

PENNSSTATE



Meetings of the Board of Trustees

March 7, 2014

Agenda

1. **Roll Call**
2. **Approval of the Minutes of Previous Meetings**

Will the Board of Trustees approve the minutes of the meeting of the Board held on January 17, 2014?

3. **President's Report**
4. **Public Comment**
5. **Update on the Milton S. Hershey Medical Center**

Harold L. Paz, M.D., Senior Vice President for Health Affairs, Dean, College of Medicine, and Chief Executive Officer, the Penn State Milton S. Hershey Medical Center will provide an update on the medical center.

6. **Reports from Standing Committees**

Discussion of action and/or information items by the Standing Committees for consideration by the Board of Trustees:

A. Committee on Academic Affairs and Student Life - James S. Broadhurst, Chair

- 1) **Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Academic Affairs and Student Life:**

Information Items –

- a) Information on Undergraduate Programs
- b) Information on Graduate Programs

(See Appendix I)

B. Committee on Audit and Risk – Karen B. Peetz, Chair

- 1) **Proposed Authorization to Engage Auditors**

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the Officers of the University are authorized to engage Deloitte and Touche, Certified Public Accountants, for the audit of the accounts of the University for the year ending June 30, 2014.

C. Committee on Compensation – Linda B. Strumpf, Chair

On January 16, 2014, the Compensation Committee of the Board of Trustees recommended for approval a newly developed Executive Compensation Strategy for the university. This strategy outlines how the institution will approach the design and administration of executive compensation for select executives and includes a list of peer institutions against which executive compensation will be measured. To develop this approach, the University, assisted by Sibson Consulting, followed a comprehensive and collaborative approach.

Will the Board of Trustees adopt and approve the Executive Compensation Strategy as recommended by the Committee on Compensation?

D. Committee on Finance, Business and Capital Planning - Mark H. Dambly, Chair

1) Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Finance, Business and Capital Planning:

Information Items –

- a) Mateer Building Café Laura Upgrades, University Park
- b) Atherton Hall Restroom Renovations, University Park
- c) Bathgate Swale Rehabilitation, University Park
- d) Bryce Jordan Center Roof Replacement and Arena Floor Restoration, University Park
- e) Armsby Building Mechanical Improvements, University Park
- f) Ground Floor Radiology Fit Out – Phase D, The Milton S. Hershey Medical Center
- g) Naming of Buildings - Generic
- h) Naming of Rooms, Portions of Buildings, and Plazas
- i) Status of Major Construction Programs and Borrowing
- j) Investment Review of Long Term Investment Pool
- k) Summary and Designation of Gifts Received

Action Items –

- l) Summary of Revisions to Existing Scholarships, Fellowships, Etc.
- m) Acknowledgement of Endowments and Other Major Commitments

(See Appendix II)

2) Conflict of Interest – Approval of Lease Renewal with PSRP Developers, Inc., Innovation Park

Article VIII, Section 8.05 (a) of the Bylaws of the University, provides that, "A contract or transaction between the University and a Trustee, family member or an entity in which the Trustee or family member has a beneficial interest of ten percent (10%) or more and the contract is valued at \$10,000 or more must be approved by the Board of Trustees in accordance with this Section." Further, that Section provides that "the University official responsible for the matter must first conclude that it is in the best interests of the University to consider entering into such a contract or transaction" and that "the officer must first explore alternatives that do not involve an interest of the Trustee, family member or entity in which the Trustee or family member owns a beneficial interest of ten percent (10%) or more." The interested Trustee shall leave the meeting during discussion and voting. Finally, Section 8.05(a) provides that "[t]he Board shall determine by a majority vote of the disinterested Trustees whether the transaction or arrangement is in the University's best interests, the price and value provided are fair and reasonable to the University and whether to approve the transaction or arrangement."

Trustee Ira Lubert, who joined the Board of Trustees in September 2007, has a beneficial ownership of more than 10 percent of PSRP Developers, Inc. which owns 101 Innovation Boulevard (Lubert Building) and 103 Innovation Boulevard at Innovation Park. At its September 2013 meeting, the Board of Trustees ratified five existing leases with PSRP Developers, Inc.

One of these leases was initiated October 22, 1998, for a five-year term commencing April 1, 2009 and, after renewals in six-month and one-year increments, is expiring on March 31, 2014. It is now proposed that the University exercise its final remaining option to extend this lease one year until March 31, 2015. It is further proposed that the University enter into a Fourth Amendment to Lease with PSRP to provide the University with the opportunity to renew for up to five additional years in one-year increments until March 31, 2020. The extended lease terms for this 4,400 square feet in the 101 Innovation Boulevard (Lubert) Building are \$25.65 per square foot or \$112,860 per year for the current year. The lease amount includes the base rent and common area maintenance fees with the base rent being adjusted annually to reflect changes in the Consumer Price Index.

The College of Engineering utilizes the leased area for its Center for Nanotechnology Education and Utilization program and wishes to maintain its use of the space into the foreseeable future. Because of the desire of the College of Engineering to continue use of this space, a competitive lease analysis was not deemed to be appropriate for this specific lease renewal transaction. The terms of the lease are within a reasonable price range, considering the quality of the space and the amenities provided at Innovation Park. As a result, the Responsible Officer, Dan Sieminski, has determined that the lease renewal described above is in the best interests of the University.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the proposal to extend the current lease in 101 Innovation Boulevard with PSRP Developers, Inc., totaling 4,400 square feet at a current annual cost of \$112,860, until March 31, 2020, is approved.

3) **Proposed Appointment of an Architect, Trippe Hall, Penn State Erie, The Behrend College**

The Subcommittee on Architect/Engineer Selection will make a report and recommendation on the appointment of an architect for Trippe Hall at Penn State Erie, The Behrend College.

4) **Proposed Final Plans and Authorization to Award Contracts, Tyson Building HVAC Upgrades and Roof Replacement, University Park**

Tyson Building, built in 1949, houses College of Agricultural Sciences' classrooms, labs, and offices. The existing roof is deteriorated, and replacement has been planned for a few years. The ventilation for both office and laboratory spaces in Tyson Building is currently handled by the same systems. Since fume hood air cannot be recirculated per code, all air vents directly to the outside, which wastes energy. Improvements to the ventilation system have also been in planning for several years.

