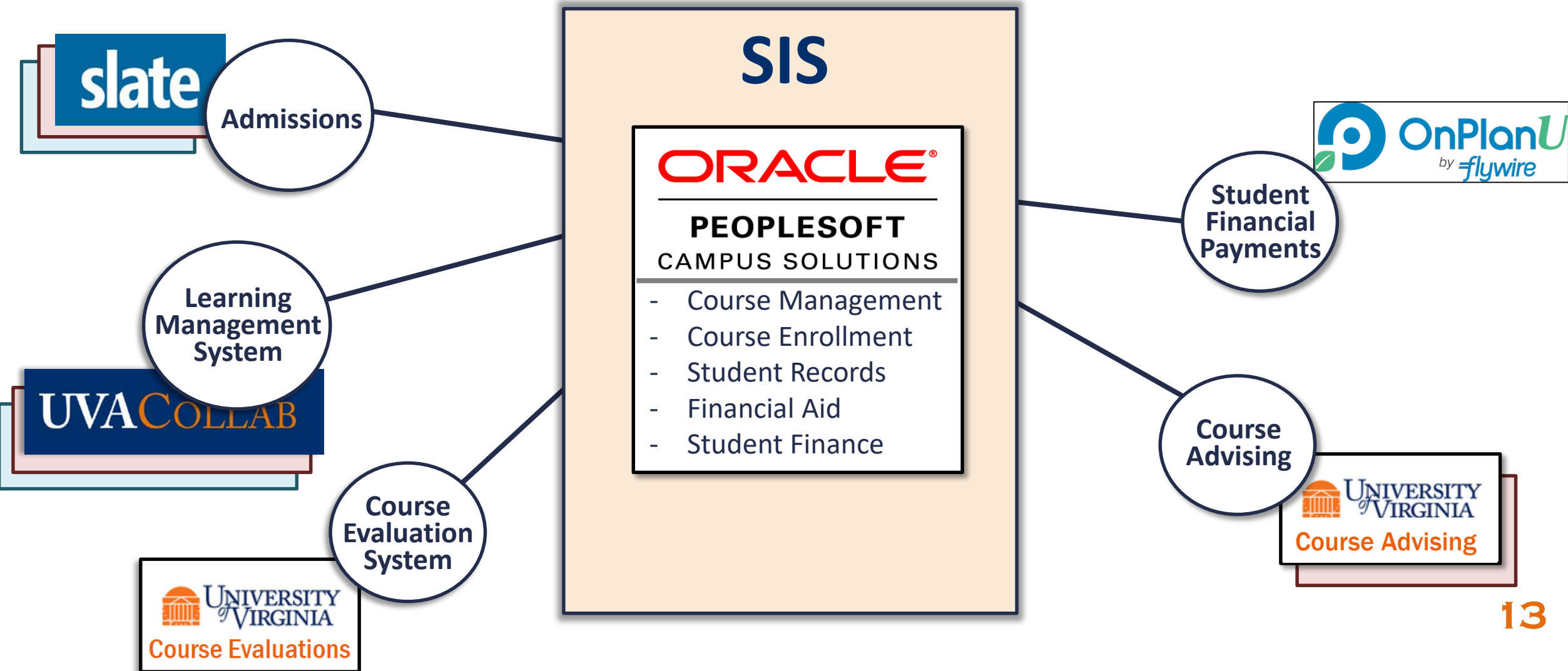
Current State

Student Information Systems

- Today, Oracle's (PeopleSoft) Campus Solutions still best in the market for complex institutions
- Campus Solutions interface is not intuitive/user friendly
- New systems being developed but are not yet ready for complex institutions
- Expect very early (beta) availability in next 2-3 years; early adopter in the 3-5 year range
- Eventual replacement will be a major project that will be expensive

