

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

**Meeting of the
Finance Committee**

June 7, 2024

FINANCE COMMITTEE

Friday, June 7, 2024

1:45 – 3:15 p.m.

Board Room, The Rotunda

Committee Members:

Robert M. Blue, Chair

James B. Murray Jr., Vice Chair

Carlos M. Brown

Thomas A. DePasquale

John L. Nau III

Paul B. Manning

Rachel W. Sheridan

Douglas D. Wetmore

Robert D. Hardie, Ex-officio

AGENDA

	<u>PAGE</u>
I. ACTION ITEMS (Ms. Davis)	
A. 2024-2025 Operating Budget	1
1. Academic Division	
2. Medical Center	
3. University of Virginia’s College at Wise	
B. Capital Project Financial Plans	7
1. Darden Student Housing	
2. Focused Ultrasound Expansion	
3. Pinn Hall 2nd-Floor Renovation	
4. Public Safety Building Renovation	
5. Replacement of Chemistry Addition Chillers	
6. Zion Crossroads Shell Space Clinic Buildout	
C. Signatory Authority for Medical Center Contracts	10
D. Signatory Authority for Academic Division Contracts	11
II. REPORTS BY THE EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER	
A. Executive Vice President’s Remarks	12
B. Defined Contribution Retirement Plan: Written Report of the Retirement Administrative Committee	13

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2024

COMMITTEE: Finance

AGENDA ITEM: I.A. 2024-2025 Operating Budget

BACKGROUND: The Board of Visitors received reports from UVA management regarding the budget assumptions and General Assembly updates for the formulation of the Fiscal Year 2025 operating budget. At a meeting on December 8, 2023, the Board approved tuition and mandatory fees as well as housing and dining rates for FY2024-2025.

At its annual June meeting, the Board of Visitors considers the proposed operating budgets for the Academic Division, The University of Virginia's College at Wise (College at Wise), and the Medical Center, inclusive of the Transitional Care Hospital.

DISCUSSION: The University proposes a \$5.8B operating budget for all three divisions. The budgets for the Academic Division, Medical Center, and the College at Wise are summarized in the following tables.

Academic Division

Available sources for the FY2024-2025 budget reflect recommended state appropriations, sponsored research activity, Board-approved tuition increases, market growth in the endowment, and philanthropic success. The operating budget incorporates increased uses associated with research activity, auxiliary operations, salary increases (an average 3% merit pool for staff and faculty), financial aid, and general expenses. Overall, the FY2024-2025 Academic Division operating expenditure budget is proposed at \$2.40B, a 6.8% increase over the prior year.

The proposed budget incorporates the planned expenditure of distributions from the John Lee Pratt Fund. The Pratt distributions will be used to supplement the Academic Division budget to support: 1) faculty salaries and equipment in the departments of Biology, Chemistry, Mathematics, and Physics; and 2) research and scholarships in the School of Medicine in accordance with the underlying gift agreement.

<i>Sources/Uses</i>	2023-24	2024-25	Change
	Approved	Proposed*	(FY24 to FY25)
<u>Sources</u>			
Net Tuition and Fees	\$789.41	\$827.70	\$38.29
State Appropriations	\$252.80	\$282.01	\$29.21
Externally Sponsored Research	\$493.65	\$529.78	\$36.14
Endowment Distribution/Admin Fee	\$298.13	\$320.37	\$22.24
Expendable Gifts	\$217.79	\$225.94	\$8.15
Sales, Services, Interest, and Other	\$214.05	\$223.42	\$9.37
Total Operating Sources	\$2,265.82	\$2,409.22	\$143.40
<u>Uses</u>			
Faculty and Staff Salaries	\$1,550.30	\$1,634.74	\$84.44
Internal Recoveries	\$(407.70)	\$(447.23)	\$(39.53)
Non-Personnel Expenses	\$910.88	\$979.09	\$68.21
Financial Aid	\$244.61	\$257.32	\$12.72
Debt Service, Transfers, and Other	\$(47.19)	\$(21.06)	\$26.12
Total Operating Uses	\$2,250.90	\$2,402.86	\$151.96

Note: FY2023-24 excluded \$30.1M of non-operating transfers.

Strategic Investment Fund

The Board of Visitors established the Strategic Investment Fund (SIF) in 2016 to serve as a funding source for initiatives that have the potential to transform a critical area of knowledge or operation of the University in our continuous pursuit of excellence.