The University intends to replace the roof and three rooftop air handling units serving labs and offices. The work includes separation of the lab and office systems, which will improve performance and save energy in both systems. The lab system will utilize a 100% outside intake and new exhaust with heat recovery. The office system will include variable air volume controls. Ceilings and lighting throughout the building will be replaced and interior shafts will be constructed

during the ductwork reconfigurations. The project scope includes electrical modifications to support the new systems. New equipment on the roof will be visually screened with metal panels.

Combining the roof and ventilation work into one project is more efficient and less disruptive; however, the combined project requires Board of Trustee approval.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the final plans for the Tyson Building HVAC Upgrades, as designed by the firm of Barton Associates, Inc. of State College, Pennsylvania, and Roof Replacement, as designed by John Lew Architects, LLC of State College, at University Park, are approved.

FURTHER BE IT RESOLVED, That authorization to award contracts to accomplish the project be approved in the amount of \$5,200,000.

5) **Proposed Approval of Building 7 at Knowledge Park, Penn State Erie, The Behrend College**

In May 1998, the University entered into a Land Lease and a Development and Management Agreement with Greater Erie Industrial Development Corporation (GEIDC) for purposes of creating Knowledge Park at Penn State Erie, The Behrend College. GEIDC operates in Erie County as an Industrial Development Authority, which has access to grant funding and low interest loans targeted for economic development and the creation of jobs. GEIDC is organized today as part of the Greater Erie Economic Development Council. Knowledge Park was envisioned to serve as a location for high tech, research, and prototype manufacturing operations working collaboratively with Penn State faculty, staff and students.

Since that time, Knowledge Park has grown to comprise 106 acres with 5 buildings and 18 tenants, having more than 500 employees. The buildings include: 1) The Knowledge Center, which serves as a meeting facility for tenants in the Park; 2) A child care center (Early Learning Center), which was subsequently acquired by Penn State, and; 3) Three multi-tenant buildings. Occupancy in the Knowledge Park is currently 88% with 142,396 square feet under lease. A review of Knowledge Park's operating results shows that it is generating revenues to cover all its operating costs and debt service, and producing a positive operating margin.

As Knowledge Park developed, Behrend's School of Engineering has grown steadily since its inception in 1994. The average annual growth between 2006 and 2013 has been 5.0% from 1,030 students in 2006 to 1,442 students in 2013. With this growth in the School of Engineering comes the need for expanded facilities - classrooms, faculty offices, and lab space.

It is now proposed that the University, working with GEIDC, move forward with a new building, which will serve to satisfy Penn State Erie's need for more academic space for Engineering, as well as to house companies that will work collaboratively with Engineering faculty and students. The building, currently named Building 7, totals 59,300 square feet with 56.17% (33,311 square feet) being used by Penn State and the remaining 43.83% (25,989 square feet) being available for industry tenants. Penn State's portion of Building 7 contains much needed classrooms (8) and faculty offices (25).

Bids received in December 2013, show that the cost for Penn State's portion of the building, including fit-out, totals \$9,455,917. This amount will be paid to GEIDC as a one-time payment towards a 15-year prepaid lease and upon expiration of the lease the University will own its portion of the building. Furniture, Fixtures, and Equipment (FF&E) for Penn State is estimated at \$1,194,812, which when added to its portion of the building cost, brings Penn State's total cost to \$10,650,729.

The cost for the tenant portion, including fit-out for model space, is \$5,813,183, bringing the total building cost to \$15,269,100.

Consistent with the Development and Management Agreement with GEIDC, the University is required to guarantee loans entered into by GEIDC for projects in the Knowledge Park and assure cash flows are met for any buildings in Knowledge Park. Any such buildings are required to be financial viable and both the University and GEIDC agree that the building is in the best interest of further development of Knowledge Park. Any payments made, pursuant to these provisions, are considered an advance to Knowledge Park operations and will be reimbursed to the University from positive cash flows when they are available.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the Board of Trustees approves, consistent with the Development and Management Agreement between the University and the Greater Erie Industrial Development Corporation, proceeding with construction of a building at Knowledge Park, Penn State Erie, The Behrend College;

BE IT FURTHER RESOLVED, That the building, currently named Building 7, will be a shared facility between Behrend's School of Engineering and industrial tenants;

BE IT FURTHER RESOLVED, That the building will be constructed at a cost not-to-exceed \$15,269,100, with the University's cost for its share of the building construction and fit-out being \$9,455,917 and the industrial tenant portion of the building construction and fit-out costing \$5,813,183;

BE IT FURTHER RESOLVED, That the Board of Trustees approves the purchase of furniture, fixtures and equipment with a cost of \$1,194,812 which, when added to the University's cost of \$9,455,917 for its portion of the building, results in a total University project cost of \$10,650,729; and

BE IT FURTHER RESOLVED, That the cost of building construction and building fit-out for the industrial tenant portion will be guaranteed by the University, consistent with the Development and Management Agreement between the University and the Greater Erie Industrial Development Corporation.

BE IT FURTHER RESOLVED, That the Officers of the University are authorized and directed to take such steps as are necessary to make effective these resolutions.

6) **Proposed Sale of Laurel Haven Property, University Park**

In June, 1991, the University received a real estate gift, commonly referred to as Laurel Haven, from Harold E. Mitzel and Jane M. Madsen, subject to a joint life estate for approximately 5 acres of the 49 acre property. The donor's intent was that the property be used for environmental education and related public use in accordance with University policies. Located along Beaver Road, Julian, Huston Township, Centre County, the forested property includes 2 small structures, picnic area, pond and walking trails.

In January, 1995, Mitzel/Madsen created the Laurel Haven Endowment to establish an internship for related public education programs primarily to be offered at Laurel Haven. Subsequently, at Mitzel's death in June, 1995, Mitzel's retained life estate portion was extinguished, and Madsen relinquished her retained life estate by deed to the University in July, 2000, at which point full fee simple title vested with the University. There are no provisions with the gift or endowment obligating the University to retain the property.

The College of Agriculture Sciences, through Agricultural Extension, has increasingly limited use of the property based on its location, resulting in decreased programming, as well as increasing budget restrictions, operating costs, and limited revenue potential. The College of Agricultural Sciences, along with Agricultural Extension, in consultation with Finance and Business and the University's administration determined that the property was no longer of strategic value. As a result, the property was listed for sale with a local realtor.

The University has received a purchase offer from Kevin S. and Margaret C. Brant in the amount of \$350,000. The Brants are both employees of the University. However, their efforts to purchase the property have been through an independent real estate broker representing the University, and not through any discussions directly with the University.