Current Student System Ecosystem

Students interact with many systems



Upcoming Changes to the Ecosystem

We are planning many enhancements to systems students use



Improving on Current Systems—SIS Changes

- Main pain points have been related to course enrollment:
 - Class search features not flexible or intuitive
 - Confusing terminology
 - Too many clicks
 - Poor screen design; difficult to locate items of interest
 - No ability to build a schedule/multiple schedule scenarios
 - Lack of responsive design (layout didn't adjust to different devices)
- Worked with HighPoint in newly-developed Campus Experience to improve SIS front-end and functionality
- Now much easier to search classes and enroll (especially important for incoming first year students)

Improving on Current Systems—SIS Changes

Old
SIS Interface

The screenshot shows the 'STUDENT INFORMATION SYSTEM' interface for a student named Gino. The page is divided into several sections:

- Menu:** Student Center, Class Search, Browse Course Catalog, My Personalizations.
- Help:** SIS Help, How to Apply for Financial Aid, University ID Lookup.
- Academics:**
 - Search: Plan, Enroll, My Academics.
 - Search box: other academic...
 - Deadlines:** 2019 Fall Schedule table.
 - Weekly Schedule >
 - Enrollment Shopping Cart >
- Finances:**
 - My Account: Account Inquiry, UVAPay, Sign Up for Direct Deposit.
 - Financial Aid: View Financial Aid, Accept/Decline Awards.
 - Search box: other financial...
 - Account Summary: You owe 13,060.00. Due Now 0.00, Future Due 13,060.00. Currency used is US Dollar.
- Personal Information:**
 - Emergency Contact Names, Privacy Settings.
 - Search box: other personal...
 - Contact Information: Permanent Home Address (5761 Houndschase Ln, Rockingham, VA 22801-9640), Current Mailing Address (466-1 LAMBETH FIELD, CHARLOTTESVILLE, VA 22904-2042, ALBEMARLE), Cell Phone (540/908-9877), U.Va. Email Address (efs5wn@virginia.edu).
- Right Sidebar:**
 - Search for Classes.
 - Holds: No Holds.
 - To Do List: Insurance Hard Waiver 2019-20, Annual Student Update Form, More >
 - Enrollment Dates: Enrollment Appointment (You may begin enrolling for the 2019 Fall Regular Academic Session on April 9, 2019), Details >
 - Advisor: Program Advisor (Talbot Brewer).
 - U.Va.: Order Your Official Transcript, Download CeDiploma, Textbook Information.
 - Other U.Va.: UREG - University Registrar, Student Financial Services, International Studies Office.
 - eForms: Leaving the University (Leaves, Withdrawals, and Transfers) Returning to the University.

Improving on Current Systems—SIS Changes

New SIS Interface

The screenshot shows a user dashboard for Jennifer Smith. On the left is a dark blue navigation sidebar with the University of Virginia logo at the top and a hamburger menu icon. The sidebar contains the following items: Dashboard (selected), Find Classes, Build My Schedule, My Schedule, Enrollment, Academics, Financials, My Information, Help and Maps, Manage Guest, and a user profile section for Jennifer Smith (JS). The main content area is titled 'Dashboard' and includes a settings gear icon in the top right. Below the title is a greeting 'Hello Jennifer!' and three tabs: 'General' (selected), 'Academics', and 'Financials'. An 'Edit My Widgets' button is located in the top right of the main area. The dashboard features three widget panels: 1. 'To Do's' with two items: 'Substitute W-9S Form' and 'Not on Our Grounds!'. 2. 'Holds' with the message 'You have no holds.'. 3. 'Class Schedule 2020 Spring' with a weekly view showing 'News Writing ENWR 2700-11869' on Monday from 8:00 am to 9:15 am in Bryan Hall 203.

