

**Minutes
Board of Trustees Meeting
Chairs of Excellence Trust
December 17, 2015
10:00 a.m.**

The Board of Trustees for the Chairs of Excellence Trust convened in the Legislative Plaza, Room 30 in Nashville, Tennessee. With a quorum present, Joy Harris, Designee for Treasurer David H. Lillard, Jr., called the meeting to order at 10:00 a.m.

Board members in attendance: **Treasurer** – Joy Harris, designee for David H. Lillard, Jr.; **University of Tennessee** – Charles Peccolo, designee for Dr. Joe DiPietro; **Tennessee Board of Regents** – Randy Schulte, designee for 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** – John Kerr, designee for Commissioner Larry Martin; **Tennessee Higher Education Commission** – Dr. Russ Deaton (non-voting member).

Also in attendance: Jaye Chavis, Alison Cleaves (Treasury Legal), Andy McArthur (Treasury Internal Audit), Ashley Humphrey (Treasury Financial Empowerment, Michael Brakebill (Treasury Investments), Ron Maples (University of Tennessee), Amanda Klafehn (Office of the Comptroller) and Crystal Collins (THEC).

Approval of Minutes

Joy Harris requested approval of the previously distributed Minutes of the meeting on October 13, 2015. There were no corrections to the Minutes. On motion by Charles Peccolo; second by Keith Boring, the Board approved the Minutes.

Consideration of Proposed Revision to the Investment Policy

Joy Harris presented information regarding the proposed revision to the Chairs of Excellence Investment Policy. She explained that the current Investment Policy includes a provision regarding requests for transfers to be made by chairs from the Stock Trust to the Bond Trust; however, it requires approval from the Chairs of Excellence Trustees. In recognition of the purpose for which the asset allocation was adopted and upon review of the Investment Policy, Treasury staff proposes removal of the requirement for the Trustees to approve transfers from the Stock Account to the Bond Account with the conditions of the chair asset allocation remaining in effect. Given that the COE Board meets once a year and the potential for volatile market conditions, the waiting period for board approval may constrict the execution of permitted transfers. The proposed revision does not remove or reduce the intended purpose for the asset allocation rule. The revised language would read:

“Chair asset allocation after initial funding will be based upon long term investment objectives with consideration given for providing sufficient flow of income to the chair. Funds may be transferred from the Stock Account to the Bond Account at the request of the University of Tennessee or Board of Regents with no approval by the Trustees if a minimum of 25% of the total value of the chair is maintained in the Stock Account and the chair is financially viable. The board reserves the right to call a meeting if questions arise about the financial viability of any chair. However, in order to ensure no public funds are invested in equity securities, funds may not be transferred from the Bond Account to the Stock Account.”

When Chair Harris called for discussion, Dr. Deaton asked if the Board would be notified of any such transfer activity upon approval of the revision to the Investment Policy. Ensuing discussion concluded that such activity will be reported at the annual meeting of the Chairs of Excellence Board of Trustees in the section “Transactions Occurring Since the Last Meeting”.

On motion by Randy Schulte, second by Shiri Anderson, the Board approved the revision to the Investment Policy.

Service Acknowledgment

Mr. Peccolo will be retiring on December 31, 2015. Chair Joy Harris invited the group to join her in expressing gratitude to Charles Peccolo for his many years of service in various capacities of which the Chairs of Excellence Trust has benefited as well as the entire Department of Treasury. The group applauded Mr. Peccolo and he received several accolades from members of the Board.

Adjournment

With no further business to discuss, Joy Harris adjourned the meeting.

Respectfully Submitted,

/s/ Joy Harris

Joy Harris

Designee for Treasurer David Lillard, Jr.

Chairman of the Board