Proceeds from the sale will fund the University's Condon Fund, an endowment established to support the College of Agriculture's Department of Ecosystem Science and Management.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the Board of Trustees approves the sale of 49 acre Laurel Haven property along Beaver Road, Julian, Huston Township, Centre County, Pennsylvania, to Kevin S. and Margaret C. Brant in the amount of \$350,000.

BE IT FURTHER RESOLVED, That the Officers of the University are authorized and directed to take such steps as are necessary to make effective this resolution.

7) **Report on Status of Commonwealth Appropriation Request**

8) **Proposed Changes in Room and Board Charges for the 2014 Fall Semester, The Pennsylvania State University**

It will be necessary to increase room and board charges effective for the 2014 Fall Semester because of increased operating and facility maintenance costs.

Appendix III provides details of the Housing and Food Service Budget Presentation for 2014-15, as well as the proposed rates at University Manor, The Milton S. Hershey Medical Center.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That room and board charges at all locations be increased as shown on Schedules I through IV attached hereto and which are a part of this resolution.

(See Appendix III)

9) Photo Report on Selected Construction Projects

A photo report on the progress of selected construction projects will be presented at the meeting.

E. Committee on Governance and Long-Range Planning - Keith W. Eckel, Chair

1) Proposed Revision to the Charter of the Board of Trustees

It is proposed to amend the *Charter* of The Pennsylvania State University to clarify the qualifications of electors for the nomination and election for alumni to the Board of Trustees. This proposal memorializes the long-standing practice and application eligibility of former students. The proposal also reduces the burden of alumni to request ballots by sending to all qualified electors who have a valid e-mail address on file in the University's alumni records.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the *Charter* of The Pennsylvania State University be amended as set forth in the appendix and presented at the meeting on March 7, 2014.

(See Appendix IV)

2) Proposed Revision to the Bylaws of the Board of Trustees

It is proposed to amend the *Bylaws* of The Pennsylvania State University to modify and clarify the types of real estate and other capital transactions to be brought to the Board for approval and for informational purposes.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the *Bylaws* of The Pennsylvania State University be amended as set forth in the appendix and presented at the meeting on March 7, 2014.

(See Appendix IV)

F. Committee on Legal and Compliance - Ira M. Lubert, Chair

G. Committee on Outreach, Development and Community Relations - Joel N. Myers, Chair

7. **Report on The Corporation for Penn State**

A report on the activities of The Corporation for Penn State is included as Appendix V. Dr. Rodney A. Erickson, President and Chief Executive Officer of the Corporation, will be available to answer any questions.

8. **Election of Directors of The Corporation for Penn State**

According to the *Bylaws* of The Corporation for Penn State, the members of the Corporation shall meet annually for the purpose of electing directors.

The Pennsylvania State University is the sole member of The Corporation for Penn State.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the following persons be elected to the Board of Directors of The Corporation for Penn State:

Marianne E. Alexander
James S. Broadhurst
Mark H. Dambly
Keith W. Eckel
Rodney A. Erickson
David J. Gray

Edward R. Hintz, Jr.
Nicholas P. Jones
Keith E. Masser
Harold L. Paz
Paul H. Silvis
Linda B. Strumpf

9. **Announcements by the Chairman of the Board of Trustees**

Proposed Room and Board Rates 2014–2015

The Pennsylvania State University

Effective Fall 2014

Undergraduate Residence Hall Room

Rates/Person/Semester

(Meal Plan Required)

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
Standard Double	2	\$2,595	\$2,730	\$135
Standard Double/Bath	2	2,780	2,880	100
Standard Double/Air Conditioning	2	2,780	2,955	175
Small Double	2	1,940	2,045	105
Triple	3	2,330	2,455	125
Triple/Bath	3	2,595	2,730	135
Quad	4	2,330	2,455	125
Quad/Bath	4	2,595	2,730	135
Quad as Triple	3	2,595	2,730	135
Standard Single	1	3,530	3,715	185
Standard Single/Bath	1	3,590	3,780	190
Eastview Small Single/Bath	1	4,030	4,235	205
Eastview Single/Bath	1	4,495	4,720	225
Eastview Large Single/Bath	1	4,810	5,075	265
RA Rate	1	1,725	1,795	70
Standard Double Suite	2	3,060	3,220	160
Standard Double Suite as Triple	3	2,595	2,730	135
Standard Single Suite	4	3,565	3,755	190
Double Suite	2	3,285	3,460	175
Single Suite	1	4,370	4,550	180

Supplemental assignments will be priced at a 20% discount from the applicable suite or room rate.

Single occupancy of rooms intended for double occupancy will be priced at 25% more than the double occupancy rate for that room type.

Proposed Room and Board Rates Continued

*The Pennsylvania State University
Effective Fall 2014*

University Park Nittany Apartment Rates/Person/Semester*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
2 Bedroom Garden	4	\$3,140	\$3,300	\$160
4 Bedroom Garden	4	3,530	3,715	185
4 Bedroom Townhouse	4	3,655	3,850	195

**Room rate includes utilities.*

Erie, Behrend Apartment Rates/Person/Semester*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
2 Bedroom Garden	4	\$3,140	\$3,300	\$160

**Room rate includes utilities.*

Harrisburg Apartment Rates/Person/Semester*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
Apartments-Bedroom Single	4	\$3,750	\$3,950	\$200
Apartments-Bedroom Double	6	3,300	3,475	175
Apartments-Bedroom Triple	9	2,970	3,125	155

**Room rate includes utilities.*

Proposed Room and Board Rates Continued

The Pennsylvania State University

Effective Fall 2014

University Park Graduate Family Apartment Rates/Month*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
White Course 1 Bedroom	N/A	\$990	\$1,030	\$40
White Course 2 Bedroom	N/A	1,130	1,170	40
White Course 3 Bedroom	N/A	1,270	1,315	45
White Course 3 Bedroom w/Half Bath	N/A	1,280	1,330	50

*Room rate includes utilities.

University Park Graduate Apartment Rates/Person/Month*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
White Course 4 Bedroom Apartment	4	\$795	\$815	\$20

*Room rate includes utilities.