Student Feedback on Updated SIS Interface

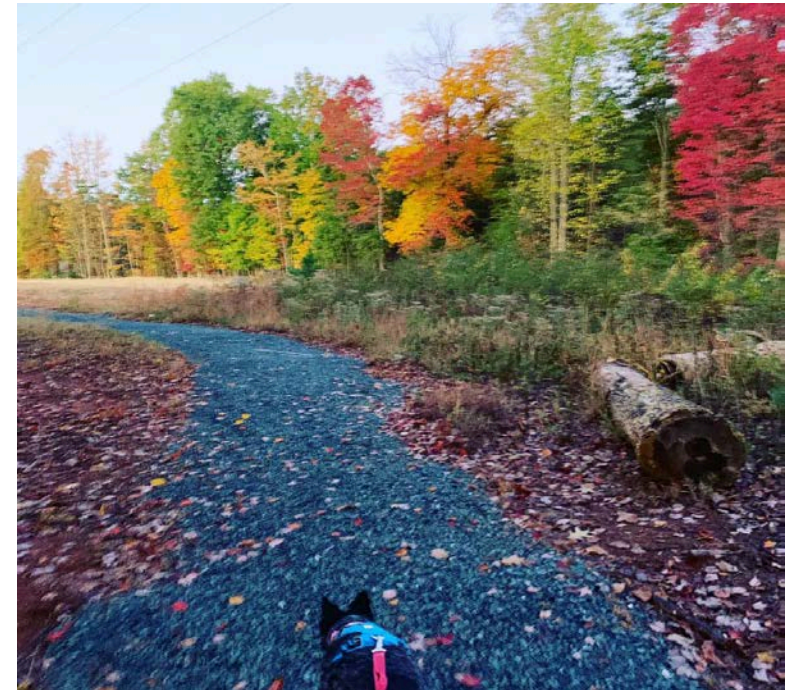
**“All together it looks nicer;
it’s easier to navigate.”**

“It’s so amazing. I love it.”

**“The revamped SIS interface is a good
example of improvement.”**

“This is such an upgrade from SIS. I love this.”

**“Impressed with the new SIS interface. Improved
user interface, easy to navigate and use.”**



EXECUTIVE VICE PRESIDENT'S REMARKS



Financial Framework

- Near-Term Focus
 - Evaluate capital construction process and timeline
 - Harness technology and process improvements to deliver exceptional financial support
 - Sustainability and energy optimization
 - Leverage debt capacity and evaluate asset holdings
 - Evaluate employee health access and benefits
- Dashboard Update
- Finance Strategic Transformation



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ENDOWMENT REPORT: MARKET VALUE AND PERFORMANCE OF AS OF DECEMBER 31, 2019

Outline

- Overview
- Strategy
- Preservation of Purchasing Power
- Asset Allocation
- Risk Management
- Performance
- Current Initiatives

Overview

Staff

- 38 UVIMCO team members led by CEO/CIO Robert Durden
- 15-person investment team led by CEO/CIO and five Managing Directors
- Experienced operations team led by COO Kristina Alimard, GC/CCO, and CFO

Board of Directors

- 11 members led by Mitch Cohen as chair, three appointed by the Board of Visitors (John Macfarlane, Timothy O'Hara, and John Harris), and one by the President of UVA (J.J. Davis)
- Primary responsibilities include investment policy development, portfolio monitoring, and CEO/CIO management
- Meets four times a year

Strategy – Investment Objectives

Primary Objective: Maximize long-term inflation-adjusted returns commensurate with risk tolerance of the University while providing for spending distributions

- Evaluate Pool performance relative to policy portfolio, which represents a passive and liquid expression of the University's long-term investment risk tolerance
 - Current Policy Portfolio is comprised of 65/10/25 equities, real estate, fixed income
- Risk tolerance is informed by the tradeoff between short-term risk and long-term risk
 - Short-term risk: market volatility or drawdown risk
 - Long-term risk: Decline in the purchasing power of the endowment
- Preserve the purchasing power of long-term investment assets by earning an annualized rate of return of at least spending + inflation + fees

