UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Finance & Operations Committee
Thursday, March 12, 2009
9:45 a.m. - 11:45 a.m.
600 McNamara Alumni Center, East Committee Room

Board Members
Steven Hunter, Chair
Dean Johnson, Vice Chair
Clyde Allen
Linda Cohen
John Frobenius
Venora Hung

Student Representatives
Imee Cambronero
Jennifer McCabe

AGENDA

4. Information Items - R. Pfutzenreuter (pp. 39-68)
Finance and Operations Committee  
March 12, 2009

Agenda Item:  Annual Investment Consultants Report: Cambridge Associates

☐ review  ☐ review/action  ☐ action  ☒ discussion

Presenters:  Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

To present the annual report from Cambridge Associates regarding the Consolidated Endowment Fund (CEF) investment performance and to discuss asset allocation versus peer college and university endowments.

Outline of Key Points/Policy Issues:

• Comparison of CEF investment performance to peers and “best performing” colleges and universities, highlighting the current asset allocation relative to the Board's strategic target asset allocations of the portfolio.

• Observations regarding the strategies for capital preservation and retention of liquidity to deal with future distribution to the University and capital calls by private managers.

• Observations regarding overvalued/undervalued sectors of the global capital markets.

Background Information:
Finance and Operations Committee

March 12, 2009

**Agenda Item:** Annual Insurance & Risk Management Report

- review
- review/action
- action
- discussion

**Presenters:** Vice President/CFO Richard Pfutzenreuter

**Purpose:**

- policy
- background/context
- oversight
- strategic positioning

To present the 2008 Annual Insurance & Risk Management Report, which highlights the University’s insurance and risk management programs.

**Outline of Key Points/Policy Issues:**

- Total cost of risk for 2008 was $14 million, compared with $9.1 million for the prior fiscal year, an increase of 53%. Approximately 68% of the increase from 2007 is associated with a single, unusual liability claim.
- Total losses for 2008 were $9.6 million, compared with $5.3 million for the prior year, representing an 81% increase. Approximately 70% of the increase from 2007 relates to a single, unusual liability claim.
- RUMINCO, Ltd., and the self-insured workers compensation program continue to be cost-effective risk management tools. The two programs have generated a combined $8.6 million in estimated savings over the five-year period 2004 through 2008.

**Background Information:**
UNIVERSITY OF MINNESOTA

Annual Report
of the
Office of Risk Management
as of
Fiscal Year Ended
30 June, 2008
# Table of Contents

## I. Overview  
2
The Mission of the Office of Risk Management  
2
Organizational Structure  
3
FY08: Milestones and Accomplishments  
4

## II. Risk Finance Program  
5
General Approaches to Risk Finance  
5
University Structures  
6

Captive Insurance  
7
  Summary of RUMINCO Ltd Limits  
8
  General Liability  
9
  Professional Liability  
10
  Automobile Liability  
11
  Non-Profit Organization Liability  
12

Retained  
13
  Workers Compensation  
13

Commercial Insurance  
15
  Property Insurance  
15
  Miscellaneous Insurance Coverage  
16

## III. Cost of Risk  
17
Five Year Summary  
18

## IV. Workplan  
19
Major Goals for FY09 & FY10  
19
I. Overview

The Mission of the Office of Risk Management

- Provide consultation to the University community regarding the risk naturally encountered in the course of Research, Teaching and Outreach.
- Minimize the frequency and severity of physical injury and property damage through education and specific loss control measures.
- Protect and preserve University human and financial resources.

The University is constantly engaged in discussion with virtually all segments of the University and the outside community regarding risk and risk management. The Office of Risk Management serves as risk and insurance liaison in these situations.

A 'risk-free' University is one in which no productive activity can take place. Our position on most issues is, if possible, to find a way to promote and enable Research, Teaching and Outreach opportunities. That said, we must also amend or triage certain activities in order to avoid injuries and property damage. The Office enjoys the excellent support of Environmental Health and Safety, Facilities Management and Disability Services, who share the goal of identifying and mitigating physical risk.

The Office of Risk Management uses commercial and captive insurance, as well as retention (self-insurance) to finance monetary loss arising from risk. The Office of Risk Management is charged with the design, procurement, implementation and maintenance of these programs, which are all designed to administer the financial consequences of loss events. The Office also routinely consults with the Office of General Counsel with respect to problematic risk and insurance provisions of many of the contracts the University seeks to enter into annually.

This report summarizes the scope of operations of the University’s Office of Risk Management as of fiscal year end June 30, 2008.
I. Overview

Organizational Structure

The Office of Risk Management

- Acts at the direction of the Controller’s Office
- Has a dotted line relationship with many University entities and resources
- Directly controls the activities of insurance vendors and suppliers
I. Overview

**FY08: Milestones and Accomplishments**

**Director of Risk Management Position Filled**
After a year-long search, the Controller's Office filled the Director, Risk Management position on March 31, 2008.

**Departmental Structure Review**
During the search for a new Director, the Controller and Associate Controller recognized that the limited resources within the Office of Risk Management might be used more effectively. One of the first charges to the new Director was to assess the appropriateness of the Office's structure and staffing to the tasks at hand.

**Resource Redeployment**
In June of 2008, the Director of Risk Management restructured the department. The goals of the restructure were to
- More effectively engage the services of the Third Party Claims administrator
- Free internal resources for redeployment
- Improve overall service to the University
The Office eliminated the Workers Compensation Department and transferred its duties to the Third Party Claims Administrator, with no increase in external cost. The Office also created two new Insurance Generalist positions:
- Executive Administrative Specialist (filled 06/08) and
- Associate Director Risk Management

**Initiation, Workers Compensation Revitalization**
In many measures -- claim count, dollars appropriated, employee contact and employee satisfaction -- the Workers Compensation program is arguably the most important program Risk Management administers. The Office has initiated a broad and complete analysis of the current system and processes, with a strong focus on enhancing efficiencies.
II. Risk Finance Programs

General Approaches to Risk Finance

The financial consequences of risk may be Retained or Transferred.

- **Risk retention** (often called “self-insurance”) is characterized by the assumption (retention) of financial risk consequences. This retention ranges from a deductible to carrying no insurance whatsoever. Optimally, risk retention will be the result of pre-considered choice.

- **Risk transfer** is characterized by the passing of the financial consequences of risk to a third party (typically an insurer) via purchase of a contract (typically an insurance policy) that specifies the terms and conditions of the transfer.

The University broadly treats its risk as follows:

- Liability – Transferred to Captive Insurer (RUMINCO)
- Workers Compensation – Retained; Self-Insured
- Property and Miscellaneous Insurance – Transferred to Commercial Insurers

There are specific rationales behind the decision to transfer or retain a specific risk. The guiding principle has been that if it is financially possible and reasonable for the University to retain risk, it is best to do so, as retention tends to be more economical in the long run.

Generally, this principle is abrogated by exposure to truly catastrophic loss potential. A good example of this is the property associated with the University’s campuses. With values in excess of seven billion dollars, there is no reasonable way for the University to fund for a catastrophic property loss event. The University purchases an insurance policy to transfer that exposure to a third party.
II. Risk Finance Programs

University Structures

Much activity of the Office of Risk Management centers on the establishment, maintenance and continuing refinement of risk finance mechanisms. The University finances its Property and Casualty risk using a combination of three main mechanisms:

The Office of Risk Management monitors the University’s loss trends and the insurance marketplace to determine the optimal combination of risk financing methods. This process includes ongoing reviews of the University’s loss exposures, claim frequency and severity, and trends in each.

The following sections describe the University’s Captive, Retained and Commercially Insured risk financing programs.
II. Risk Finance Programs

Captive Insurance

RUMINCO Ltd. (Regents of the University of Minnesota Insurance Company) is a captive insurance company, a wholly-owned subsidiary of the University of Minnesota. It was incorporated in 1978 during a nationwide crisis in the medical malpractice insurance market. At that time, the University Hospitals and Clinics and the Medical School faced 400% increases in premiums. After exploring various risk financing options, the Regents decided to form RUMINCO Ltd. to fund its primary layer of protection for:

- General Liability and
- Professional Liability

The University purchased excess limits from commercial insurance companies until 1986, when the Office of the General Counsel furnished an opinion that the State of Minnesota’s Tort Statute effectively and reliably limits the University’s exposure to Tort Liability. Leadership chose to discontinue the purchase of Excess Liability from commercial insurers and rely solely on the limits underwritten through RUMINCO. As RUMINCO matured and its surplus (i.e., net worth) grew, the RUMINCO Board added other lines of coverage:

- Automobile Liability
- Non-Profit Organization Liability

Over one-third of a century, RUMINCO has proven itself to be a useful funding tool for the University. It is a formalized, disciplined way to finance risk, yet retains flexibility and provides long-term stability.

The graph on the next page summarizes RUMINCO’s current coverage structure, and is followed by descriptions of each line of coverage in the order laid out in the bullets above.
II. Risk Finance Programs

Captive Insurance

*Summary of RUMINCO Ltd. Limits*

Limits within the RUMINCO program are generally in the same range as the maximum payout prescribed by the Minnesota Tort Cap statutes; buying more limit effectively waives the Statute’s protection to the same extent insurance exists excess of the statute cap.
II. Risk Finance Programs

Captive Insurance

**General Liability**

**Carrier:** RUMINCO Ltd.

**Coverage Summary:** General liability insures the University’s legal liability for third party bodily injury or property damage.

**Principal Frequency Exposure:** Premises injuries to third parties (slip-and-falls).

**Principal Severity Exposure:** Concentrations of people in facilities such as dormitories, stadiums and arenas exposed to fire, collapse, explosion, etc.

**Five-Year Premium and Loss History:** RUMINCO’s premiums are set based on recommended funding levels determined by a certified actuary. Premiums are used to fund losses, and are fully retained by RUMINCO (and the University) if not expended on loss events. Expected losses include Paid Losses, Outstanding Reserves and Incurred but Not Reported (IBNR) components.
II. Risk Finance Programs

Captive Insurance

**Professional Liability**

**Carrier:** RUMINCO Ltd.

**Coverage Summary:** Legal liability for damages arising out of professional services, including:
- Medical (including the Medical School and Boynton Health Service physicians), surgical, dental or nursing treatment, including the related furnishing of food or beverages
- Furnishing or dispensing of drugs or medical, dental, or surgical supplies of appliances
- Handling of or performing post-mortem examinations
- Services by any person as a member of a formal accreditation or similar professional board or committee of the University, or as a person charged with the duty of executing directives of any such board or committee
- Service by accountants, architects, engineers, lawyers, and teachers acting within the scope of their duties as employees of the University

**Principal Frequency Exposure:** Medical Malpractice

**Principal Severity Exposure:** Medical Malpractice

**Five-Year Premium and Loss History:** RUMINCO’s premiums are set based on recommended funding levels determined by a certified actuary. Premiums are used to fund losses, and are fully retained by RUMINCO (and the University) if not expended on loss events. Expected losses include Paid Losses, Outstanding Reserves and Incurred but Not Reported (IBNR) components.