Board Plan Rates/Semester

Meal Plan	Dining Dollars	Current Rate	Proposed Rate	Proposed Increase
Plan 1	\$690	\$1,945	\$2,005	\$60
Plan 2	780	2,030	2,095	65
Plan 3	840	2,090	2,155	65
Plan 4	955	2,200	2,270	70
Plan 5	1,040	2,280	2,355	75
Plan 6	1,215	2,450	2,530	80

UNIVERSITY MANOR APARTMENTS

CURRENT vs. PROPOSED MONTHLY RENTAL RATES

<u>Type Occupancy</u>	<u>No. Units</u>	<u>Current Rates Per Apt.</u>	<u>Proposed Rates Per Apt.</u>	<u>Amount Increase</u>
University Manor East				
1 Bedroom (with Washer/Dryer)	24	\$ 890	\$ 900	\$ 10
2 Bedroom (with Washer/Dryer)	208	\$ 1,046	\$ 1,060	\$ 14
3 Bedroom (with Washer/Dryer)	16	\$ 1,174	\$ 1,194	\$ 20
University Manor West				
4 Bedroom (furnished) *	31	\$ 2,092	\$ 2,120	\$ 28

* NOTE: Proposed monthly increase per bedroom is \$7

1. Information on Undergraduate Programs

A. College of Arts and Architecture

1) General Music and Music Technology in the Bachelor of Arts in Music: New Options

The General Music option is being used to distinguish the existing Bachelor of Music program from the new Music Technology option. The Music Technology option is an area of study that has become common to university music programs and prospective students frequently inquire about majors in the area. This option would ensure that students receive a music-based training program, rather than a more general multi-media studies of some kind. The new options will become effective Summer 2014.

B. College of Communications

1) Print Journalism option to Digital and Print Journalism option and Visual Communication option to Photojournalism option in the Bachelor of Arts in Journalism: Name Change

The name changes of the options are to more accurately reflect the curriculum. The name changes will become effective Fall 2014.

C. College of Education

1) Associate in Science in Workforce Education and Development: New Degree

This degree will emphasize workplace learning and performance related competency development and allow participants to leverage prior workplace learning they have gained in business and industry, government, military, or non-profit work, to understand the theory behind effective leadership, supervision, career education, and training in the workplace. This associate degree will stand alone or serve as a pathway to a baccalaureate degree in Workforce Education and Development. The new program will become effective Summer 2014.

D. College of Engineering

1) Bachelor of Science in Bioengineering to Bachelor of Science in Biomedical Engineering and the following options: Mechanical Engineering to Biomechanics, Chemical Engineering to Biochemical, Electrical Engineering to Medical Imaging and Devices, and Materials Sciences to Biomaterials: Name Changes

The name change of the program is to provide consistency with the faculty approved name change of the department. The options have been renamed to better reflect the content of each option area. The name changes will become effective Summer 2014.

2) Bioengineering Minor to the Biomedical Engineering Minor: Name Change

The name change of the minor is to provide consistency with the faculty approved name change of the undergraduate program and department. The name change will become effective Summer 2014.

E. College of Health and Human Development

1) Bachelor of Science in Hotel, Restaurant, and Institutional Management to Bachelor of Science in Hospitality Management and option Name Change from Hotel, Restaurant, and Institutional Management to Hospitality Management: Name Changes

The name change of the program is to correspond with the name of the school and to provide a contemporary and highly relevant name based on extensive input from alumni, faculty, and professionals in the hospitality field. This is consistent with the University's efforts have the titles of majors align with curricula in ways that benefit students and faculty. The name changes will become effective Summer 2014.

F. College of the Liberal Arts

- 1) Bachelor of Arts in International Politics and Master of Arts in International Affairs: New Integrated Undergraduate/Graduate Program

This program is designed to prepare students for a variety of careers requiring an interdisciplinary background in politics and international affairs. The demand for graduate training in international affairs will grow significantly in the near future along with the burgeoning requirements for international knowledge and professional experience in commerce, humanitarian service, and public affairs. The new IUG will become effective Summer 2014.

- 2) Bachelor of Arts in Political Science and Master of Arts in International Affairs: New Integrated Undergraduate/Graduate Program

This program is designed to prepare students for a variety of careers requiring an interdisciplinary background in politics and international affairs. An increasingly globalized economy is likely to escalate the demand for graduate training in international affairs. The new IUG will become effective Summer 2014.

G. Penn State Erie, The Behrend College

- 1) Bachelor of Science in Business, Liberal Arts, and Science: Phase Out Program

This program has not well populated with students over the last several years. Enrollment in the other programs within the Black School of Business is strong, indicating that students interested in business tracks at Behrend choose other options. Students currently enrolled will be able to complete their degree. No faculty will be affected. The phase out will become effective Spring 2016.

2. Information on Graduate Programs

- A. Master of International Affairs (M.I.A.) in International Affairs with Bachelor of Arts (B.A.) in International Politics: New Integrated Undergraduate/Graduate Program
- B. Master of International Affairs (M.I.A.) in International Affairs with Bachelor of Arts (B.A.) in Political Science: New Integrated Undergraduate/Graduate Program

The demand for graduate training in international affairs will grow significantly in the near future along with the burgeoning requirements for international knowledge and professional experience in commerce, humanitarian service, and public affairs. The IUG [degree programs are] both timely and consistent with the tradition of interdisciplinary studies at other schools of international affairs. [They] will also strengthen the School of International Affairs' existing collaborations and interactions with the College of the Liberal Arts.

1. Mateer Building Café Laura Upgrades, University Park

Café Laura, located in Mateer Building, is an educational partnership between Penn State Housing and Food Service and the School of Hospitality Management. Café Laura provides students with the opportunity to practice and refine their managerial skills in a real world environment. The existing servery is outdated and congested, causing slower service, and some equipment and technologies are outdated or no longer serviceable.

The University intends to upgrade the dining, servery, and coffee shop areas of Café Laura to better serve the needs of the program and the increased foot traffic being experienced in the last few years. The Starbucks will be moved closer to the entrance, consistent with customer demand. The project also includes renovations to the dining room such as new lighting, floor tile, and movable dividers. New technology and equipment will allow students to experience modern-day restaurant management. The cost estimate for this project is \$1,100,000.

(See Appendix II.1)

2. Atherton Hall Bathroom Renovations, University Park

The University intends to renovate one quarter of the 1939 era bathrooms in Atherton Hall. Four existing common bathrooms in the northwest wing of the building will be replaced by twenty-three new shared private bathrooms. Vestibules with sinks and lockers will also be provided. The first phase of this work (northeast wing) was completed in 2013. The balance of the existing bathrooms will be addressed in subsequent phases. The cost estimate for this project is \$1,500,000.