Strategy – Philosophy

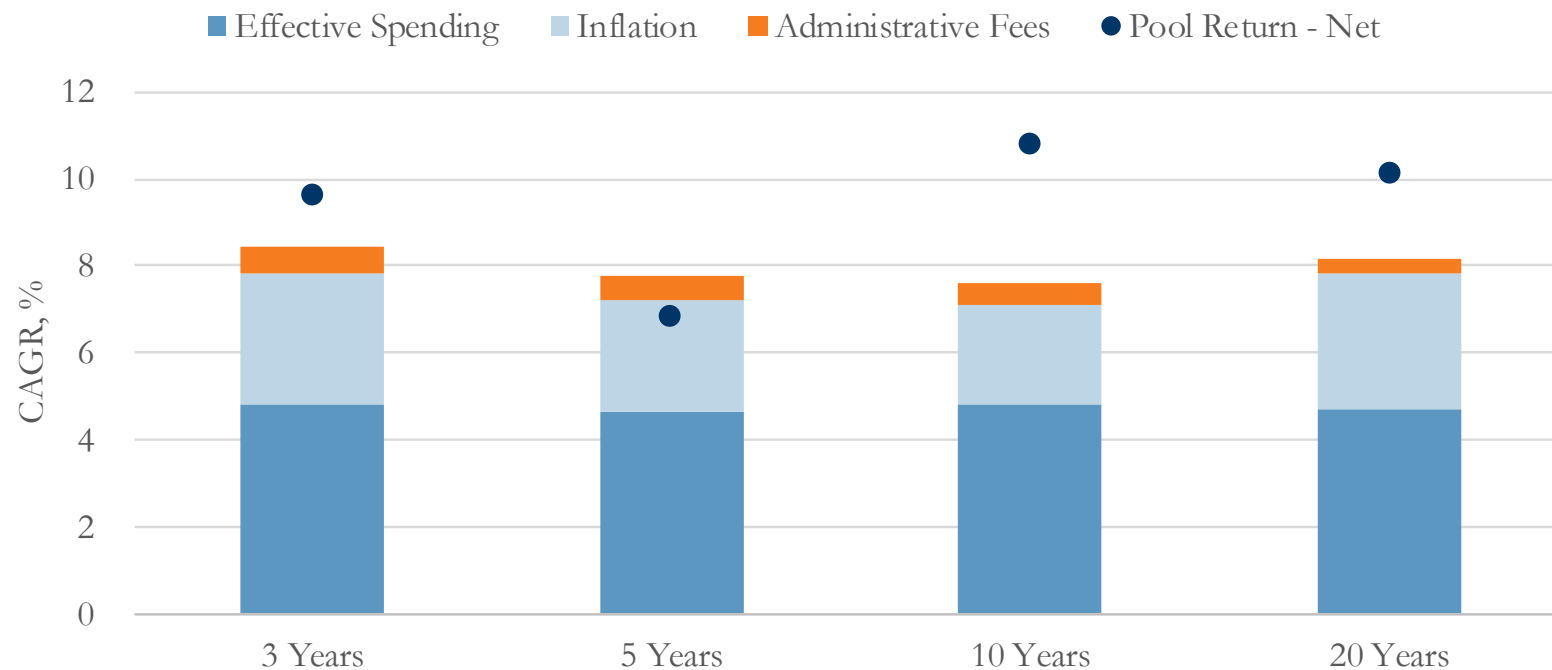
UVIMCO believes that attractive long-term returns are best produced by employing a consistent investment philosophy and process over time

- Target attractive long-term returns through asset allocation decisions, external investment manager selection, and opportunistic portfolio tilts
- Core tenets
 - We focus on the long term
 - We believe in active management
 - We employ a global, flexible investment mandate
 - We evaluate and manage risk

Preservation of Purchasing Power

Pool returns have been sufficient to preserve the purchasing power of assets over the trailing 3-, 10-, and 20-year periods