<table>
<thead>
<tr>
<th>Year</th>
<th>Paid Losses</th>
<th>Outstanding Reserves</th>
<th>IBNR</th>
<th>IBNR Premiums Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/03-04</td>
<td>$242,016</td>
<td>$1,070,000</td>
<td>$127,538</td>
<td>$900,000</td>
</tr>
<tr>
<td>7/1/04-05</td>
<td>$1,312,805</td>
<td>$1,102,100</td>
<td>$1,200,000</td>
<td>$1,314,527</td>
</tr>
<tr>
<td>7/1/05-06</td>
<td>$1,099,543</td>
<td>$1,020,000</td>
<td>$1,230,000</td>
<td></td>
</tr>
<tr>
<td>7/1/06-07</td>
<td>$535,834</td>
<td></td>
<td>$190,000</td>
<td></td>
</tr>
<tr>
<td>7/1/07-08</td>
<td>$1,200,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Paid Losses (Orange), Outstanding Reserves (Yellow), IBNR (Light Blue), IBNR Premiums Paid (Dark Green)*
II. Risk Finance Programs

Captive Insurance

*Automobile Liability*

**Carrier:** RUMINCO Ltd.

**Coverage Summary:** Auto Liability covers legal liability for bodily injury and property damage arising out of the use of 775 owned vehicles, hired autos, and non-owned autos operated with the permission of the University.

**Principal Frequency Exposure:** Collision damage to third parties’ vehicles.

**Principal Severity Exposure:** Vehicle accidents involving multiple passenger vehicles.

**Five-Year Premium & Loss History:** RUMINCO’s premiums are set based on recommended funding levels determined by a certified actuary. Premiums are used to fund losses, and are fully retained by RUMINCO (and the University) if not expended on loss events. Expected losses include Paid Losses, Outstanding Reserves and Incurred but Not Reported (IBNR) components.
II. Risk Finance Programs

Captive Insurance

*Non-Profit Organization Liability*

**Carrier:** RUMINCO Ltd.

**Coverage Summary:** This policy covers liability claims not triggered by Bodily Injury or Property Damage, including:
- Directors' and Officers' Liability
- Employment Practices Liability
- Personal Injury e.g., libel, slander, defamation, emotional distress

**Principal Frequency & Severity Exposures:** Employment related claims such as allegations of sexual harassment, failure to grant tenure, discrimination, etc.

**Five-Year Premium & Loss History:** RUMINCO’s premiums are set based on recommended funding levels determined by a certified actuary. Premiums are used to fund losses, and are fully retained by RUMINCO (and the University) if not expended on loss events. Expected losses include Paid Losses, Outstanding Reserves and Incurred but Not Reported (IBNR) components.
II. Risk Finance Programs

Retained

**Workers Compensation**

**Coverage Summary:** Medical costs and wage loss for University employees who are injured while acting in the scope of their duties.

**Limits:**
The University is a qualified self-insurer under Minnesota law. It assumes liability up to $1,720,000 in any one Workers' Compensation occurrence. Excess protection is provided by the Workers Compensation Reinsurance Association (WCRA). The WCRA was created by the State of Minnesota as a funding source, acting as an excess insurer for serious claims.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Avg. Cost per Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>$4,371</td>
</tr>
<tr>
<td>2006-07</td>
<td>$6,010</td>
</tr>
<tr>
<td>2005-06</td>
<td>$4,466</td>
</tr>
<tr>
<td>2004-05</td>
<td>$3,379</td>
</tr>
<tr>
<td>2003-04</td>
<td>$4,513</td>
</tr>
</tbody>
</table>

**Loss Rate/$100 Payroll**

![Graph showing loss rate per $100 payroll over five fiscal years (2003-04 to 2007-08). The rates are 0.26, 0.17, 0.19, 0.24, and 0.24 respectively for each fiscal year.](image-url)
II. Risk Finance Programs

Retained

*Workers Compensation*

Five-Year Loss History

![Graph showing five-year loss history with paid losses, outstanding reserves, IBNR, and total claim cost for different years.]

Claim Count

![Graph showing claim count with open claims and total claims for different years.]

 Paid Losses  Outstanding Reserves  IBNR  Total Claim Cost

<table>
<thead>
<tr>
<th>Year</th>
<th>Claims</th>
<th>Open Claims</th>
<th>Total Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/03-04</td>
<td>828</td>
<td>336</td>
<td>828</td>
</tr>
<tr>
<td>7/1/04-05</td>
<td>755</td>
<td>284</td>
<td>755</td>
</tr>
<tr>
<td>7/1/05-06</td>
<td>702</td>
<td>294</td>
<td>702</td>
</tr>
<tr>
<td>7/1/06-07</td>
<td>689</td>
<td>293</td>
<td>689</td>
</tr>
<tr>
<td>7/1/07-08</td>
<td>711</td>
<td>277</td>
<td>711</td>
</tr>
</tbody>
</table>
II. Risk Finance Programs

Transfer

Property Insurance

Carrier: Lexington

Coverage Summary: Covers risks of direct physical loss or damage to the “covered property” as defined in the policy, subject to sublimits and specifically excluded perils.

Limits: $1 Billion per occurrence.

Five-Year Loss History: Property premiums are set based on historical claim patterns and current exposure aggregations. Premiums are used to fund losses, and are fully retained by the insurance company if not expended on loss events. The University retains the first $200,000 of each loss in the form of a deductible. Departments see only $10,000 of this, with the office of Risk Management funding the remainder.

The FY08 premium year does not reflect the MHEC dividend. While not guaranteed, the dividend averaged $526,000 over the 4 years prior.
II. Risk Financing Program

Transfer

**Miscellaneous Insurance Coverage**

The aggregate cost of all commercial insurance programs (excluding the MHEC Property Program) was $593,241 in FY08. Here is a brief overview of the purchased policies:

**AUTOMOBILE EXCESS LIABILITY (Extra-Minnesota Jurisdiction):** Provides $5,000,000 Automobile Liability limits for University-owned automobiles involved in incidents occurring outside the State of Minnesota. Coverage applies excess of $1.2M underwritten by RUMINCO. The possibility of not having tort statute protection in other states prompts this coverage purchase.

**BROADCASTER’S LIABILITY:** Provides Media-Peril coverage for the University-owned radio stations, KUOM (Minneapolis), KUMD (Duluth), and KUMM (Morris).

**CHILD CARE CENTERS:** Provides accidental medical, death and dismemberment coverage for enrollees at the University-owned and operated child care centers.

**FIDELITY & CRIME:** Coverage for loss of money or securities due to employee theft and dishonesty, computer fraud, and related perils.

**FINE ARTS:** Primary coverage for fine arts (i.e., artwork, books, manuscripts, antiques, etc).

**EXCESS LIABILITY (METRODOME):** Coverage applies to the University’s liability to third parties arising out of its use of the Metrodome, and must continue until the University entirely ceases Metrodome operations. The Metrodome use contract with the Metropolitan Sports Facilities Commission requires the University to carry $5,000,000 of liability insurance. The first $1,000,000 in coverage is insured through RUMINCO with the remaining $4,000,000 being covered under this Excess Liability policy.

**INTERCOLLEGIATE ATHLETICS:** This policy insures medical costs arising from injuries sustained by University intercollegiate athletes during play, practice or travel.

**NON-OWNED AIRCRAFT LIABILITY:** Covers the University’s liability arising out of use of non-owned aircraft rented or chartered by the University. The limit is $25 million per occurrence, and is intended to be excess of any policies purchased by the owner of the aircraft.

**HULL & LIABILITY (Primary & Excess):** Physical Damage and Liability coverage up to $1M of primary plus $14M of excess liability arising out of the use of the 86-foot *Blue Heron* research vessel.

**UPWARD BOUND EARLY INTERVENTION AD&D:** Accidental medical, death, and dismemberment coverage for participants in Upward Bound activities, for both the Minneapolis and Duluth campuses.

**SHOWBOAT HULL & LIABILITY:** Coverage is purchased through Paddleford Company for the University’s hull & liability exposure arising out of its sponsorship of the *Showboat* dinner theatre. The boat is moored at the University’s dock on the Mississippi.
STUDY ABROAD (FRANCE): Foreign Liability coverage with an approved ("admitted") French insurance carrier is required for University operations in France.
III. Cost of Risk

We define Cost of Risk as:

**Commercial Insurance Premiums + [Captive and Retained Losses + Administrative Expenses] + Brokerage and Consultative Costs**

*Estimated Cost Savings, RUMINCO and the Workers Compensation Program combined*  
“Cost of Risk if Commercially Insured” contemplates a 30% Administrative/Profit burden on the 5-year average of the “Captive and Retained Cost” component. This burden represents an estimate of costs commercial insurers experience that our programs are not exposed to. Aggregate 5-year savings in this model total $8,600,000. Our estimate of what the University might have paid in commercial insurance premiums is based on our actuary’s loss forecasts for RUMINCO and Workers Compensation applied to average insurance industry profit and expense loads.