(See Appendix II.2)

3. Bathgate Swale Rehabilitation, University Park

The Bathgate Swale is a concrete Fabriform-lined channel that conveys storm water runoff from campus east to the Bathgate Dam. The earthen material that the channel sits on has been undermined with water infiltration. In several locations material has washed away creating an unstable condition with the potential for more severe failure if not repaired. Additionally, in September 2011, a destructive high intensity storm water event severely damaged the channel at its east end and a sinkhole was created. Emergency repairs were done to stabilize the channel and divert flow until proper comprehensive repairs could be designed and permitted. This project will demolish and reconstruct the channel in its entirety upon a repaired earth base. The cost estimate for this project is 1,600,000.

(See Appendix II.3)

4. Bryce Jordan Center Roof Replacement and Arena Floor Restoration, University Park

The Bryce Jordan Center (BJC) arena floor is not level, which affects the installation of the removable basketball court. Over the past few years, multiple topical applications have been used in an attempt to remedy this. By early 2013, the leveling agents significantly deteriorated, resulting in trip hazards. After removal of these materials for commencement, the slab was surveyed and found to be as much as +/- $\frac{3}{4}$ " out of tolerance from an established baseline. This was confirmed through a flood test of the arena floor.

The Bryce Jordan event calendar has been cleared from May 12th to August 15th, 2014 so that the center 11,000 square feet of the arena floor concrete slab can be removed and re-poured utilizing surface leveling processes not available when the facility was built in 1995.

To take advantage of the gap in the BJC event calendar, a previously planned roof replacement project will be completed at the same time. The thermoplastic polyolefin membrane of the high roof will be removed due to its age, but the existing insulation will be maintained. The project includes additional insulation for code compliance, and a new polyvinyl chloride (PVC) membrane. The existing ballasted roofing at the lower concourse roofs will be completely removed to deck and replaced with new insulation and a new PVC membrane. The box gutter roof behind the lighted metal panels will also be replaced.

Additional support work includes masonry restoration and repair as required to ensure a watertight installation, recertification of the lightning protection system, related mechanical work to support raising of roof curbs, and conduit under the new arena floor slab for existing hoop and scoreboard connections and future power and telecom needs. The cost estimate for this project is \$4,850,000.

(See Appendix II.4)

5. **Armsby Building Mechanical Improvements, University Park**

The University intends to upgrade the piping systems and equipment in Armsby building as part of the mechanical major maintenance program. The project includes new chilled water and heating hot water pumps, variable speed drives, water filtration equipment, valves, and insulation. It also includes controls upgrades, piping replacement, and flushing and cleaning of the piping systems. The cost estimate for this project is \$2,000,000.

(See Appendix II.5)

6. **Ground Floor Radiology Fit Out – Phase D, The Milton S. Hershey Medical Center**

The Medical Center intends to renovate 6,724 square feet of recently vacated Pharmacy spaces to create new outpatient prep & recovery spaces, as well as two new ultrasound exam rooms. Also included are shell spaces to accommodate a future CT and diagnostic x-ray. This is the fourth phase of the ongoing Radiology consolidation program. All mechanical, plumbing, fire protection, and electrical services will be upgraded as needed to support the new spaces. The cost estimate for this project is \$1,713,000.

(See Appendix II.6)

7. **Naming of the Executive Education Center the “Oak Building,” University Park**

The University intends to change the name of the Executive Education Center to *Oak Building*. The Executive Education Center under the direction of the Smeal College of Business has relocated to the second floor of Keller Building. The building is now functioning for general purpose classroom use. The space is dedicated to Student Affairs for scheduling and use beyond the classroom hours. The name Oak Building reflects the building's surroundings.

(See Appendix II.7)

8. **Naming of Rooms, Portions of Buildings, and Plazas**

The Facilities Naming Committee has made certain recommendations to the President on the naming of rooms, portions of buildings and plazas. In accordance with the Policy on Naming University Facilities, the Board of Trustees is hereby informed that the President has approved the following naming actions:

- A. Name the Old Main lobby and mezzanine space Land-Grant Foyer.
- B. Place a plaque in the Land-Grant Foyer (Old Main Lobby) to recognize the philanthropy from the estate of L. James Schmauch that funded the conservation of the Land-Grant Frescoes and the restoration of the lobby area. The recognition plaque will read:

*The Penn State Land-Grant Frescoes
conserved through the philanthropy of
L. James Schmauch '36*

*Completed in 2014, conservation of the frescoes and restoration of the Land-Grant Foyer
in Old Main were made possible by an estate gift from L. James Schmauch.
Mr. Schmauch earned a bachelor of science degree in chemistry and went on to a career as a researcher
in the petroleum industry.*

*Through his generosity, an important part of Penn State history has been preserved for future
generations.*

(Appendix II)

- C. Revise the name and plaque of the Casting Room (Room 109C), Lasch Football Building, named in December 2012 by Charles and Roberta Gatski that has been changed to a Student Education Room. The revised plaque will read:

*Charles P. and Roberta A. Gatski
Student Education Room*

- D. Name the Retail Shop, Pegula Ice Arena, in recognition of a commitment from Bruce and Deborah Hershock. The recognition plaque should read:

*Bruce and Debbie Hershock and Family
Retail Shop*

- E. Name a new monument on the Behrend campus in honor of Mary Behrend who donated her 400 acre estate to Penn State to provide a permanent location to offer academic programs. The recognition plaque will read:

Mary Behrend Monument Walk

- F. Name the Wellness Center addition to the gymnasium at Penn State Beaver in honor of Chancellor Gary B. Keefer who will retire after 17 years in his leadership role. The recognition plaque will read:

Gary B. Keefer Wellness Center

9. **Status of Major Construction Programs and Borrowing**

(See Appendix II.8)

10. **Investment Review of Long Term Investment Pool**

Appendix II.9 is a report of the University's endowment and similar funds as of December 31, 2013.

(See Appendix II.9)

11. **Summary and Designation of Gifts Received**

Appendix II.10 is a summary of gifts received during the period July 1, 2013 through January 31, 2014.

(See Appendix II.10)

12. **Summary of Revisions to Existing Scholarships, Fellowships, Etc.**

Will the Committee on Finance, Business and Capital Planning recommend to the Board of Trustees adoption of the following resolution:

RESOLVED, That the conditions governing certain existing scholarships, fellowships, awards, and similar funds previously established at the University be revoked and that the Officers of the University are authorized to put into effect the revised regulations as requested by the donors.