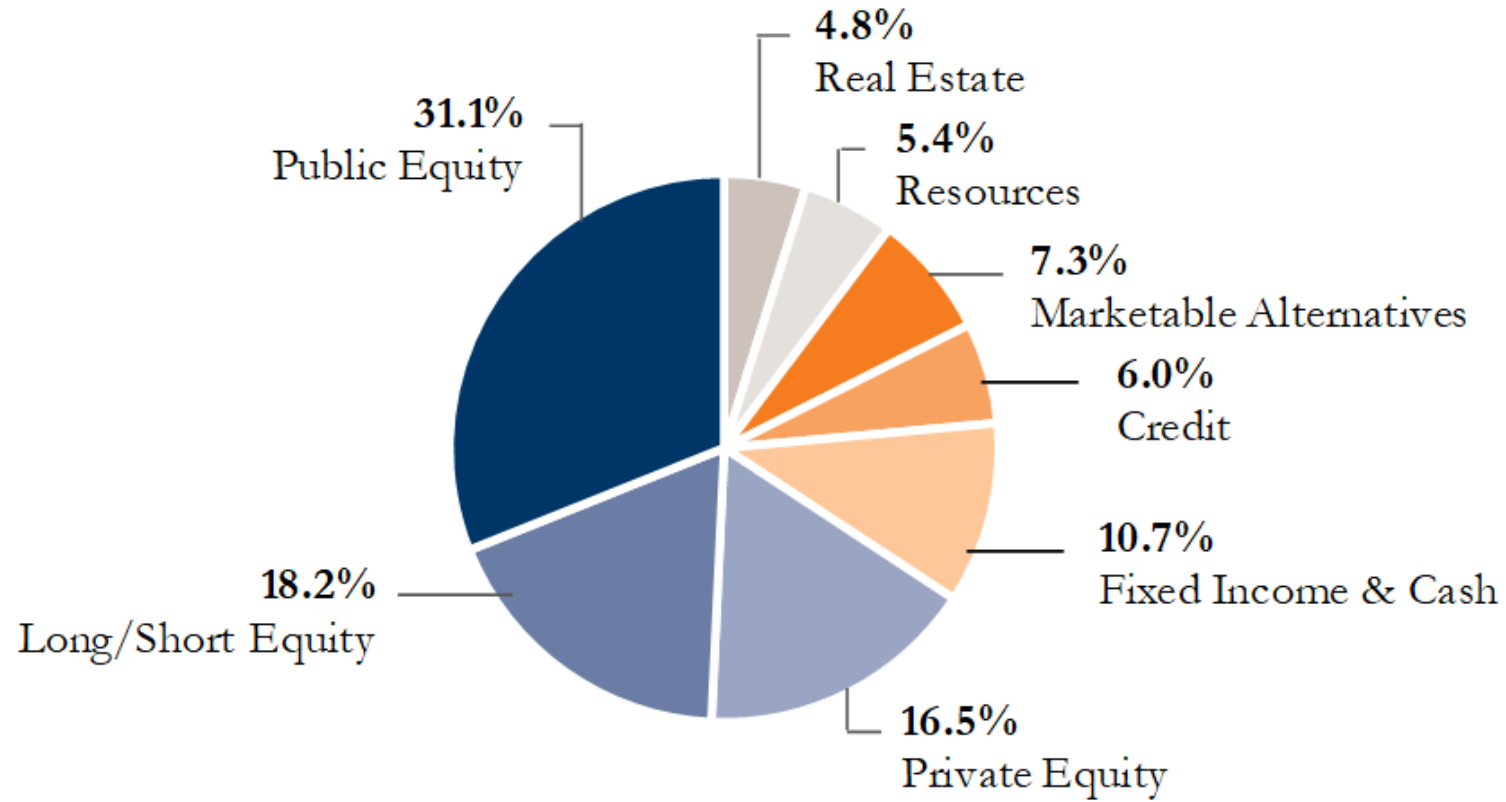
Pool Return vs. Return Required to Preserve Purchasing Power



As of June 30, 2019.