When the University opts to captivate or self-insure an exposure, it assumes additional risk. The chart below shows the University’s actual cost of risk (bars) versus the estimated cost of risk had the University opted to commercially insure all of its risks (red line). The gap between the two represents the annual savings.
## University of Minnesota
### 5-Year Cost of Risk Summary
#### Total Amounts Paid by Fiscal Year, FY 2004 – 2008

<table>
<thead>
<tr>
<th>COST ITEM</th>
<th>7/1/03-04</th>
<th>7/1/04-05</th>
<th>7/1/05-06</th>
<th>7/1/06-07</th>
<th>7/1/07-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Captive Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid Losses</td>
<td>$756,425</td>
<td>$1,900,718</td>
<td>$1,322,061</td>
<td>$632,935</td>
<td>$1,202,173</td>
</tr>
<tr>
<td>Case Reserves</td>
<td>0</td>
<td>140,866</td>
<td>308,138</td>
<td>323,311</td>
<td>2,311,069</td>
</tr>
<tr>
<td>Incurred, But Not Reported (ESTIMATE)</td>
<td>0</td>
<td>33,000</td>
<td>239,000</td>
<td>481,000</td>
<td>1,844,300</td>
</tr>
<tr>
<td>Captive Administrative Expenses</td>
<td>70,614</td>
<td>86,888</td>
<td>88,426</td>
<td>148,144</td>
<td>131,177</td>
</tr>
<tr>
<td><strong>Total Captive</strong></td>
<td><strong>$827,039</strong></td>
<td><strong>$2,161,472</strong></td>
<td><strong>$1,957,625</strong></td>
<td><strong>$1,585,390</strong></td>
<td><strong>$5,488,719</strong></td>
</tr>
<tr>
<td>Self-Insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers' Compensation</td>
<td>3,034,186</td>
<td>2,011,792</td>
<td>2,364,050</td>
<td>3,106,004</td>
<td>3,361,391</td>
</tr>
<tr>
<td>WC Claims Administrator</td>
<td>272,512</td>
<td>160,052</td>
<td>219,251</td>
<td>224,294</td>
<td>244,013</td>
</tr>
<tr>
<td>WC Reinsurance Association</td>
<td>100,021</td>
<td>75,379</td>
<td>89,047</td>
<td>95,350</td>
<td>109,815</td>
</tr>
<tr>
<td>Special Compensation Fund</td>
<td>323,480</td>
<td>259,738</td>
<td>282,918</td>
<td>204,758</td>
<td>273,999</td>
</tr>
<tr>
<td>Bill Review Service</td>
<td>33,000</td>
<td>239,000</td>
<td>481,000</td>
<td>481,000</td>
<td>1,844,300</td>
</tr>
<tr>
<td>WC Actuarial</td>
<td>15,000</td>
<td>15,000</td>
<td>16,000</td>
<td>16,000</td>
<td>12,000</td>
</tr>
<tr>
<td>WC Broker Consultation</td>
<td>0</td>
<td>33,000</td>
<td>239,000</td>
<td>481,000</td>
<td>1,844,300</td>
</tr>
<tr>
<td><strong>Total WC</strong></td>
<td>$3,745,199</td>
<td>$2,511,961</td>
<td>$2,995,019</td>
<td>$3,684,645</td>
<td>$4,057,553</td>
</tr>
<tr>
<td>Retained Property Losses</td>
<td>1,308,159</td>
<td>1,151,246</td>
<td>738,700</td>
<td>571,972</td>
<td>662,841</td>
</tr>
<tr>
<td>Electronic Data Processing</td>
<td>323,480</td>
<td>259,738</td>
<td>282,918</td>
<td>204,758</td>
<td>273,999</td>
</tr>
<tr>
<td><strong>Total Uninsured</strong></td>
<td><strong>$5,213,130</strong></td>
<td><strong>$3,825,098</strong></td>
<td><strong>$3,909,073</strong></td>
<td><strong>$4,449,017</strong></td>
<td><strong>$4,901,231</strong></td>
</tr>
<tr>
<td>Commercial Insurance Premiums</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Risk Property</td>
<td>$2,758,765</td>
<td>$2,700,397</td>
<td>$2,578,036</td>
<td>$2,827,147</td>
<td>$3,061,018</td>
</tr>
<tr>
<td>Less: MHEC Dividend</td>
<td>(562,667)</td>
<td>(717,641)</td>
<td>(408,943)</td>
<td>(417,244)</td>
<td>(417,244)</td>
</tr>
<tr>
<td>Total Property Insurance</td>
<td>$2,196,098</td>
<td>$1,982,756</td>
<td>$2,169,093</td>
<td>$2,409,903</td>
<td>$2,643,774</td>
</tr>
<tr>
<td>Automobile Liability (out of state)</td>
<td>206,000</td>
<td>187,500</td>
<td>185,400</td>
<td>191,554</td>
<td>191,554</td>
</tr>
<tr>
<td>Boynton Professional Liability</td>
<td>67,827</td>
<td>167,041</td>
<td>20,250</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Broadcaster's Liability</td>
<td>5,677</td>
<td>5,677</td>
<td>5,960</td>
<td>5,960</td>
<td>5,365</td>
</tr>
<tr>
<td>Child Care Center</td>
<td>979</td>
<td>1,406</td>
<td>1,406</td>
<td>1,406</td>
<td>1,275</td>
</tr>
<tr>
<td>Electronic Data Processing</td>
<td>148,530</td>
<td>63,483</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Commercial Insurance</strong></td>
<td><strong>$3,094,557</strong></td>
<td><strong>$2,895,069</strong></td>
<td><strong>$2,867,490</strong></td>
<td><strong>$3,112,941</strong></td>
<td><strong>$3,616,128</strong></td>
</tr>
<tr>
<td><strong>GRAND TOTAL COST OF RISK</strong></td>
<td><strong>$9,134,726</strong></td>
<td><strong>$8,881,639</strong></td>
<td><strong>$8,734,188</strong></td>
<td><strong>$9,147,348</strong></td>
<td><strong>$14,006,078</strong></td>
</tr>
</tbody>
</table>

[1] Insurable property losses falling within department deductibles or overall program deductibles.
[2] EDP coverage was self-insured starting FY 2005-06; figure now shows losses paid by RM Dept.
[3] Transferred to RUMINCO FY07
IV. Workplan

Major Goals for FY09 & FY10

Workers Compensation
Continue efforts to improve the Worker’s Compensation program administration:

Efficiency
- Streamlining workflow
- Gaining time by refining processes

Communication
- Improving the information to our clients, the Employees of the University
- Coordinating and expediting information exchange between the several University Departments with a Workers Compensation interest or role

Teamwork
- Effectively integrating the special skills and capabilities of internal resources such as Occupational Health and Safety, the Department of Environmental Health and Safety and Disability Services
- Refining the use of existing outside vendors, such as our Third Party Claims Administrator and our primary Occupational Health clinics

We expect these efforts to produce increasingly positive results, including:
- Satisfied Employees
- Decreased litigation
- Quicker, less expensive claim closure

Extra-Minnesota Liability Limits

As the University continues to expand operation beyond the Minnesota State border, the chance of incurring Tort Liability imposed by an alien jurisdiction will increase. The University will enjoy no Tort Cap protection in those situations.

Risk Management is currently working to establish options for greater limits of insurance applicable to extra-Minnesota suits. Our first placement option will focus on General Liability.

We expect the excess General Liability option to be ready and bindable prior to this year’s July 1 insurance anniversary. A similar effort will subsequently be made to develop an excess option for extra-Minnesota Medical Products and Medical Clinical Trials actions.
Finance and Operations Committee                                      March 12, 2009

Agenda Item: Consent Report

☐ review    ☒ review/action    ☐ action    ☐ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☐ policy    ☐ background/context    ☒ oversight    ☐ strategic positioning

General Contingency
To approve allocations from General Contingency greater than $250,000.

Purchase of Goods and Services over $250,000
To approve purchases of goods and services over $250,000, in compliance with Board of Regents Policy: Board Operations and Agenda Guidelines.

Outline of Key Points/Policy Issues:

General Contingency
There are no items in the General Contingency report requiring Board approval.

Purchase of Goods and Services Over $250,000

• To Boos Dental Laboratory, Granite City Dental, Harrison Dental Studio, Hermanson Dental Laboratory, Midwest Dental Arts, Udell Dental Laboratory, and Webster Dental Laboratory for an estimated $2,800,000 of dental lab services as needed for the period of April 1, 2009 through June 30, 2011 for the School of Dentistry. This purchase of dental lab services has been budgeted by the School of Dentistry for FY09-10 and FY10-11. Vendors were selected through a competitive process.

• To the City of Minneapolis for an estimated $349,000 for the University of Minnesota’s agreed upon share of the system design, construction, and administration costs for an Adaptive Traffic Control Signal System, which includes traffic signals, signal interconnect, traffic signal controllers, traffic detectors, Pan-Tilt-Zoom cameras, and all communication connections between these components. The total cost of this City of Minneapolis project is $2,524,000, supported by $1,650,000 in federal funding (66% of total), $525,000 from the City of Minneapolis (21% of total), and the final $349,000 (13% of total) from the University
of Minnesota. In addition, the University will pay annually to the City of Minneapolis a system maintenance and operation fee of $25,000, or 1/2 the cost of maintenance, whichever is lower, for the City to maintain and repair the traffic cameras purchased by the City on behalf of the University and installed as part of this system. This agreement will have a 20-year term. See enclosed documentation regarding basis for vendor selection.

- To Entuity, a provider of network management software, for $942,500 to provide additional licenses of Eye of Storm network management software, additional modules, and annual maintenance for these additional licenses as well as for the current licenses purchased previously. This is for the period of April 1, 2009 through March 31, 2012 for Networking and Telecommunications Services, a division of the Office of Information Technology. This campus data network is centrally (O&M) funded. This expense has been budgeted for FY09 and will be budgeted for FY10 and FY11. Vendor was selected through a competitive process.

- To Enventis Telecom for $1,700,000 to purchase network hardware and software and to provide annual Cisco Smartnet hardware support for the period of April 1, 2009 through March 31, 2010 for Networking and Telecommunications Services, a division of the Office of Information Technology. The campus data network is centrally (O&M) funded. This expense is budgeted for FY09 and will be budgeted for FY10. Vendor was selected through a competitive process.

- To Fox Sports Net North, Inc. for $2,149,000 of rights fees and $970,000 of sponsorship guaranteed revenue for Department of Intercollegiate Athletics for televising men's hockey competitions and coaches shows for a period of July 1, 2009 to June 30, 2015 with a right of exclusive negotiation for extension. See enclosed documentation regarding basis of vendor selection.

- To Gillig Company for $534,856 for a Hybrid LF-BRT Bus used by the campus shuttle fleet for approximately 12 years by the Parking and Transportation Services Department. The University will pay the total cost of this vehicle and receive reimbursement from the Metropolitan Council for 80% of the total. Parking and Transportation Services has budgeted funds for the 20% University portion. See enclosed documentation regarding basis of vendor selection.

- To Hewlett-Packard (HP) for $5,100,000 to purchase one HP CP300 BL Linux cluster for FY09 and FY10 for the University of Minnesota Supercomputing Institute (MSI). MSI provides supercomputing resources to University of Minnesota researchers as well as other institutions in the State of Minnesota. This purchase will be funded from the Supercomputing Institute’s budget for FY09 and FY10. Vendor was selected through a competitive process.

- To Nelnet Business Solutions (NBS) for $1,036,000 to provide online payment processing and billing statement hosting for all campuses for a five-year period from April 1, 2009 to March 31, 2014 for Academic Support Resource’s Office of Student Finance. These services will be funded from the Academic Support Resources annual operating budget. Vendor was selected through a competitive process.

Background Information:

General Contingency
Allocations from the General Contingency in excess of $250,000 require Board approval. Allocations of less than $250,000 are reported in the Board of Regents Finance and Operations Committee each month in which the Committee meets.