13. **Acknowledgement of Endowments and Other Major Commitments**

The Committee on Finance, Business and Capital Planning is advised that for the period December 16, 2013, through February 7, 2014, 70 new funds totaling approximately \$3,485,206 were accepted by the University, including scholarships, fellowships, etc. All of these items conform to established University policies and regulations.

For the period November 1, 2013 through December 31, 2013, 52 major commitments were accepted by the University totaling approximately \$23,918,730.

Will the Committee on Finance, Business and Capital Planning recommend to the Board of Trustees adoption of the following resolutions:

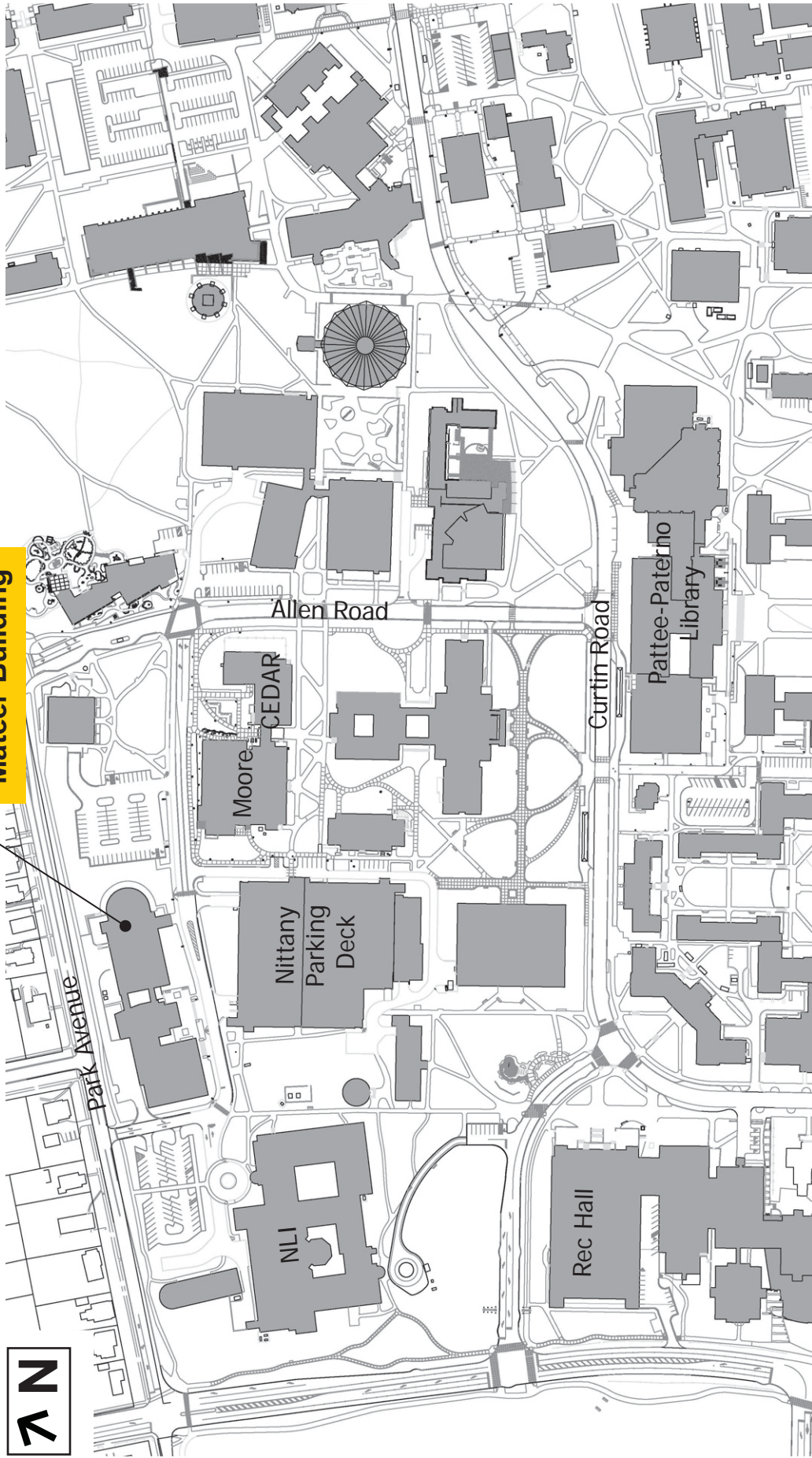
RESOLVED, That the Board of Trustees gratefully acknowledges the generous contributions of the many friends of the University in support of endowments, funds, and other major commitments as reported to the Committee on Finance, Business and Capital Planning at its meeting of March 6, 2014.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized to convey the Board's appreciation to these generous benefactors who provide opportunities for many students to receive a quality education.