In 2019, the University adopted and approved a new strategic plan, “A Great and Good University – The 2030 Plan.” To support the 2030 Plan, the Board authorized an initial allocation of \$195M (\$65M/year for FY20-22) and adopted new SIF Revised Guidelines. The Revised Guidelines, along with a Post-award Monitoring and Assessment Plan and an allocation formula, were approved by the Board of Visitors for an initial three-year term, ending June 30, 2022. In September 2021, the Board of Visitors increased the allocation to \$495M (adding \$100M/year for FY23-25) and extended the SIF Revised Guidelines, Post-award Monitoring and Assessment Plan, and allocation formula through June 30, 2025. The Revised Guidelines support the four overarching goals of the Strategic Plan and are allocated in the following manner:

- I. Strengthen our Foundation (30%)
- II. Cultivate the Most Vibrant Community (20%)
- III. Enable Discoveries that Enrich and Improve Lives (30%)
- IV. Make UVA Synonymous with Service (20%)

Today, the SIF provides funding to support 78 distinct projects totaling over \$1B since the program’s inception. The Board of Visitors receives an annual report of projects funded through allocations from the SIF. The [SIF website](#) provides updated information on each award.

Of the \$495M allocation, \$398.7M has been awarded, including \$10.1M to ten Grand Challenge projects that were identified and entered the awarding process in FY24:

<u>Project</u>	<u>Total Funding Recommended</u>
Grand Challenge Research Investment Phase 2: Precision Health, Digital Technology, and Democracy-Faculty, Library, Future Opportunities	\$31,500,000
Grand Challenge Research Investment Phase 2: Precision Health for Populations Initiative	\$8,500,000
Grand Challenge Research Investment Phase 2: Digital Technology and Youth Development Initiative	\$7,500,000
Grand Challenge Research Investment Phase 2: Clinical Data Warehouse	\$3,000,000
Grand Challenge Research Investment Phase 2: Health Data Enclave	\$5,000,000
Grand Challenge Research Investment Phase 2: Digital Technology Administration and Core	\$5,500,000
Grand Challenge Research Investment Phase 2: Digital Technology Smart Infrastructure	\$5,000,000
Grand Challenge Research Investment Phase 2: Digital Technology and Democracy Initiative	\$7,500,000
Grand Challenge Research Investment Phase 2: Digital Technology Futures Initiative	\$1,500,000
Grand Challenge Research Investment Phase 2: Biotechnology Institute	\$25,000,000
Total SIF Allocations – FY24	\$100,000,000

An additional \$89.8M is committed to these Grand Challenge projects, to be awarded in FY25. This leaves \$6.5M remaining SIF funding available for allocation in FY25.

Medical Center

The Health System Board will review the Medical Center FY2024-2025 operating and capital budgets, which includes UVA Community Health, at its June 6, 2024, meeting and are anticipated to recommend approval of the \$3.28B operating expense budget, an 8.3% increase over the prior year, and the \$204M capital budget proposals.

	2023-24 Approved	2024-25 Proposed	Change (FY24 to FY25)
<u>Revenue</u>			
Net Patient Service Revenue	\$2,984.58	\$3,250.91	\$266.32
Other Revenue	\$102.34	\$117.38	\$15.04
Annual Operating Revenue	\$3,086.92	\$3,368.29	\$281.36
<u>Expense</u>			
Labor	\$1,453.92	\$1,520.74	\$66.82
Supplies, Utilities, and Other	\$1,361.09	\$1,515.83	\$154.74
Depreciation	\$182.66	\$205.30	\$22.64
Interest	\$34.25	\$40.90	\$6.65
Annual Operating Expense	\$3,031.91	\$3,282.77	\$250.85
Annual Operating Income/(Loss) before Transfers and one-time	\$55.01	\$85.52	\$30.51
<i>Health System Transfers</i>	<i>\$(51.03)</i>	<i>\$(56.15)</i>	<i>\$(5.12)</i>
Annual Operating Income/(Loss) after Transfers before one-time	\$3.98	\$29.37	\$25.39
<i>One-Time Community Health Integration</i>	<i>\$5.00</i>	<i>\$ -</i>	<i>\$(5.00)</i>
FY24 Operating Expense, including one-time	\$3,036.91	\$3,282.77	\$245.85

The University of Virginia’s College at Wise

The proposed FY2024-2025 operating expenditure budget for the College at Wise is \$75.5M, a 5.1% increase over the prior year, driven primarily by integration of the Commonwealth of Virginia’s FY2023-2024 mid-year 2% merit increase followed by the 3% merit increase approved by the Commonwealth of Virginia for FY2024-2025.