President's Recommendation for Action:

The President recommends approval of the Consent Report.
# General Contingency

**2008-09 General Contingency:**

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Allocation</th>
<th>Balance</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009 General Contingency</td>
<td>$1,400,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carryforward from FY2008 into FY2009</td>
<td>896,843</td>
<td>2,296,843</td>
<td></td>
</tr>
<tr>
<td>1 VP for University Relations</td>
<td>22,000</td>
<td>2,274,843</td>
<td>Media relations efforts for Republican National Convention</td>
</tr>
<tr>
<td>2 VP for University Relations</td>
<td>50,000</td>
<td>2,224,843</td>
<td>Campus-area neighborhood employee housing incentive</td>
</tr>
<tr>
<td>* 3 VP for University Relations</td>
<td>250,000</td>
<td>1,974,843</td>
<td>Campus-area neighborhood/district plan and vision</td>
</tr>
<tr>
<td>4 Assoc VP for Campus Planning and Project Development</td>
<td>60,000</td>
<td>1,914,843</td>
<td>Predesign work for Cooke Hall</td>
</tr>
<tr>
<td>5 Assoc VP for Campus Planning and Project Development</td>
<td>95,000</td>
<td>1,819,843</td>
<td>Predesign work for Cooke Hall</td>
</tr>
<tr>
<td>6 Associate VP for Auxiliary Services</td>
<td>63,000</td>
<td>1,756,843</td>
<td>Request for Proposal process for Dining Services</td>
</tr>
<tr>
<td>7 General Counsel</td>
<td>46,000</td>
<td>1,710,843</td>
<td>Move of Records Office</td>
</tr>
<tr>
<td>8 Sr VP for Academic Affairs and Provost</td>
<td>100,139</td>
<td>1,610,704</td>
<td>Weisman Art Museum collection digitization project</td>
</tr>
<tr>
<td>9 Assoc VP for Campus Planning and Project Development</td>
<td>175,000</td>
<td>1,435,704</td>
<td>Update to Twin Cities Campus Master Plan</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 New items this reporting period:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 No new items this reporting period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Balance as of February 28, 2009</td>
<td></td>
<td>1,435,704</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Subject to Board approval due to cost of $250,000 or more
Purchase of Goods and Services over $250,000

To Boos Dental Laboratory, Granite City Dental, Harrison Dental Studio, Hermanson Dental Laboratory, Midwest Dental Arts, Udell Dental Laboratory, and Webster Dental Laboratory for an estimated $2,800,000 of dental lab services as needed for the period of April 1, 2009 through June 30, 2011 for the School of Dentistry.

*The School of Dentistry needs dental lab support for all the various disciplines within the School of Dentistry including: Fixed Prosthodontics, removable Prosthodontics, Maxillofacial Prosthodontics, TMI, Cleft Palate, Operative Dentistry as well as for the Faculty Practice Program.*

*These labs were selected as a result of a competitive Request for Proposal (RFP) issued in June, 2006 which rated them on the quality of work done on similar cases in the past, the number of cases sent to outside labs at various times of the year, the number of labs able to complete the types of cases being sent out, the ability of the laboratory to complete work in a timely manner and the preference of the individual faculty member and student.*

*This is a multi-awarded contract because the capabilities of the various labs varies, and the School of Dentistry needs to ensure that a sufficient number of laboratories will be available to ensure quick turnaround for all the services needed during the year. This is the 4th and 5th years of a 5 year contract.*

*This purchase of dental lab services has been budgeted by the School of Dentistry for FY 09-10 and FY 10-11.*

Submitted by: Sharon Jungbauer  
Associate Administrator  
School of Dentistry  
Phone: (612) 625-5157

[Signature]

Approval of this item is requested by:

Frank B. Cerra  
Senior Vice President for Health Sciences  

[Signature]

Date: 2/24/09
Purchase of Goods and Services over $250,000

To the City of Minneapolis for an estimated $349,000 for the University of Minnesota’s agreed upon share of the System design, construction, and administration costs for an Adaptive Traffic Control Signal System which includes traffic signals, signal interconnect, traffic signal controllers, traffic detectors, Pan-Tilt-Zoom cameras, and all communication connections between these components. The total cost of this City of Minneapolis project is $2,524,000 supported by $1,650,000 in federal funding (66% of total), $525,000 from the City of Minneapolis (21% of total) and the final $349,000 (13% of total) from the University of Minnesota. In addition the University will pay annually to the City of Minneapolis a system maintenance and operation fee of $25,000 or ½ the cost of maintenance, whichever is lower for the City owned components and the University will pay on a time and materials basis for the City to maintain and repair the traffic cameras purchased by the City on behalf of the University and installed as part of this system. This agreement will have a 20 year term.

The Adaptive Traffic Control Signal System (the “System”) is designed to minimize delay at traffic signals. It has been demonstrated that this System provides the greatest benefits in areas with unpredictable periods of heavy traffic congestion. For the University, this means substantial benefits will be realized during large sporting and cultural events and even during daily operations. This will be of particular importance with Gopher football returning to campus and the upcoming construction of the Central Corridor Light Rail Transit line.

The System minimizes traffic signal delay by constantly updating the signal timing based on detecting current traffic conditions. This minimizes delay by providing signal timing that is always most appropriate for actual traffic conditions rather than today’s functionality where signal timing is preset based on anticipated traffic conditions. The System will be implemented at 38 intersections in the vicinity of the East Bank campus. Each intersection that is part of the System will have the following components: vehicle detection hardware, advanced signal controller hardware, and fiber connection to the University Traffic Management Center and the Minneapolis Traffic Management Center. In addition, 25 of the 38 intersections will be equipped with PTZ (pan-tilt-zoom) video cameras. These cameras can be controlled by the City and the University to view traffic conditions at the camera enabled intersections. The data from the vehicle detectors and the video cameras will be viewable in the new University Traffic Management Center.

Submitted by: Scott Dyer  
Transportation Systems Engineer  
Parking and Transportation Services  
300 Transportation and Safety Building  
Phone: (612) 625-4905  
Fax: (612) 624-8899

Approval for this item requested by:

[Signature]
Vice President of University Services

[Signature]
Date 2/23/09
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because:

This is a joint powers agreement between the University and the City. The University is seeking to maximize its integration into the City of Minneapolis traffic system, SCOOT. SCOOT is necessary to keep the regional traffic system functioning during events (such as upcoming football game days), a.m. /p.m. peak rush hours, general daily operations, and help to manage future traffic resulting from Light Rail Transit (LRT), as it will tie the University into the traffic monitoring system. There is no other option for purchase of this service.

Procedures undertaken to ensure reasonableness of price included:

The City and the University staff has determined the costs to be reasonable based on previous implementations.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.
Purchase of Goods and Services over $250,000

To Entuity, a provider of network management software, for $942,500 to provide additional licenses of Eye of Storm network management software, additional modules, and annual maintenance for these additional licenses as well as for the current licenses purchased previously. This is for the period of April 1, 2009 through March 31, 2012 for Networking and Telecommunications Services (NTS), a division of the Office of Information Technology (OIT).

Eye of the Storm network management software is needed to monitor the University of Minnesota network throughout the Twin Cities campus, Rochester campus, and connectivity to UMD, Crookston, Morris, MNSCU schools, State of Minnesota, Internet 2 and the commodity Internet.

For NTS, this purchase of network management software and continued annual maintenance provides continuation of the current network management system. Significant growth over the last few years in the centrally managed network has led to a great increase in the number of devices to be managed, necessitating this additional purchase of licenses. This software has worked well for the University and Entuity has provided excellent service.

Purchasing these licenses, along with the additional modules, will ensure that the University of Minnesota network is well monitored and managed for the next three years, providing a quality network for educational, outreach and administrative functions. Without this addition of licenses, the University would need to spend substantially more money buying, installing and configuring a comparable network management system.

Entuity was selected as a result of a competitive bid process in 2003 as part of the Next Generation Network project. Extensive negotiations were conducted with the vendor over the last year and a half to obtain concessions of almost $700,000 for the purchase of additional licenses and three years of annual maintenance fees.

This campus data network is centrally (O&M) funded. This expense has been budgeted for FY09 and will be budgeted for FY10 and FY11.

Submitted by: Diane Wollner
Chief Financial Officer, OIT
203 Johnston Hall
Mpls. Campus
Phone: (612) 626-1311
Fax: (612) 626-0076

Approval of this Item is requested by:

Vice President and CIO

2/18/2009
Date
Purchase of Goods and Services over $250,000

To Enventis Telecom for $1,700,000 to purchase network hardware and software and to provide annual Cisco Smartnet hardware support for the period of April 1, 2009 through March 31, 2010 for Networking and Telecommunications Services (NTS), a division of the Office of Information Technology (OIT).

Cisco hardware is required to support the University of Minnesota's complex network which is made up of Cisco hardware purchased from the Network Upgrade RFP done in January, 2004. Smartnet hardware support is required to ensure continuous operation and timely repairs on University Network equipment manufactured by Cisco.

Cisco hardware enables network connections for students, faculty, and staff. Smartnet support provides 24 x 7 access to Cisco.com for online tools and technical assistance, access to the Cisco Technical Assistance Center (TAC), Cisco IOS Software updates, and advance replacement of failed hardware. Smartnet support reduces the risk of network down-time. Without a support contract there will be repair delays that will affect service to the University community.

Enventis Telecom won the reverse auction held 2/1/06 by the University's Purchasing Department for Cisco equipment and Cisco Smartnet support. This is the last of three options to renew this contract.

The campus data network is centrally (O&M) funded. This expense is budgeted for FY09 and will be budgeted for FY10.

Submitted by:
Diane Wollner
Director of Finance
Office of Information Technology
Phone: (612) 626-1311

Approval of this item is requested by:

[Signature]  2-11-2008
Vice President and Chief Information Officer  Date
Purchase of Goods and Services over $250,000

To Fox Sports Net North, Inc. for $2,149,000 of rights fees and $970,000 of sponsorship guaranteed revenue for Department of Intercollegiate Athletics for televising men's hockey competitions and coaches shows for a period of July 1, 2009 to June 30, 2015 with a right of exclusive negotiation for extension.

Gopher men's hockey is the premier collegiate hockey program in the country in the premier conference. For over a decade, Gopher men's hockey has been broadcast by Fox Sports Net North (FSNN), previously known as Midwest Sports Channel. FSNN has the distribution network covering Minnesota, North Dakota, South Dakota, and parts of Wisconsin that most effectively and broadly distributes Gopher hockey to the television audience.

This agreement represents the continuation of a strong partnership with FSNN that guarantees continued exposure and revenue generation for Gopher athletics. FSNN benefits from branding itself with this premier program.

Submitted by: Tom Wistrcill, Senior Associate Athletics Director
Department of Intercollegiate Athletics
250 Bierman Field Athletic Building
516 15th Avenue SE
Minneapolis, MN 55455

Approval for this item requested by:

Kathy Brown
Vice President and Chief of Staff

Date: 2/23/09
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because Fox Sports Net North (FSNN) has the distribution network covering Minnesota, North Dakota, South Dakota, and parts of Wisconsin that most effectively and broadly distributes Gopher hockey to the television audience. This is an extension of a contract with FSNN in order to combine three different contracts which all expire on June 30, 2009 into one and extend it by six years.