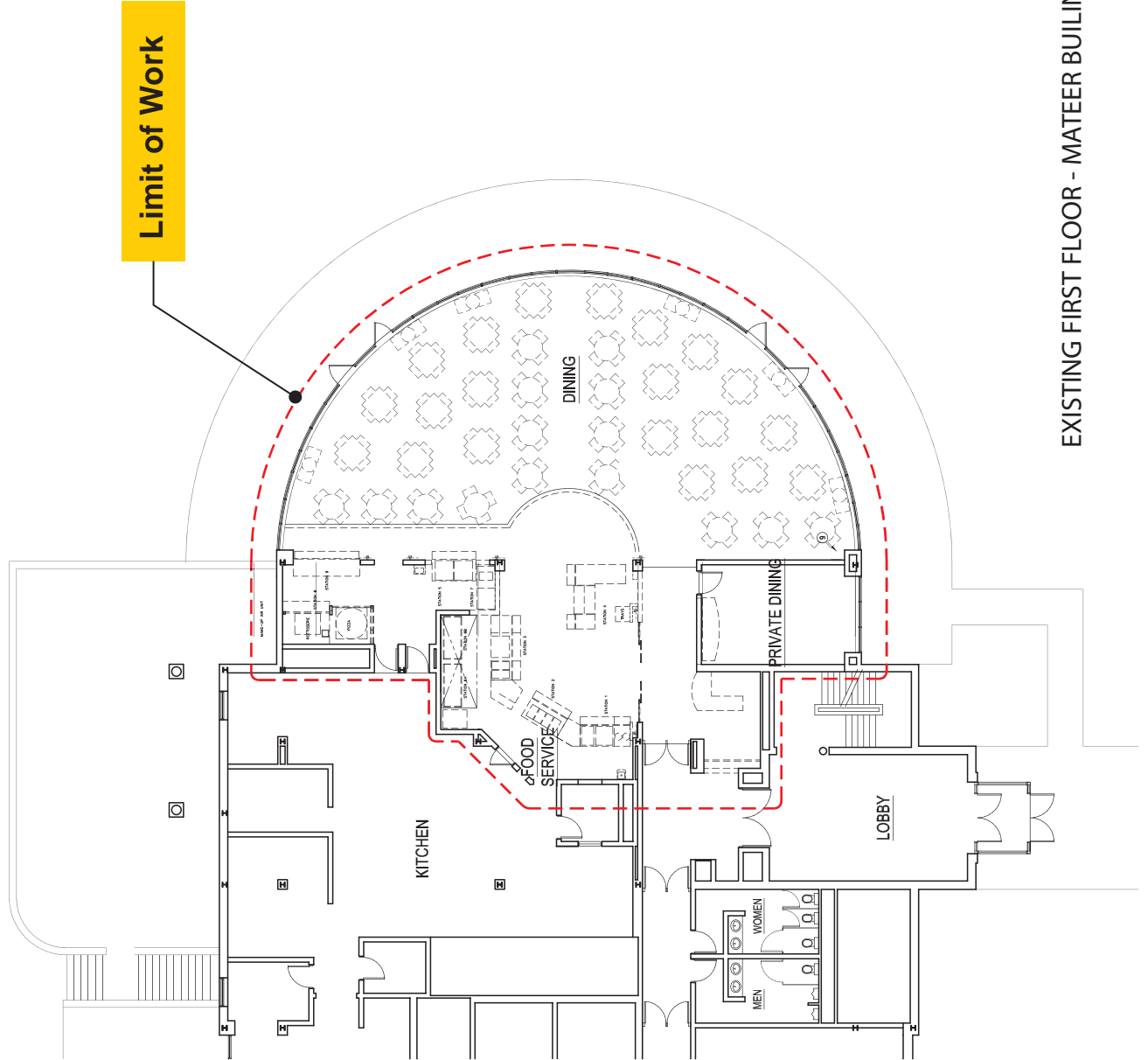
University Park



Mateer Building

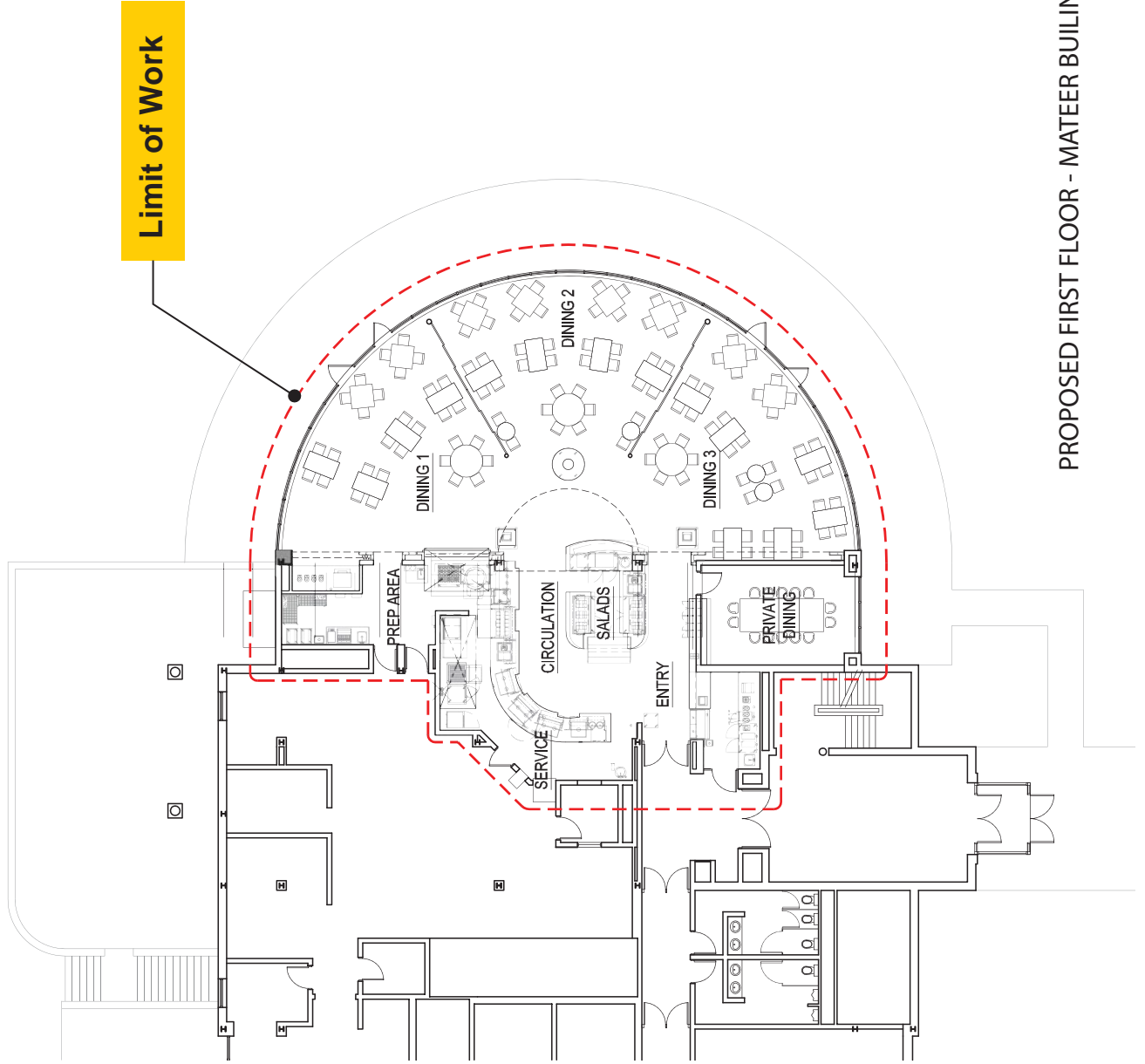


University Park



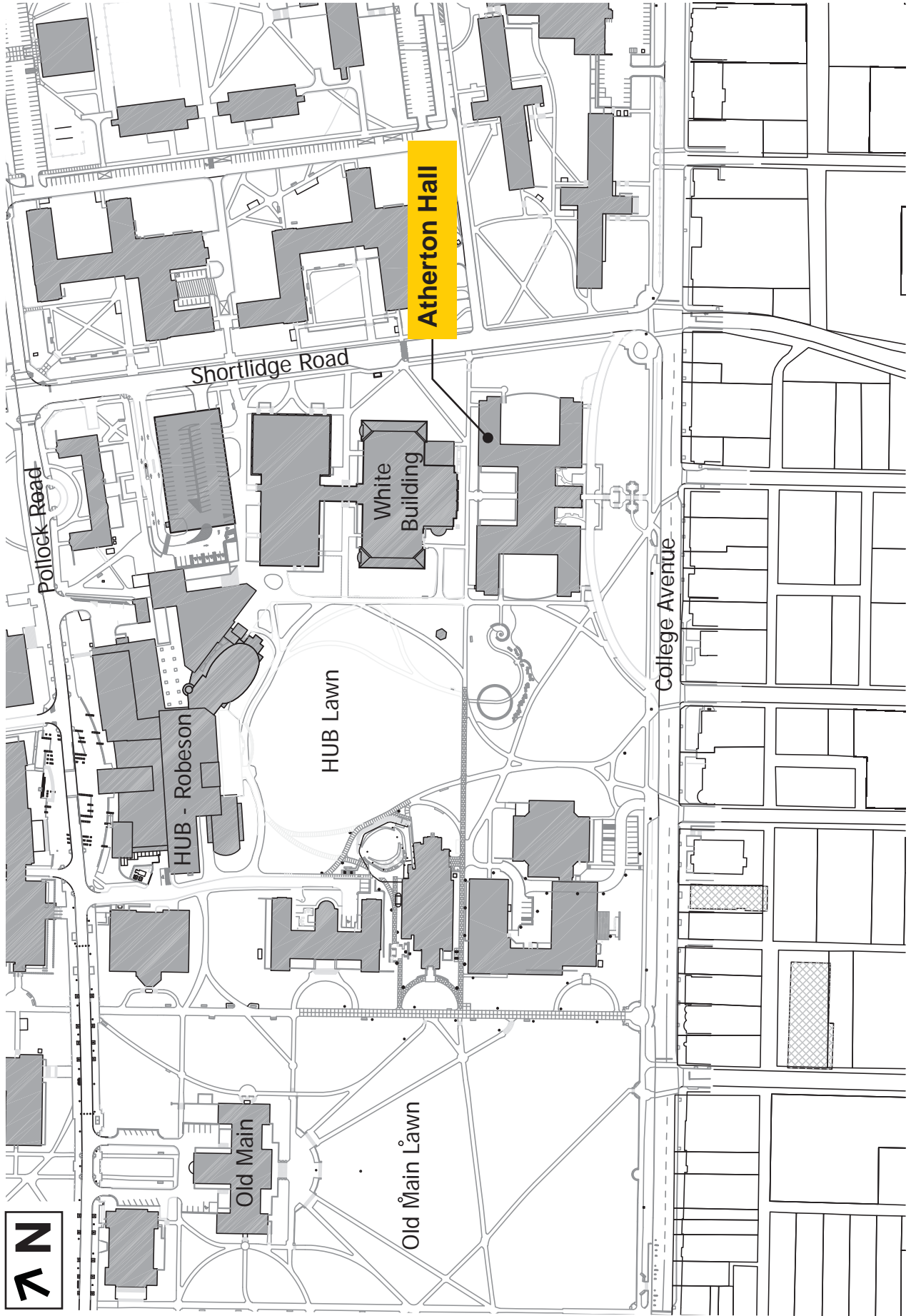
