Minutes
Board of Trustees Meeting
Chairs of Excellence Trust
October 13, 2015
10:00 a.m.

The Board of Trustees for the Chairs of Excellence Trust convened in the Executive Conference Room at the Tennessee Capitol. With a quorum present, Steve Curry, Designee for Treasurer David H. Lillard, Jr., called the meeting to order at 10:00 a.m.

Board members in attendance: **Treasurer** – *Steve Curry, designee for David H. Lillard, Jr.*; **University of Tennessee** – *Dr. Joe DiPietro*; **Tennessee Board of Regents** – *Chancellor John Morgan*; **Comptroller of the Treasury** – *Shiri Anderson, designee for Justin Wilson;* **Secretary of State** – *Keith Boring, designee for Tre' Hargett*; **Commissioner of Finance and Administration** – *Greg Turner, designee for Commissioner Larry Martin;* **Tennessee Higher Education Commission** – *Peter Abernathy designee for Dr. Russ Deaton (non-voting member).*

Also in attendance: *Jaye Chavis, Michael Brakebill, Andy McArthur, LaKesha Page, Alison Cleaves, Ashley Humphrey, and Shelli King.*

Approval of Minutes

Steve Curry requested approval of the previously distributed Minutes of the meeting on October 8, 2014. There were no corrections to the Minutes. On motion by John Morgan; second by Shiri Anderson, the Board approved the Minutes.

Consideration of Proposed Spending Plans

Mr. Chavis presented information regarding the proposed spending plans. Exhibit A reflects the calculation of the authorized spending limit, which is four percent of the average market value of the previous three Decembers. The spending plans are contained in Exhibit B. The University of Tennessee and the Tennessee Board of Regents requested $4,946,280.00 and $5,974,477.62 respectively for recurring and non-recurring expenses. On motion by Dr. Joe DiPietro, second by Chancellor John Morgan, the Board approved the spending plans.

Audit Committee

Dr. DiPietro provided the report of the Audit Committee. He advised that the combined Audit Committee for BEST and COE convened, and he reported that there were no reports of fraud or abuse. The committee discussed the state audit report for its FY 2014 audit, which contained an audit finding for college savings regarding controls over participant accounts. The college savings plan advised the Audit Committee that action has been taken to address the audit finding including, but not limited to, the sending of confirmations of changes to accounts. The Audit Committee also discussed the scope of the annual audit and review of internal controls, risk assessments, management's responsibility, the financial integrity act, and the fraud hotline.

Investment Report

Michael Brakebill presented the investment reports for the year ending June 30, 2015. At June 30, 2015, the fund held $302,154,389 in assets. Mr. Brakebill noted information on page 2 of the investment report contained in Tab 4 of the meeting material. He noted that the one year return was 3.23%. He also noted that the performance of the fixed income portfolio beat the benchmark, stocks were in line, but the international equity lagged a bit for the 1 year and 3 year returns. Mr. Curry noted that the portfolio had good 3 year and 5 year returns, and that the 7 year and 10 year returns were affected by the market downturn in 2009. He also noted that we are now in a historically low interest rate environment.

Transactions Occurring Since the Last Meeting

Mr. Curry stated that by the rules of the Board, adjustments to the spending plans may be requested by the chairs, and Treasury staff notifies the Board members of the requests. If there are no objections from the Board members within 15 days, then the adjustments are approved. If there is an objection by a Board

member, then the adjustment is to be considered at the next meeting of the Board. There were three requests for spending plan revisions received from the University of Tennessee: the Holly COE in Political Economics requested an increase of Non-Recurring funds in the amount of $6,000 for office furnishings, the Condra COE in Engineering requested an increase of Non-Recurring funds in the amount of $12,980 for Lab Equipment; and UNUM COE in Mathematics requested an increase of Non-Recurring funds in the amount of $30,000 for Start-up expenses. The revisions were previously distributed to the Board, and no objections were raised. Mr. Chavis also advised the Board that the Lillian and Morrie Moss COE in English Poetry at the University of Memphis (COE #20421) has been changed to the MOSS COE in Computer Science. Accordingly, the adjustments were implemented in accordance with the policies of the Trustees of the Chairs of Excellence Trust.

Annual Review of Investment Policy and Trust Agreement

Mr. Curry noted the policies of the Chairs of Excellence Trust and Endowment Trust Agreement were contained in tab 6 of the meeting material for the Board's review. Treasury staff is not recommending any changes to the documents.

Adjournment

With no further business to discuss, Mr. Curry adjourned the meeting.

Respectfully Submitted,

/s/ Joy Harris

Joy Harris
Designee for Treasurer David Lillard, Jr.
Chairman of the Board