Procedures undertaken to ensure reasonableness of price included research into the market place for like products. Gopher hockey is the most valuable college hockey program in the country and should be treated as such. In the marketplace, there is no other Television entity that can provide the production and distribution that FSNN can, while also offering the rights fees and sponsorship dollars. This extension keeps the University of Minnesota at the top of the country for rights fees and sponsorship revenue when it comes to college hockey. Keeping revenue at a high level and streamlining the agreement to include all assets will make this partnership easier to manage.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.
Purchase of Goods and Services over $250,000

To Gillig Company for $534,856 for a Hybrid LF-BRT Bus as needed for the campus shuttle fleet to be used for approximately 12 years by the Parking and Transportation Services Department.

Funds have been allocated for mass transportation under the federal formula grant program. The program, National Transit Data 5307, was initiated by the Surface Transportation Act of 1982 and is now administered under Safe Accountable Flexible Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU). Funds are apportioned to urbanized areas utilizing a formula based on population, population density and other factors associated with transit service and ridership. The funds are intended for transit improvements.

To qualify for these funds, the University was required to identify the campus transit system as a public transit system. The University worked with the Metropolitan Council to meet the requirements to be considered a public transit system. The funds allocated to the University under the federal program are being held by the Metropolitan Council for the University’s use.

Metropolitan Council had advised the University to utilize the existing contract between Gillig Corporation and Metropolitan Transit to purchase the bus in 2008. Since then, an agreement has been reached that the University can purchase up to three buses from Gillig Corporation. This agreement went in to effect with the purchase of the first hybrid bus. The first purchase was approved by the Board of Regents in 2008 and subsequently the finished product has been received, paid for, and reimbursement has been received.

The University will pay the total cost of this vehicle and receive reimbursement from the Metropolitan Council for 80% of the total. Parking and Transportation Services has budgeted funds for the 20% University portion.

Submitted by: Bob Baker, Parking and Transportation Services Dept Director
300 Transportation & Safety Building
511 Washington Avenue SE
Minneapolis, MN 55455
Phone: 612-626-7275
Fax: 612-624-8899

Approval for this item requested by:

Kathleen O’Brien
Vice President, University Services

2/24/09
Date
Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because:

Parking and Transportation Services deferred to the Metropolitan Council’s competitive process for hybrid buses. The Metropolitan Council is a public corporation and political subdivision of the State of Minnesota.

Procedures undertaken to ensure reasonableness of price included:

Reasonableness of price has been determined through the Metropolitan Council’s solicitation process.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.
Purchase of Goods and Services - $250,000 and over

To Hewlett-Packard (HP) for $5,100,000 to purchase one HP CP300 BL Linux cluster for FY09 and FY10 for the University of Minnesota Supercomputing Institute.

The University of Minnesota Supercomputing Institute for Advanced Computational Research is an interdisciplinary program that over the past year has provided supercomputing resources to 2694 researchers (including 435 principal investigators) from 108 departments, institutes, and research centers in 30 colleges/schools in the University of Minnesota system, and from 23 departments at other institutions in the State of Minnesota. Institute resources support, in whole or in part, research projects with a value of approximately $114 million on an annualized basis, based on data for the 2008 calendar year.

The system being purchased includes 1058 nodes. Each node has two quad-core Intel Nehalem CPUs running at 2.8 GHz and 3GB of memory per core. This 1058-node compute cluster will have a total of 8464 cores, total memory of 25.4 terabytes, and will provide 95 TFlops of computing capability.

To maintain its state-of-the-art facility, the Supercomputing Institute upgrades its major computing resources every one or two years. The Institute’s Procurement Committee, consisting of eight University faculty members recognized for their expertise in supercomputing, conducts this process with direct oversight and participation by the Institute’s Director and by Purchasing Services. This process is used to identify the most advantageous supercomputing resources for the University’s research community. The current request to purchase HP equipment is the result of the acquisition process described above, this time over a two-year period. The Supercomputing Institute’s Procurement Committee voted unanimously at the end of this process to make the award of Institute funds for fiscal years 2009 and 2010 to a single vendor, HP, because of the quality, quantity, and appropriateness of the equipment offered and the total value as compared to that offered by other vendors.

Adding a large Linux cluster to the Institute’s existing infrastructure will facilitate scheduling of large parallel jobs and projects on a system with maximized internal system communication, enhanced processing capacity, expanded memory, and three years of comprehensive maintenance.

Based upon the lease versus buy analysis completed by Finance, it was determined that a purchase of the HP equipment provides the greatest overall economic and strategic value for the University. This purchase will be funded from the Supercomputing Institute’s budget for fiscal years 2009 and 2010 and the office of the Vice President for Research.

Submitted by: Prof. Thomas W. Jones
Interim Director, Minnesota Supercomputing Institute and
R. Timothy Mulcahy, Vice President for Research

Approval of this item is requested by:

[Signature]
Thomas Sullivan
Executive Vice President/Provost
Purchase of Services over $250,000

To Nelnet Business Solutions (NBS) for $1,036,000 to provide online payment processing and billing statement hosting for all campuses for a five (5) year period from April 1, 2009 to March 31, 2014, for Academic Support Resource’s Office of Student Finance

The current contract for electronic payment processing and billing statement hosting services will end on March 31, 2009. Without this service the Office of Student Finance would be unable to bill students for their tuition and fees or to process electronic student account payments. Without billing or electronic payment processing, students would not know what they owed or when it was due and the university would not receive tuition and fee income.

Through a competitive RFP process, it was determined that the incumbent NBS, best met the needs of the University of Minnesota.

NBS will maintain the hosting of billing statements for all students of each campus of the University, both current and historical. NBS will provide the means for students and their authorized third parties to pay these billing statements electronically and to see a historical record of their payments. NBS will provide the ability for the University to collect tuition revenue and to reconcile those payments promptly.

These services will be funded from the Academic Support Resources annual operating budget.

Submitted by: Kristine Wright, Director, Office of Student Finance
Rm 265 Fraser Hall
Minneapolis Campus
Phone: (612)626-0302
Fax: (612)624-9584

Approval for this item requested by:

Robert McMaster, Vice Provost Date

2/17/09
Finance and Operations Committee

March 12, 2009

Agenda Item: Information Items

☐ review  ☐ review/action  ☐ action  ☒ discussion

Presenters: Vice President/CFO Richard Pfutzenreuter

Purpose:

☒ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

Quarterly Purchasing Report
To provide a quarterly report of purchasing activity as required by Board of Regents Policies: Purchasing and Board Operations and Agenda Guidelines.

Quarterly Investment Advisory Committee Update
To provide the Board of Regents with a summary of the quarterly meeting of the Investment Advisory Committee (IAC) held on February 18, 2009.

Quarterly Asset Management Report
To report on the quarterly results of investment performance for the period ended December 31, 2008. The Office of Investments & Banking (OIB) prepares this report on the assets it oversees for review by the Investment Advisory Committee and the Board of Regents.

Semi-Annual Management Report
To provide the Board of Regents with a semi-annual overview of the Financial Statements along with commentary on significant items, in accordance with Board of Regents Policy: Board Operations and Agenda Guidelines.

Outline of Key Points/Policy Issues:

Quarterly Purchasing Report
Detailed reports with brief discussion on the following activity:

• Summary of Purchasing Activity

• Purchases made as Approved Exceptions to Competitive Process

• Purchases made as Preapproved Exceptions to Competitive Process

• Regents Purchasing Policy Violations
Quarterly Investment Advisory Committee Update

Mr. Mason presented the Consolidated Endowment Fund (CEF) Performance Summary for the period ending December 31, 2008. Although the portfolio declined 13.3% for the quarter, he reminded the committee that only a portion of the approximately 10-15% decline in real estate and only a portion of the 15-20% decline in certain private capital sectors were incorporated because of the 2-3 month delay in reporting of valuations. Mr. Mason stated that because of the significant drop in value of the public equities, the portfolio was outside of the ranges for asset classes established by Board policy. The IAC discussed the pros and cons of rebalancing versus working with temporary targets that allowed the portfolio to hold more high-grade, fixed-income and fewer public stocks for a period of time until capital markets become less volatile and trends somewhat more predictable. The committee’s recommendation was soft targets of 25% public equity and private equity, 20% real assets, and 30% fixed income.

Mr. Mason also led a discussion focused on liquidity in CEF, and indicated the redemption requests had been submitted to several hedge funds and stock and bond managers for all or partial return of capital. Approximately $130 million of cash has been raised and will largely be invested in two new fixed income accounts with PIMCO and TCW, where capital preservation and liquidity are the highest priorities.

OIB has stopped making new private capital commitments and is working with existing managers to forecast capital calls and distributions for the next 12-18 months to plan for necessary liquidity. This practice will be reevaluated mid-year. A presentation and discussion about the Temporary Investment Pool (TIP), the Group Investment Pool, and RUMINCO portfolios is on the agenda for the May IAC meeting.

Quarterly Asset Management Report

• The invested assets of the University totaled approximately $1.4 Billion on December 31, 2008.

• The Consolidated Endowment Fund value as of December 31, 2008 was $912 million, a decrease of $261 million over the last 12 months after distributions. The total investment return of the endowment was -22.25% over the last 12 months compared to a benchmark return of -22.50%.

• The value of the short-term reserves (TIP) was $415.8 million as of December 31, 2008. This was a decrease of $158.8 million over the last 12 months. The investment return on the portfolio over the last 12 months was 0.5% compared to a benchmark yield of 5.2%, due in large part to the unrealized losses on a number of corporate bond securities.

• Total outstanding debt on December 31, 2008 was $772 million. The effective interest rate on all outstanding debt obligations was 2.4%.

Semi-Annual Management Report

• Unaudited Consolidated University Financial Statements for December 31, 2008

• Unaudited Financial Statements for the University’s Seven Component Units for December 31, 2008

Background Information:
February 26, 2009

The Honorable Steven Hunter, Chair, Finance and Operations Committee
The Honorable Dean Johnson, Vice Chair
The Honorable Clyde Allen
The Honorable Linda Cohen
The Honorable John Frobenius
The Honorable Venora Hung

Committee Members:

Enclosed is Purchasing Services’ report on purchasing activity for 2\textsuperscript{nd} quarter, fiscal year ‘09. Regents policy requires that a quarterly purchasing report, including violations of Regents purchasing policy, be submitted to the Finance and Operations Committee of the Board of Regents. This letter provides explanatory background and brief analysis of the report and attachments that follow.

We are providing you with the quarterly information in a new graphical format. This should be easier to use, while providing the Board with the same information needed to comply with Regents policy.