<i>Sources/Uses</i>	2023-24 Approved	2024-25 Proposed	Change (FY24 to FY25)
<u>Sources</u>			
Net Tuition and Fees	\$14.20	\$15.40	\$1.20
State Appropriations	\$35.20	\$37.66	\$2.46
Externally Sponsored Research	\$11.20	\$10.88	\$(0.32)
Endowment Distribution/Admin Fee	\$5.80	\$6.14	\$0.34
Expendable Gifts	\$0.50	\$0.46	\$(0.04)
Sales, Services, Interest, and Other	\$4.90	\$4.96	\$0.06
Total Operating Sources	\$71.80	\$75.50	\$3.70
<u>Uses</u>			
Faculty and Staff Salaries	\$37.30	\$40.06	\$2.86
Internal Recoveries	\$(0.29)	\$(0.29)	\$ -
Non-Personnel Expenses	\$16.70	\$15.33	\$(1.37)
Financial Aid	\$17.10	\$19.27	\$2.17
Debt Service, Transfers, Other	\$1.00	\$1.13	\$0.10
Total Operating Uses	\$71.81	\$75.50	\$3.76

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

2024-2025 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED, the 2024-2025 \$2.40B operating budget for the Academic Division, including 2024-2025 allocations from the Strategic Investment Fund and the John Lee Pratt Fund, is approved as recommended by the President and the Executive Vice President and Chief Operating Officer.

2024-2025 OPERATING AND CAPITAL BUDGETS FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER AND UNIVERSITY OF VIRGINIA COMMUNITY HEALTH

RESOLVED, the 2024-2025 \$3.28B operating and \$204M capital budgets for the University of Virginia Medical Center, inclusive of University of Virginia Community Health, are approved, as recommended by the President, the Executive Vice President for Health Affairs, the Executive Vice President and Chief Operating Officer of the University, and the Health System Board.

2024-2025 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED, the 2024-2025 \$75.5M operating budget for the University of Virginia's College at Wise is approved as recommended by the President and the Chief Operating Officer.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2024

COMMITTEE: Finance

AGENDA ITEM: I.B. Major Capital Project Financial Plans

BACKGROUND: The revised multi-year major capital plan is presented annually to the Board of Visitors for review in March and approval in June. The Buildings and Grounds Committee determines whether a project should be added to the Major Capital Plan, and the Finance Committee evaluates whether there is a sound financing plan to pay for the estimated project cost and additional operating costs expected once a project is complete.

DISCUSSION:

(1) Darden Student Housing: Approved by the Board in June 2022, this project aims to create a residential experience for students enrolled in MBA programs at the Darden School of Business. Current projections contemplate approximately 350 beds for the project, which recognizes the diversity of Darden students' needs and will be designed to accommodate single professionals as well as students with partners and families. The project will include new recreation amenities and provide immediate access for residents to the Darden Grounds. The estimated total project budget is \$155M and will be funded by debt (\$149M) and private philanthropy (\$6M).

(2) Focused Ultrasound Expansion: UVA Health proposed the expansion of hospital-based MRI services to enable clinical capacity to offer cutting-edge treatments that previously were available only through clinical trials. This renovation project, approved by the Board in June 2019, will allow UVA Health to add two new MRI machines. One will be equipped with technology providing patients the opportunity to receive therapeutic Focused Ultrasound (FUS) treatments to address primary tremors and other neurological disorders currently treated with more invasive procedures; the other machine will provide diagnostic imaging primarily for pediatric and cardiology patients. The project was contingent on UVA Health receiving a certificate of public need for the two additional machines, and that certificate has been awarded. The estimated total project budget is \$16.5M and will be funded by Medical Center operating cash.

(3) Pinn Hall 2nd-Floor Renovation: In 2016, as part of UVA Health's integrated space planning process, the School of Medicine began a program of phased renovations of Pinn Hall to accommodate new research initiatives while sustaining current levels of activity and continuing to attract and retain the highest caliber faculty and students. The proposed project is the second phase of that program and will convert 4,000 GSF of office space on the second floor of Pinn Hall to wet laboratory space to help meet the increased research needs of the School's growth plan. The renovated space will meet current laboratory specifications and provide a flexible, open working wet laboratory area with adjacent

support spaces, as well as office space for investigators and staff. The estimated total project budget is \$7M and will be funded by School of Medicine operating cash (\$5.5M) and federal grant funding (\$1.5M). If the grant funding is not received, the project will be deferred until an alternate fund source is identified.