Asset Allocation

Long Term Pool Asset Allocation, as of January 31, 2020



Risk Management

Market risk (as of January 31, 2020)

- Global equity beta: Long Term Pool 0.73, Policy Portfolio 0.75
- Drawdown risk (1% likelihood of worst one-year returns): Long Term Pool –20.3%, Policy Portfolio –20.8%

Liquidity risk (as of January 31, 2020)

- Cash plus low-risk bonds: 10.7%
- Percentage of the Long Term Pool that can be converted to cash within three months and one year: 33%, 51% versus policy minimum of 20% and 35%, respectively
- Illiquid investments as a percentage of the Long Term Pool: 30%
- Unfunded private investment commitments as a percentage of the Long Term Pool: 16% versus policy maximum of 35%

Manager risk (as of January 31, 2020)

- 90 active relationships
- Top 20 and Top 40 relationships represents 47% and 69% of the Long Term Pool
- Largest allocation with a single manager represents 4.7% of the Long Term Pool versus 7.5% policy maximum

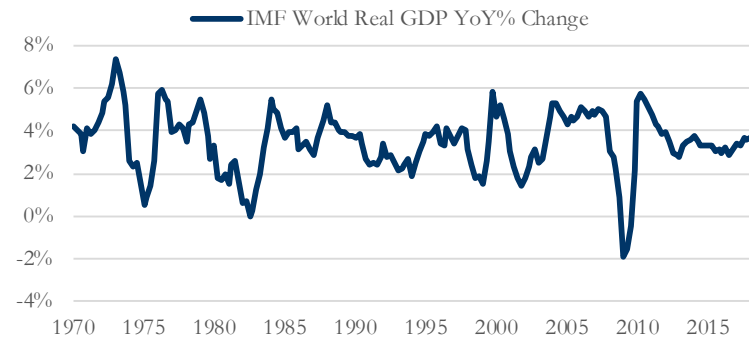
Performance

<i>As of January 31, 2020</i>	Market Value		Annualized Time-Weighted Returns					FYTD
	\$ Millions	%	1 YR	3 YR	5 YR	10 YR	20 YR	Jan-20
Long Term Pool	10,009	100.0	11.8	9.1	7.8	10.4	9.2	4.5
<i>Policy Benchmark</i>		<i>100.0</i>	<i>14.7</i>	<i>9.8</i>	<i>7.4</i>	<i>8.4</i>	<i>6.0</i>	<i>7.1</i>
Equity								
Public	3,110	31.1	19.0	13.7	10.3	14.5	11.3	8.2
Long / Short	1,821	18.2	13.0	5.8	5.1	7.6	8.6	5.5
Private	1,650	16.5	16.4	17.1	13.9	17.1	12.8	4.0
Total Equity	6,580	65.7	16.6	12.2	9.7	12.8	11.2	6.4
<i>MSCI All Country World Equity</i>		<i>65.0</i>	<i>16.7</i>	<i>11.6</i>	<i>9.1</i>	<i>9.7</i>	<i>5.3</i>	<i>8.0</i>
Real Assets								
Real Estate	483	4.8	9.1	6.7	10.9	7.1	2.5	3.5
Resources	542	5.4	(8.2)	3.9	1.4	12.3	16.0	(5.2)
Total Real Assets	1,026	10.2	(0.7)	5.2	7.4	11.6	9.9	(1.3)
<i>MSCI Real Estate</i>		<i>10.0</i>	<i>15.5</i>	<i>11.6</i>	<i>7.2</i>	<i>11.6</i>	<i>9.0</i>	<i>7.7</i>
Fixed Income, Cash & MAC								
Marketable Alternatives	732	7.3	1.3	1.3	1.9	4.8	4.4	(0.1)
Credit	599	6.0	6.6	5.4	5.6	7.7	8.1	0.5
Fixed Income	738	7.4	9.5	4.1	2.6	1.8	5.3	5.4
Cash	335	3.3	2.0	1.5	1.0	0.5	--	1.0
Total Fixed Income, Cash & MAC	2,403	24.0	5.6	3.2	3.1	3.8	4.3	2.1
<i>Bloomberg Barclays Aggregate Bond</i>		<i>25.0</i>	<i>9.3</i>	<i>4.8</i>	<i>3.3</i>	<i>4.0</i>	<i>5.1</i>	<i>4.2</i>
Portfolio Management and Overlays⁽¹⁾	(0)	(0.0)	(0.2)	(0.1)	(0.1)	--	--	(0.0)