**Background**
The enclosed report and attachments provide statistics, graphics and some detail on four categories of purchasing activity for the quarter:

- Summary of Purchasing Activity
- Purchases made as Approved Exceptions to the Competitive Purchasing Process
- Purchases made as Preapproved Exceptions to the Competitive Purchasing Process
- Regents Purchasing Policy Violations

“Quarterly Purchasing Activity” represents the total amount of goods and services purchased for the quarter and year-to-date across all funding sources, including construction projects.

“Quarterly Approved Exceptions” refers to purchases where, following proper protocol, the vendor was not selected through a Request for Bid or Request for Proposal process. All of the approved exceptions were justified in writing by the requisitioning department, with the justification reviewed and approved by the Director of Purchasing before the purchase took place. Additionally, the appropriate Vice President and the University Controller approved all exceptions of $100,000 and over, except preapproved exceptions. Section II provides a listing of the transactions that followed this process and were approved as exceptions.

“Quarterly Pre-approved Exceptions” are also purchases where the vendor has not been selected through a competitive process. However, they are exceptions that occur routinely with consistent reasons, so that the approval of the justification has become standardized. Refer to Section III of the report for a listing of transactions processed as pre-approved exceptions during the quarter.
"Regents Purchasing Policy Violations" refers to transactions that were processed which bypassed the competitive process without following proper protocol and without the necessary approvals. Section IV provides a listing of purchasing violations.

Please note on the 2\textsuperscript{nd} quarter, 2009 report:

- The second quarter report compares dollars spent on purchases in 2\textsuperscript{nd} quarter of the current year to dollars spent on purchases in 2\textsuperscript{nd} quarter of the 2 previous years. The same comparison is made for approved exceptions and for preapproved exceptions.

  The same comparisons are shown year to date, and will become progressively more meaningful with Quarter 4 comparing purchasing activity for 3 complete fiscal years.

- The first quarter report had shown dramatic decreases in the number of transactions from what is typical, due to expected transitioning issues from the old financial system to the new PeopleSoft Enterprise Financial System. However, 2\textsuperscript{nd} quarter figures show that normal levels of activity have resumed.

If you have any questions on the report, please do not hesitate to contact Karen Triplett, Director of Purchasing, or me.

Sincerely,

\[\underline{Michael D. Volna}\]

Michael D. Volna
Associate Vice President-Finance & Controller

Cc: Richard Pfutzenreuter, CFO, Treasurer and Vice President for Budget & Finance
    Ann Cieslak, Executive Director and Corporate Secretary, Board of Regents
    Karen Triplett, Director, Purchasing Services
I. Summary of Purchasing Activity for 2nd Quarter

### Total Quarterly Purchasing Activity

<table>
<thead>
<tr>
<th></th>
<th>Q2 FY07</th>
<th>Q2 FY08</th>
<th>Q2 FY09</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Transactions</td>
<td>162,725</td>
<td>165,869</td>
<td>274,256</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$221,415,639</td>
<td>$231,300,660</td>
<td>$247,984,652</td>
</tr>
</tbody>
</table>

### Quarterly Approved Exceptions

<table>
<thead>
<tr>
<th></th>
<th>Q2 FY07</th>
<th>Q2 FY08</th>
<th>Q2 FY09</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Exceptions</td>
<td>54</td>
<td>21</td>
<td>27</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$5,911,558</td>
<td>$2,133,444</td>
<td>$5,548,194</td>
</tr>
</tbody>
</table>

### Quarterly Pre-Approved Exceptions

<table>
<thead>
<tr>
<th></th>
<th>Q2 FY07</th>
<th>Q2 FY08</th>
<th>Q2 FY09</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Exceptions</td>
<td>68</td>
<td>15</td>
<td>24</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$2,655,932</td>
<td>$1,920,434</td>
<td>$2,342,487</td>
</tr>
</tbody>
</table>
Summary of Purchasing Activity YTD

**Total YTD Purchasing Activity**

<table>
<thead>
<tr>
<th></th>
<th>YTD FY07</th>
<th>YTD FY08</th>
<th>YTD FY09</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Transactions</td>
<td>317,221</td>
<td>320,807</td>
<td>330,588</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$406,740,252</td>
<td>$477,427,537</td>
<td>$436,072,154</td>
</tr>
</tbody>
</table>

**YTD Approved Exceptions**

<table>
<thead>
<tr>
<th></th>
<th>YTD FY07</th>
<th>YTD FY08</th>
<th>YTD FY09</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Exceptions</td>
<td>114</td>
<td>66</td>
<td>41</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$40,839,536</td>
<td>$11,629,762</td>
<td>$6,741,987</td>
</tr>
</tbody>
</table>

**YTD Pre-Approved Exceptions**

<table>
<thead>
<tr>
<th></th>
<th>YTD FY07</th>
<th>YTD FY08</th>
<th>YTD FY09</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Exceptions</td>
<td>149</td>
<td>35</td>
<td>41</td>
</tr>
<tr>
<td>Total Dollars Spent</td>
<td>$5,685,385</td>
<td>$4,192,108</td>
<td>$4,740,643</td>
</tr>
</tbody>
</table>
II. Purchases made as Approved Exceptions to Competitive Purchasing Process
Under $250,000 - (Goods, Services & Construction)

<table>
<thead>
<tr>
<th>Price Reasonableness</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,2</td>
<td>82329</td>
<td>North American Systems Int'l</td>
<td>Axiom 500 Base 4GB FC + iSCSI Slammer.</td>
<td>$ 249,995</td>
<td>Office of Information Technology</td>
</tr>
<tr>
<td>8</td>
<td>78613</td>
<td>Illumina</td>
<td>Equine SNP50 Whole Genome Genotyping Kit.</td>
<td>$ 242,592</td>
<td>Veterinary Bio Sciences</td>
</tr>
<tr>
<td>8</td>
<td>69414</td>
<td>AON Risk Services and Allianz Global Corporate and</td>
<td>Liability Insurance.</td>
<td>$ 178,479</td>
<td>School of Public Health</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Allianz Global Corporate and Specialty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,3</td>
<td>48462</td>
<td>Marshfield Clinic Laboratories</td>
<td>Veterinary Diagnostic Services.</td>
<td>$ 150,000</td>
<td>Surgery</td>
</tr>
<tr>
<td>7</td>
<td>PO 00703</td>
<td>RSP Architects</td>
<td>For Design Development for Akerman Hall classrooms.</td>
<td>$ 139,285</td>
<td>Capital Planning and Project Management</td>
</tr>
<tr>
<td>8</td>
<td>76711</td>
<td>Displays &amp; Optical Technologies, Inc.</td>
<td>Acrylic or polycarbonate head up display combiner and the tools to mold them.</td>
<td>$ 134,800</td>
<td>Mechanical Engineering</td>
</tr>
<tr>
<td>7</td>
<td>61994</td>
<td>North Dakota State University</td>
<td>To fund the Sugarbeet specialist 50/50 between the University of Minnesota and North Dakota State University.</td>
<td>$ 129,026</td>
<td>MN Extension Services (EFANS)</td>
</tr>
<tr>
<td>4</td>
<td>71619</td>
<td>Versalogic Corp.</td>
<td>For single board computers, memory and cable kits.</td>
<td>$ 112,943</td>
<td>Mechanical Engineering</td>
</tr>
<tr>
<td>3</td>
<td>B11624.20007</td>
<td>Carestream Health</td>
<td>Dental X-ray supplies.</td>
<td>$ 87,121</td>
<td>University Stores</td>
</tr>
<tr>
<td>2</td>
<td>69511</td>
<td>Steris Corporation</td>
<td>Amsco Reliance 444 washer/disinfector to match existing equipment.</td>
<td>$ 67,543</td>
<td>School of Dentistry</td>
</tr>
<tr>
<td>2,5,7</td>
<td>49134</td>
<td>Li-Cor, Inc.</td>
<td>Pearl Imager for mouse research.</td>
<td>$ 67,230</td>
<td>Biochemistry, Molecular Biology and Biophysics</td>
</tr>
<tr>
<td>8</td>
<td>70950</td>
<td>Oxford Instruments</td>
<td>Service contract for HyperSense hyperpolarizer.</td>
<td>$ 67,000</td>
<td>Center for Magnetic Resonance Research</td>
</tr>
</tbody>
</table>

**TOTAL:** $1,626,014
## Purchases made as Approved Exceptions to Competitive Purchasing Process

### Under $250,000 - (Professional Services)

<table>
<thead>
<tr>
<th>Price Reasonableness</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>47247</td>
<td>Mayo Clinic</td>
<td>To provide instruction in Radiation Therapy and Respiratory Care courses held at Mayo Clinic.</td>
<td>$150,000</td>
<td>College of Continuing Education</td>
</tr>
<tr>
<td>1</td>
<td>60257</td>
<td>Datalyze Consulting Group</td>
<td>To provide research services for “Supporting Strategic Investment Choices in Agricultural Technology Development and Adoption” project.</td>
<td>$78,050</td>
<td>Department of Applied Economics</td>
</tr>
<tr>
<td>8</td>
<td>49839</td>
<td>University of Rochester</td>
<td>To provide EEG testing and data collection.</td>
<td>$75,000</td>
<td>Institute of Child Development</td>
</tr>
<tr>
<td>8</td>
<td>56555</td>
<td>Society of Mining Metallurgy and Exploration (SME)</td>
<td>Consulting fees for coordination of 2009 SME conference.</td>
<td>$75,000</td>
<td>UMD Continuing Education</td>
</tr>
<tr>
<td>8</td>
<td>62111</td>
<td>Minnesota Crop Improvement Association</td>
<td>Three year marketing agreement.</td>
<td>$75,000</td>
<td>Office for Technology Commercialization</td>
</tr>
<tr>
<td>2</td>
<td>59605</td>
<td>Laura Dickinson</td>
<td>Design and development work for an online business planning tool.</td>
<td>$69,750</td>
<td>Department of Applied Economics</td>
</tr>
<tr>
<td>8</td>
<td>47358</td>
<td>University of St. Thomas</td>
<td>MPCA project with Borgerding.</td>
<td>$69,354</td>
<td>Environmental Health Sciences</td>
</tr>
<tr>
<td>8</td>
<td>61337</td>
<td>Public Strategies Group</td>
<td>Design for a leadership center.</td>
<td>$60,000</td>
<td>Office of the President</td>
</tr>
<tr>
<td>8</td>
<td>51149</td>
<td>Jewish Historical Society of Upper Midwest</td>
<td>Support the research, outreach and general operation of the Upper Midwest Jewish Archives.</td>
<td>$55,000</td>
<td>University Libraries</td>
</tr>
<tr>
<td>7,8</td>
<td>60379</td>
<td>University of Florida</td>
<td>LiDAR survey of Wax Lake Delta.</td>
<td>$50,000</td>
<td>St. Anthony Falls Lab</td>
</tr>
</tbody>
</table>