(4) Public Safety Building Renovation: An assessment conducted in 2017 by consulting firm Margolis Healy of the University's public safety and security infrastructure determined that the disparate reporting structures and physical separation of the various safety and security functions were limiting their effectiveness, and the University would benefit from consolidating those functions into a single division. In 2018, UVA created the Department of Safety and Security (DSS) to bring these functions together, and the next step is to co-locate these five units (currently housed in seven locations across Grounds) together in one facility. In spring 2019, DSS partnered with the Office of the Architect to undertake a study that examined the physical space needs of a co-located department.

In June 2023, the Board approved a capital project for construction of a new DSS facility. Since that initial approval, an opportunity arose to improve space utilization of the administrative building on Old Ivy Road by moving the School of Continuing and Professional Studies team from Zehmer Hall (which no longer served the School's needs) to Old Ivy Road. The DSS and capital program teams determined that renovation of the vacated Zehmer Hall would meet the needs of DSS and that the renovation would be more cost efficient than new construction. The estimated total project budget for the renovation is \$10M and will be funded by University funds.

(5) Replacement of the Chemistry Addition Chillers: The three chillers and associated cooling towers and distribution pumps located in the Chemistry Addition mechanical room are more than 25 years old, have reached the end of their useful lives, and need to be replaced. This project, approved by the Board in June 2023, will remove the aging chillers and install new chillers; rebuild the cooling towers adjacent to the Aquatics and Fitness Center; and replace the chilled water and condenser water distribution pumps. The project will advance the University's efforts in meeting the 2030 Sustainability Plan goals approved by the Board of Visitors in December 2019 to be carbon neutral by 2030 and fossil fuel-free by 2050 and to reduce water use by 30% over 2010 levels by 2030. The estimated total project budget is \$12M and will be funded by debt.

(6) Zion Crossroads Shell Space Clinic Buildout: UVA Health's multispecialty clinical building at Zion Crossroads was built with two floors of primary and specialty clinics and an advanced imaging suite to accommodate a range of clinical services for patient populations to the east of Charlottesville. At the time of construction, approximately 12,000 GSF of shell space was programmed on the second floor to accommodate future expansion. The current demand for clinic access has exceeded available capacity, precipitating the need to expand and build out the available shell space. This expansion project, approved by the Board in June 2023, will provide approximately 25 new exam and treatment rooms and allow new specialty clinical service offerings not currently available in the area. In addition to providing capacity to increase existing clinical offerings, the buildout will provide the opportunity to add Digestive Health and Allergy services as well

as an Urgent Care Clinic. The estimated total project budget is \$7.4M and will be funded by Medical Center operating cash.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

MAJOR CAPITAL PROJECT FINANCIAL PLANS

WHEREAS, the financing plan for the Darden Student Housing project calls for the use of debt in the amount of \$149M and gifts in the amount of \$6M; and

WHEREAS, the financing plan for the Focused Ultrasound Expansion calls for the use of Medical Center operating cash in the amount of \$16.5M; and

WHEREAS, the financing plan for the Pinn Hall 2nd-Floor Renovation calls for the use of School of Medicine operating cash in the amount of \$5.5M and federal grant funding in the amount of \$1.5M; and

WHEREAS, the financing plan for the Public Safety Building Renovation calls for the use of University funds in the amount of \$10.0M; and

WHEREAS, the financing plan for the Replacement of the Chemistry Addition Chillers calls for the use of debt in the amount of \$12M; and

WHEREAS, the financing plan for the Zion Crossroads Shell Space Clinic Buildout calls for the use of Medical Center operating cash in the amount of \$7.4M.

RESOLVED, the Board of Visitors approves the financial plans for the Darden Student Housing project, the Focused Ultrasound Expansion, the Pinn Hall 2nd-Floor Renovation, the Public Safety Building Renovation, the Replacement of the Chemistry Addition Chillers, and the Zion Crossroads Shell Space Clinic Buildout.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2024

COMMITTEE: Finance

AGENDA ITEM: I.C. Signatory Authority for Medical Center Contracts

BACKGROUND: The Board of Visitors is required to approve the execution of any agreement or amendment where the annual spend exceeds \$5M.