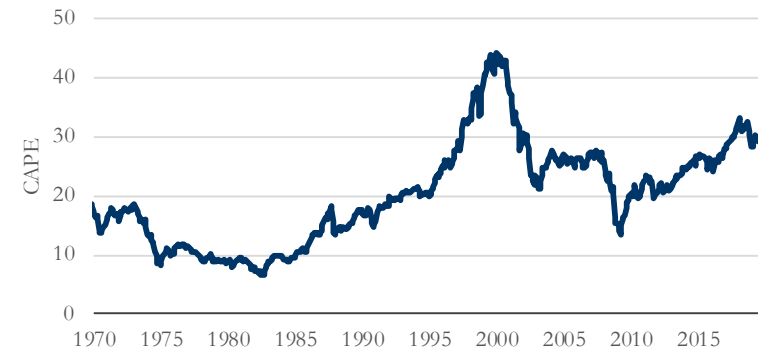
⁽¹⁾ Represents the returns added/subtracted to the overall LTP return by derivative positions. Returns are displayed as a percentage of the LTP.

Performance

Global GDP Growth ⁽¹⁾



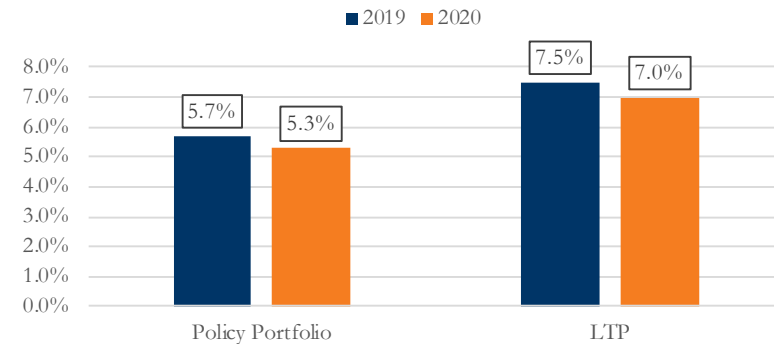
S&P 500 Cyclically-Adjusted Price-to-Earnings Ratio ⁽²⁾



10-Year U.S. Treasury Yield to Maturity ⁽²⁾



UVIMCO 7-10 Year Expected Returns ⁽³⁾



⁽¹⁾ Data as of 10/31/2019 and is sourced from IMF World Economic Outlook.

⁽²⁾ Data as of 12/31/2019 and is sourced from Robert Shiller.

⁽³⁾ Data as of 12/31/2019 and is based on proprietary UVIMCO estimates.

Current Initiatives

Continue to employ consistent investment philosophy and process

- Focus on the long term while also seeking to be flexible and innovative
- Partner with exceptional investment managers. Focus on high-conviction opportunities and ideas, differentiated strategies. Consistently refine assumptions underpinning our strategy allocation
- Augment bottoms-up manager selection with top-down portfolio management and rigorous asset allocation

Mission and values project

- Led by Michael Lenox, Senior Associate Dean and Chief Strategy Officer for Darden
- Reassessing our mission, intent, and actions to ensure consistency with UVIMCO's strategic objectives
- Seeking to maximize value creation for stakeholders

Recognize and appreciate UVIMCO's competitive position

- Long-term history of active management/endowment model investing, and relationships that cannot be replicated
- Healthy cash position and plenty of dry powder in private portfolio
- We are happy to hold the current portfolio in today's market environment