### TOTAL: $757,154

### Purchases made as Approved Exceptions to Competitive Purchasing Process

### $250,000 and Over - (Goods, Services & Professional Services)

<table>
<thead>
<tr>
<th>Price Reasonableness</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>82330</td>
<td>Rigaku Corporation</td>
<td>CrystalMation system plus one year warranty.</td>
<td>$1,229,450</td>
<td>Biochemistry, Molecular Biology &amp; Biophysics</td>
</tr>
<tr>
<td>2,4</td>
<td>PO 01420</td>
<td>Kraus Anderson Construction Company</td>
<td>Construction manager at Risk Services Storm Water Pond.</td>
<td>$850,000</td>
<td>University Services - TCF Bank Stadium Project</td>
</tr>
<tr>
<td>2</td>
<td>PO 01384</td>
<td>Burns &amp; McDonnell Engineering Company</td>
<td>A&amp;E services for NOvA project.</td>
<td>$516,573</td>
<td>Capital Planning and Project Management</td>
</tr>
<tr>
<td>8</td>
<td>80957</td>
<td>EJH and Associates</td>
<td>Provide computer consultation and development for FERN.</td>
<td>$290,681</td>
<td>National Center for Food Protection and Defense</td>
</tr>
</tbody>
</table>

### TOTAL: $2,886,704
Purchases made as Approved Exceptions to Competitive Purchasing Process
$250,000 and Over - (Construction)

<table>
<thead>
<tr>
<th>Price Reasonableness</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,4</td>
<td>PO 10143</td>
<td>Kraus Anderson Construction Company</td>
<td>Ambulatory Care Center Steam Tunnel Infrastructure Expansion.</td>
<td>$ 278,322</td>
<td>Capital Planning and Project Management</td>
</tr>
</tbody>
</table>

$ 278,322

Reasonableness of Single Price is ascertained by one or more of the following:
1. Cost/Price analysis.
2. Negotiation with supplier.
3. Published catalog price.
4. Price is consistent with independent estimates developed within the University or by credible third party.
5. Comparison to similar purchase(s).
6. Comparison with peer institution contract (including State of Minnesota).
7. Qualified individual's knowledge of market.
8. Other
III. Pre-Approved Exceptions to Competitive Purchasing
(Goods, Services and Construction)

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>59315</td>
<td>Sanders Equipment Company</td>
<td>Steam Sterilizable Continuous Discharge Centrifuge.</td>
<td>$105,001</td>
<td>Biotechnology Institute</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>78028</td>
<td>Centers for Medicare and Medicaid Services (CMS)</td>
<td>Data needed to complete the Study of Health Outcomes After Fracture in Older People.</td>
<td>$112,005</td>
<td>Division of Epidemiology &amp; Community Health</td>
</tr>
<tr>
<td>6</td>
<td>72094</td>
<td>Redwood Area Schools</td>
<td>Collaboration with Independent School District #2897 for Susan Anderson's time.</td>
<td>$88,118</td>
<td>Southwest Research &amp; Outreach Center</td>
</tr>
<tr>
<td>6</td>
<td>56027</td>
<td>St. Louis County - Auditor (Landfill Disposal Fee)</td>
<td>Landfill disposal site for waste product that will be trucked off property.</td>
<td>$74,880</td>
<td>Coleraine Minerals Research Laboratory</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>66834</td>
<td>Oracle Corp.</td>
<td>One year software update license and support.</td>
<td>$459,104</td>
<td>Office of Information Technology</td>
</tr>
<tr>
<td>7</td>
<td>70231</td>
<td>Oracle (Stellant)</td>
<td>Stellant Content Server renewal</td>
<td>$83,430</td>
<td>Networking/Telecomm Services</td>
</tr>
<tr>
<td>7</td>
<td>58999</td>
<td>FAMIS</td>
<td>Compass annual support renewal.</td>
<td>$79,763</td>
<td>University Services - 15</td>
</tr>
<tr>
<td>7</td>
<td>50761</td>
<td>Jeol USA, Inc.</td>
<td>Service agreement on Jeol Scanning Microprobe.</td>
<td>$67,279</td>
<td>Geology &amp; Geophysics</td>
</tr>
<tr>
<td>7</td>
<td>49127</td>
<td>Novell, Inc.</td>
<td>Annual renewal of Cluster and Value Bundles Academic Software Licenses.</td>
<td>$54,538</td>
<td>UMD Information Technology Systems &amp; Services</td>
</tr>
</tbody>
</table>

**TOTAL:** $1,604,798

Exception #4: Closeout or used items which requestor or Purchasing has verified to be at least 30% below comparable new equipment (does not include refurbished or remanufactured furniture).

Exception #6: Service or supplies available only from another governmental agency or public entity.

Exception #7: Service/maintenance agreements with the original manufacturer/developer for equipment and software.
Exception #11: Software license renewals and software upgrades purchased from original developer. This includes adding licenses to an existing license agreement.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>50426</td>
<td>Skire, Inc.</td>
<td>Annual license renewal</td>
<td>$111,500</td>
<td>University Services - IT</td>
</tr>
</tbody>
</table>

$111,500

Exception #14: Fairview purchases related to research projects.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>79132</td>
<td>Fairview Health Services</td>
<td>IDS startup, IDS dispensing, tumor blocks and frozen blood samples.</td>
<td>$67,315</td>
<td>OBGYN</td>
</tr>
<tr>
<td>14</td>
<td>74452</td>
<td>Fairview Health Services</td>
<td>IDS startup, IDS dispensing, lab services and MUGA for SNS-595 Meloid Leukemia</td>
<td>$65,400</td>
<td>Masonic Cancer Center</td>
</tr>
<tr>
<td>14</td>
<td>63168</td>
<td>Fairview Health Services</td>
<td>Lab services for clinical trial IPI-504-06.</td>
<td>$63,368</td>
<td>Masonic Cancer Center</td>
</tr>
<tr>
<td>14</td>
<td>82287</td>
<td>Fairview Health Services</td>
<td>Clopidogrel/omeprazole clinical trial.</td>
<td>$56,605</td>
<td>Cardiology</td>
</tr>
<tr>
<td>14</td>
<td>82320</td>
<td>Fairview Health Services</td>
<td>IDS startup, IDS dispensing, lab services and EKG for TDM 4450g study.</td>
<td>$50,296</td>
<td>Medicine Oncology</td>
</tr>
</tbody>
</table>

$302,984

Exception #16: All items on the Non-PO Related List.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>50710</td>
<td>EBSCO Industries, Inc.</td>
<td>Subscription Services.</td>
<td>$66,196</td>
<td>Hormel Research Institute</td>
</tr>
</tbody>
</table>

$66,196

Pre-Approved Exceptions to Competitive Purchasing (Professional Services)

8 PURCHASES
TOTAL: $737,689

Exception #18: Subcontractors previously arranged by Sponsored Projects Administration (SPA).

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>53073</td>
<td>St. Cloud State University</td>
<td>Learning Resources and Technology Services Agreement.</td>
<td>$91,303</td>
<td>MINITEX</td>
</tr>
</tbody>
</table>

$91,303

Exception #19: Service (1) available only from another governmental agency or public entity or (2) required by law to be provided by another governmental entity.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>58510</td>
<td>DatStat</td>
<td>Data entry and collection input forms, study tools and staff training.</td>
<td>$180,475</td>
<td>Medicine/Division of General Medicine</td>
</tr>
</tbody>
</table>

$180,475
### Exception #21: Entertainers, lecturers, speakers, and honoraria.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>47588</td>
<td>Creative Training Techniques International dba The Bob Pike Group</td>
<td>Delivery of training for <em>Training the Trainer Certification</em> program.</td>
<td>$168,300</td>
<td>College of Continuing Education</td>
</tr>
<tr>
<td>21</td>
<td>55044</td>
<td>Slamhammer</td>
<td>Provide equipment, staff and technical knowledge to meet all sound, staging, and lighting requirements for major events to be successful on campus.</td>
<td>$56,500</td>
<td>Twin City Student Unions</td>
</tr>
</tbody>
</table>

### Exception #22: Fairview purchases related to research projects.

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>53311</td>
<td>Fairview Health Services</td>
<td>Pharmacy start up, IDS dispensing fees, lab services and CT scans.</td>
<td>$62,849</td>
<td>Medicine Oncology</td>
</tr>
<tr>
<td>22</td>
<td>50429</td>
<td>Fairview Health Services</td>
<td>Lab services for ADO-II Trial.</td>
<td>$57,480</td>
<td>Pediatrics</td>
</tr>
<tr>
<td>22</td>
<td>53601</td>
<td>Fairview Health Services</td>
<td>Lab services for APT clinical trial.</td>
<td>$52,782</td>
<td>AHC - Office of Clinical Research</td>
</tr>
</tbody>
</table>

$$224,800$$

### Exception #24: Study Abroad Program Administrators (Does not include group airfares).

<table>
<thead>
<tr>
<th>Exception</th>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>62616</td>
<td>Travel MBA (Rosenfeld Group, Inc.)</td>
<td>India Seminar Program 2009 for International Programs Global Enrichment Programs.</td>
<td>$68,000</td>
<td>Carlson School</td>
</tr>
</tbody>
</table>

$$68,000$$

### IV. Regents Policy Violations

<table>
<thead>
<tr>
<th>PO #</th>
<th>Supplier</th>
<th>Description</th>
<th>Dollar</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$$0 PURCHASES$$

**TOTAL: $0**
# Value of Funds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Endowment Fund (CEF) *</td>
<td>911.7**</td>
<td>1,140.3</td>
<td>1,167.7</td>
</tr>
<tr>
<td>Long-Term Reserves (GIP) ***</td>
<td>35.7</td>
<td>33.9</td>
<td>31.3</td>
</tr>
<tr>
<td>Short-Term Reserves (TIP) *** (market value)</td>
<td>415.8</td>
<td>612.0</td>
<td>548.4</td>
</tr>
<tr>
<td>Invested Assets Related to Indebtedness</td>
<td>15.8</td>
<td>76.3</td>
<td>171.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,379.0</strong></td>
<td><strong>1,881.9</strong></td>
<td><strong>1,918.6</strong></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U of M Foundation Managed Funds</td>
<td>1,138.7</td>
<td>1,384.7</td>
<td>1,413.0</td>
</tr>
<tr>
<td>MN Medical Foundation Funds</td>
<td>182.3</td>
<td>248.8</td>
<td>262.0</td>
</tr>
<tr>
<td>RUMINCO Ltd.</td>
<td>29.5</td>
<td>31.9</td>
<td>39.1</td>
</tr>
<tr>
<td>Basic Faculty Retirement Plan</td>
<td>2,084.9</td>
<td>2,401.3</td>
<td>2,511.9</td>
</tr>
</tbody>
</table>