DISCUSSION: The University seeks approval from the Board of Visitors to allow the Medical Center to contract with the following companies for goods and services which will exceed \$5M in spend per year:

- Siemens Medical Solutions USA, Inc. for integrated radiology equipment service
- Metro Aviation, Inc. for aeromedical helicopter purchase
- The American National Red Cross Biomedical Services for blood services
- Medtronic USA, Inc. for orthopedic robotic Mazor System
- Medtronic USA, Inc. for Cardiac Rhythm Management products
- Huron Consulting Services LLC for Waves 1 through 7 of One Team United on Access
- Partners & Simons d/b/a MERGE for annual media services

The expense for goods and services purchased through these contracts are reflected in the Medical Center's Operating Budget.

ACTION REQUIRED: Approval by the Health System Board, the Finance Committee, and by the Board of Visitors

SIGNATORY AUTHORITY FOR MEDICAL CENTER CONTRACTS

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer to execute the contracts on behalf of the Medical Center with Siemens Medical Solutions USA, Inc. for integrated radiology equipment service; Metro Aviation, Inc. for aeromedical helicopter purchase; the American National Red Cross Biomedical Services for blood services; Medtronic USA, Inc. for orthopedic robotic Mazor System; Medtronic USA, Inc. for Cardiac Rhythm Management products; Huron Consulting Services LLC for Waves 1 through 3 approved retroactively for work performed and subsequently reviewed by the Health System Board; Huron Consulting Services LLC for future Waves 4, 5, 6, and 7; and, Partners & Simons d/b/a MERGE for annual media services.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2024

COMMITTEE: Finance

AGENDA ITEM: I.D. Signatory Authority for Academic Division Contracts

BACKGROUND: The Board of Visitors is required to approve the execution of any agreement or amendment where the annual spend exceeds \$5M.

DISCUSSION: The University seeks approval from the Board of Visitors to allow the Academic Division to contract with the following companies for goods and services which will exceed \$5M in spend per year:

- Ernst & Young for strategic, accounting and audit consulting services

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

SIGNATORY AUTHORITY FOR ACADEMIC DIVISION CONTRACTS

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer to execute the contracts on behalf of the Medical Center with Ernst & Young for strategic, accounting and audit consulting services.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2024

COMMITTEE: Finance

AGENDA ITEM: II.A. Executive Vice President's Remarks

ACTION REQUIRED: None

BACKGROUND: The Executive Vice President and Chief Operating Officer will inform the committee members of recent events that do not require formal action, but of which they should be made aware.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: June 7, 2024

COMMITTEE: Finance

AGENDA ITEM: II.B. Defined Contribution Retirement Plan: Written Report of the Retirement Administrative Committee

ACTION REQUIRED: None

BACKGROUND: The University is the plan sponsor of a number of defined contribution retirement plans, including the Optional Retirement Plan for Employees of the University of Virginia and the Optional Retirement Plan for Employees of the University of Virginia Medical Center.

At its June 2, 2007, meeting, the Finance Committee of the Board of Visitors approved a revised Retirement Program Policy. The revised policy established the role of the Finance Committee of the Board of Visitors to provide oversight of the retirement plans and to report annually to the Board.

On May 30, 2024, Messrs. Robert Blue and James Murray met with the Executive Vice President and Chief Operating Officer and representatives of the Retirement Administrative Committee to review the Plans' annual performance and to discuss the administration of the program. Minutes of that meeting follow.

Minutes

University of Virginia
Board of Visitors Finance Committee Appointees on Retirement Program Oversight
May 30, 2024, 1:00 p.m.
O'Neil First Floor Conference Room and Remote

Board of Visitors Finance Committee Appointees:

Robert Blue
James Murray

In Attendance:

Retirement Administrative Committee Members:

Kristina Alimard – Chief Operating Officer, UVIMCO
John Kosky - Chief Human Resources Officer
Anne Kromkowski – Sr. Associate Dean and Chief Financial and Operations Officer
Auggie Maurelli – Vice President and Chief Financial Officer
Jeremy Sibiski – Chief Operating Officer, School of Medicine

Others:

Jennifer (J.J.) Wagner Davis – Executive Vice President and Chief Operating Officer (EVP-COO)
David King – Senior Specialist Retirement Plan
Megan Lowe – Assistant Vice President and Chief of Staff to the EVP-COO
Barry Schmitt – CAPTRUST Financial Advisors

The Retirement Administrative Committee (RAC) meets quarterly to review investment performance with CAPTRUST and to evaluate the overall success of the University's retirement program offerings. Mr. James Murray, as Finance Committee Chair, and Mr. Robert Blue, Finance Committee member, work with the RAC to oversee the retirement program and report back to the Finance Committee on an annual basis.

There were three agenda items for this meeting: industry overview and annual review of performance, update of FY24 activities, and future initiatives under consideration.

I. Industry Overview and December 31st, 2023 Annual Performance

Barry Schmitt discussed CAPTRUST's December 31, 2023, Industry and Market Update and Performance Review, reminding the appointees that the RAC meets quarterly with CAPTRUST to monitor fund performance. Once a year, each of the vendors is invited to the RAC to present on their participant activity and fund performance. The details of the report are available in the UVA Q4 2023 Review. Equity markets finished the first quarter with an impressive run, despite a rapid repricing in the number of expected Federal Reserve interest rate cuts, which fell to three. While the rally benefited mega-cap growth companies first, by March, participation expanded as the consensus narrative refocused from a soft landing with waning inflation and weak economic growth to a no-landing scenario where

inflation slows, and growth accelerates. All major U.S. stock indexes posted gains, with the growth style outperforming the value style across market capitalization tiers. Small-cap stocks lagged, as they tend to be the most sensitive to Fed rate cut expectations. Bond investors faced headwinds as prices moved lower and rates moved higher. Oil prices rose by double digits, pushing the energy sector, a 2023 laggard, to a top spot. Gold reached a new high. Real estate slipped modestly, adversely impacted by higher interest rates. Outside the U.S., international developed and emerging markets saw modest gains with Japan being the exception. Chinese markets continue to struggle.

Fiduciary Training – Cybersecurity Best Practices

Ensure the service provider is following US Department of Labor guidelines. Review service providers contract for provisions for information sharing and confidentiality. Plan sponsors should confirm that they have implemented internal processes and controls to restrict access to plan data and other sensitive information.

Impact of SECURE Act 2.0

Financial wellness and plan design will be key topics for plan sponsors as they began to adopt some of the optional provisions under SECURE Act 2.0, including provisions and guidance around student loans, emergency savings, and auto portability. There will be a continued evaluation of retirement income products and solutions including managed account offerings as well as use of Collective Investment Trusts with 403b plans. SECURE Act 2.0 increases the mandatory distribution limit from \$5,000 to \$7,000 effective January 1, 2024. Mandatory distributions are used for small balance force-outs of terminated employees. Small account balances must be rolled over to an IRA that the plan sponsor has chosen if a participant does not select an alternative option (i.e., rollover to a new employer's plan). UVA adopted the higher \$7,000 threshold.

Plan Level Review

Assets as of 12/31/2023 totaled \$5.1 billion (TIAA- \$2.9 billion, Fidelity \$2.2 billion). The committee and its advisor reviewed the investments in a manner consistent with the standards and approach defined in the IPD. All funds are meeting policy guidelines.

II. Update of FY24 Activities

John Kosky provided an overview of the retirement programs. The University is the plan sponsor of nine qualified retirement plans. The two largest are the Defined Contribution Retirement Plan for the General Faculty, Executive, Senior Administrative, Managerial, and Professional University Staff of the University of Virginia and the Defined Contribution Retirement Plan for Employees of the University of Virginia Medical Center.

Fee Leveling

The RAC agreed to move to a per unique participant (per capita) fee. Fidelity's fee will be \$38 annually and TIAA's will be \$50 annually. Implementation will begin once the updated contracts are signed by the appropriate parties. There will also be a "fee subsidy" for one-year to cover the per head fee for active UVA employees at the cost of \$650,000.

Investment Policy Statement

A subcommittee of the RAC is in the process of updating the Investment Policy Statement (IPS) which was last reviewed in 2018. The IPS establishes guidelines which the Committee will consult in the course of managing the Program. Specifically, the IPS outlines the roles and responsibilities of the Committee, details processes the Committee will use to select, monitor, and update the investment options offered to Program participants, and designate participants' default investment option.

Lead Recordkeeper

The Committee will continue to explore lead recordkeeper/sole recordkeeper options. The analysis will include comparison of an asset based vs. per head fee under current state, lead recordkeeper, and sole recordkeeper options.

The meeting was adjourned at 1:30 p.m.