* Includes the Market Value for the Permanent University Fund

** Includes $96 million TIP and $15 million GIP investments (market value)

*** Balances exclude investment in CEF
Highlights – CEF

- Total Assets: $911.7 million*

<table>
<thead>
<tr>
<th>Quarterly Return</th>
<th>-13.3%</th>
<th>Benchmark</th>
<th>-13.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year Return</td>
<td>-22.3%</td>
<td>Benchmark</td>
<td>-22.5%</td>
</tr>
</tbody>
</table>

- $261.3 million decrease over the previous year end

*CEF balance includes $96 million TIP and $15 million GIP investments (market value)
Highlights – TIP, GIP

- **TIP Market Value:** $415.8 Million *(excludes CEF Investment)*
  - Quarterly Return: 0.3% Benchmark: 1.9%
  - One year Return: 0.5% Benchmark: 5.2%
  - $158.8 million decrease over the previous year end

- **GIP Total Assets:** $51.6 million *(includes CEF Investment)*
  - Quarterly Return: -5.4% Benchmark: 4.6%
  - One year Return: -3.2% Benchmark: 5.2%
  - $2.2 million decrease over the previous year end
Highlights – RUMINCO, LT Debt

- RUMINCO Total Assets: $29.5 Million
  - Quarterly Return: -5.4% Benchmark: -15.2%
  - One year Return: -21.5% Benchmark: -26.0%
  - $4.9 million decrease over the previous year end

- Long Term Debt:
  Total Outstanding Debt Obligation of the University

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Issued Fixed Rate Debt*</td>
<td>$157.6 million</td>
</tr>
<tr>
<td>University Issued Variable Rate Debt*</td>
<td>$438.0 million</td>
</tr>
<tr>
<td>State Issued Infrastructure Development Bonds (IDBs)</td>
<td>$45.7 million</td>
</tr>
<tr>
<td>State Supported Debt (2006) Revenue Bond</td>
<td>$130.8 million</td>
</tr>
</tbody>
</table>

* Adjusted for interest rate swaps
Portfolio Returns

CEF
- QTR 1-YR 3-YR 5-YR
  - 56
  - -0.3%
  - 0.6%
  - 5.5%
  - 4.7%

-13.3% -13.3% -22.3% -22.5%

TIP
- QTR 1-YR 3-YR 4-YR
  - 0.3% 1.9% 3.3% 3.2%
  - 5.2% 5.4% 3.2% 4.5%

* Excludes CEF Investment

Office of Investments & Banking

University of Minnesota
Portfolio Returns

GIP

- **GIP**
- **Benchmark**

* Includes CEF Investment

RUMINCO

- **RUMINCO**
- **Benchmark**

Office of Investments & Banking

University of Minnesota
## CEF Analysis

### Asset Allocation Strategy

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>12/31/08</th>
<th>06/30/08</th>
<th>06/30/07</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>40.0%</td>
<td>26.4%</td>
<td>34.5%</td>
<td>50.0%</td>
<td>35-45%</td>
</tr>
<tr>
<td>Private Capital</td>
<td>20.0%</td>
<td>30.8%</td>
<td>24.1%</td>
<td>15.2%</td>
<td>15-25%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>20.0%</td>
<td>23.5%</td>
<td>21.0%</td>
<td>16.5%</td>
<td>15-25%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>20.0%</td>
<td>19.4%</td>
<td>20.4%</td>
<td>18.3%</td>
<td>15-25%</td>
</tr>
</tbody>
</table>

**Actual Allocation**
- Fixed Income: 19.4%
- Domestic Equity: 17.4%
- Intl Equity: 9.0%
- Private Capital: 30.8%
- Real Assets: 23.5%

**Weights Relative to Target**
- U.S. Equity: -2.6%
- Intl Equity: -11.0%
- Private Capital: 10.8%
- Real Assets: 3.5%
- Fixed Income: -0.6%

Office of Investments & Banking
# CEF Returns

as of 12 31 2008

<table>
<thead>
<tr>
<th>Asset Class &amp; Benchmark Returns (%)</th>
<th>Quarter</th>
<th>1 year</th>
<th>3 year</th>
<th>5 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russell 3000</td>
<td>-22.8</td>
<td>-35.7</td>
<td>-8.6</td>
<td>-2.2</td>
</tr>
<tr>
<td>International Equity</td>
<td>-25.0</td>
<td>-49.3</td>
<td>-9.7</td>
<td>0.8</td>
</tr>
<tr>
<td>MSCI EAFE</td>
<td>-20.0</td>
<td>-43.4</td>
<td>-7.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Private Capital</td>
<td>-6.4</td>
<td>-3.4</td>
<td>13.7</td>
<td>29.7</td>
</tr>
<tr>
<td>Russell 3000 + 300bp</td>
<td>-22.2</td>
<td>-35.4</td>
<td>-5.9</td>
<td>1.0</td>
</tr>
<tr>
<td>Real Assets</td>
<td>-8.5</td>
<td>-12.0</td>
<td>2.1</td>
<td>7.6</td>
</tr>
<tr>
<td>CPI + 400bp</td>
<td>-2.8</td>
<td>4.1</td>
<td>6.2</td>
<td>6.7</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>-11.8</td>
<td>-15.9</td>
<td>-1.9</td>
<td>1.0</td>
</tr>
<tr>
<td>BC Aggregate</td>
<td>4.6</td>
<td>5.2</td>
<td>5.5</td>
<td>4.7</td>
</tr>
</tbody>
</table>

## CEF Total Return (%)

<table>
<thead>
<tr>
<th>CEF Total Return (%)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CEF Custom Index</td>
<td>-13.3</td>
<td>-22.3</td>
<td>-0.3</td>
<td>5.5</td>
</tr>
<tr>
<td>70 Russell 3000/ 30 BC AGG</td>
<td>-15.0</td>
<td>-26.2</td>
<td>-4.3</td>
<td>0.2</td>
</tr>
</tbody>
</table>
Office of Investments & Banking

CEF Analysis

Returns Analysis – Returns Relative to Benchmarks (%)

<table>
<thead>
<tr>
<th></th>
<th>Quarter</th>
<th>1-yr</th>
<th>3-yr</th>
<th>5-yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equities</td>
<td>-0.03</td>
<td>1.6</td>
<td>0.01</td>
<td>-0.25</td>
</tr>
<tr>
<td>Int’l Equities</td>
<td>-5.02</td>
<td>-5.89</td>
<td>-2.39</td>
<td>-0.84</td>
</tr>
<tr>
<td>Private Capital</td>
<td>15.74</td>
<td>31.96</td>
<td>19.61</td>
<td>28.72</td>
</tr>
<tr>
<td>Real Assets</td>
<td>-5.7</td>
<td>-16.16</td>
<td>-4.1</td>
<td>0.87</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>-16.34</td>
<td>-21.18</td>
<td>-7.36</td>
<td>-3.69</td>
</tr>
</tbody>
</table>
CEF Analysis

Actual CEF vs. Payout Based Trailing Average

* Payout rate was based on a three-year trailing average before June 04, and was gradually moved to a 5-year trailing average.
CEF Analysis
Adjusted CEF vs. Payout Based Trailing Average

*Adjusted CEF is Actual CEF less contributions
**Payout rate was based on a three-year trailing average before June 04, and was gradually moved to a 5-year trailing average.
TIP Analysis
Market Value: $415.8 Million

Portfolio Characteristics
- Average duration: 1.07
- Average credit rating: AA-
- Current Yield: 3.41%
- Returns include $10 million write down of Washington Mutual Bond

Total Returns
- QTR: TIP 0.3%, Benchmark 1.9%
- 1-YR: TIP 0.5%, Benchmark 5.2%
- 3-YR: TIP 3.3%, Benchmark 5.4%
- 4-YR: TIP 3.2%, Benchmark 4.5%
### TIP Returns

<table>
<thead>
<tr>
<th>Asset Class (% of portfolio)</th>
<th>Quarter</th>
<th>1 year</th>
<th>3 year</th>
<th>4 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Equivalents (29.6%)</td>
<td>-0.3</td>
<td>2.2</td>
<td>4.2</td>
<td>3.9</td>
</tr>
<tr>
<td>Agency (19.3%)</td>
<td>0.2</td>
<td>-0.9</td>
<td>2.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Mortgage Pass Through (8.8%)</td>
<td>4.2</td>
<td>7.9</td>
<td>6.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Corporate* (36.7%)</td>
<td>-2.3</td>
<td>-6.3</td>
<td>-0.5</td>
<td>0.2</td>
</tr>
</tbody>
</table>

* Includes Commercial Paper

<table>
<thead>
<tr>
<th>TIP Total Return (%)</th>
<th>0.3</th>
<th>0.5</th>
<th>3.3</th>
<th>3.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIP Index **</td>
<td>1.9</td>
<td>5.2</td>
<td>5.4</td>
<td>4.5</td>
</tr>
<tr>
<td>3 Month T-Bill</td>
<td>0.2</td>
<td>2.1</td>
<td>4.0</td>
<td>3.7</td>
</tr>
</tbody>
</table>

** 70% - ML Treasury 1-3 year, 30% - 3 mo. T-Bill
GIP Analysis

Total Assets: $51.6 Million.
RUMINCO Analysis
Total Assets: $29.5 Million

- Cash 34%
- Fixed Income 16%
- Equity 50%
- 0.3% 0.1%

RUMINCO vs Benchmark
15% BC Gov 1-3
15% BC Aggregate
70% Russell 3000

-5.4% -15.2% -21.5% -26.0%
-3.5% -4.2%

Office of Investments & Banking
Long Term Debt Analysis
Total Debt: $772.1 Million

<table>
<thead>
<tr>
<th>Long term Debt</th>
<th>In $ millions</th>
<th>Weighted Average rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Issued Fixed Rate Debt</td>
<td>157.6</td>
<td>3.35%</td>
</tr>
<tr>
<td>University Issued Variable Rate Debt</td>
<td>438.0</td>
<td>1.34%</td>
</tr>
<tr>
<td>Total University Issued Debt</td>
<td>595.6</td>
<td>1.88%</td>
</tr>
<tr>
<td>State Issued Infrastructure Development Bonds (IDBs)</td>
<td>45.7</td>
<td>5.06%</td>
</tr>
<tr>
<td>Total University Supported Debt</td>
<td>641.3</td>
<td>2.10%</td>
</tr>
<tr>
<td>State Supported Debt (2006 Revenue Bond)</td>
<td>130.8</td>
<td>3.82%</td>
</tr>
<tr>
<td>Total University Debt</td>
<td>772.1</td>
<td>2.39%</td>
</tr>
</tbody>
</table>

* Lehman Fixed Rate Swaps have been removed from the calculations. New swaps are in the process of being put in place.