EXISTING FIRST FLOOR - MATEER BUILDING (CAFE LAURA)

University Park

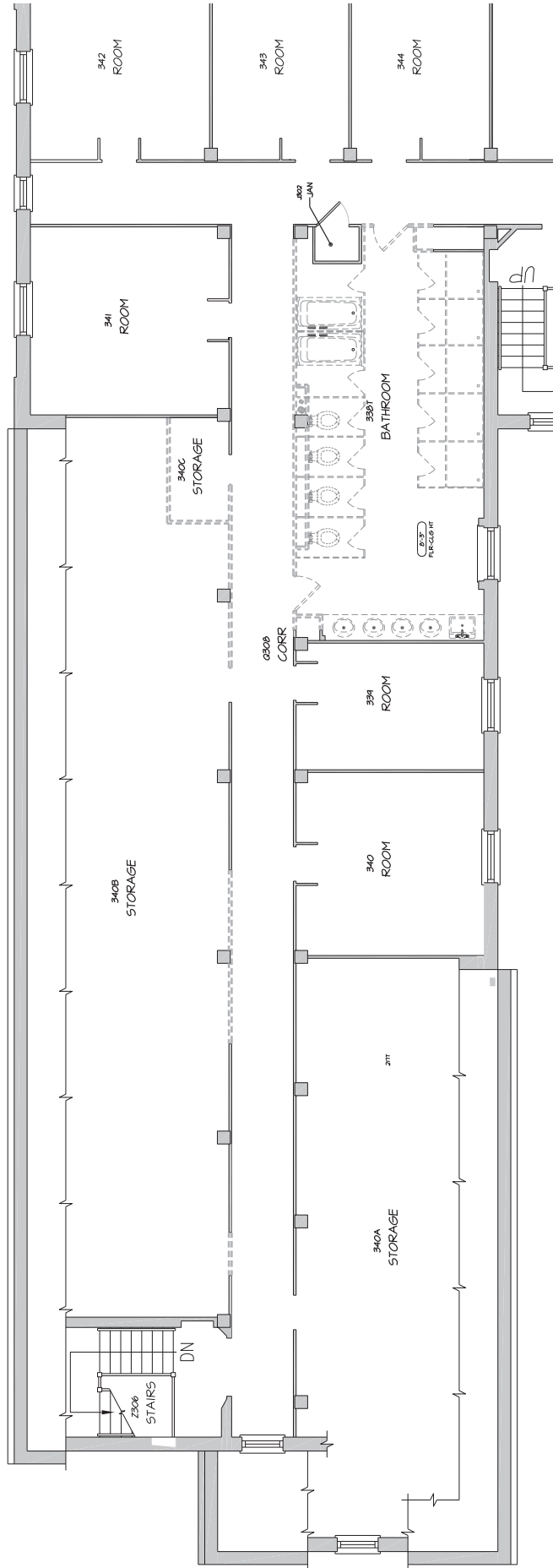


PROPOSED FIRST FLOOR - MATEER BUILDING (CAFE LAURA)

University Park

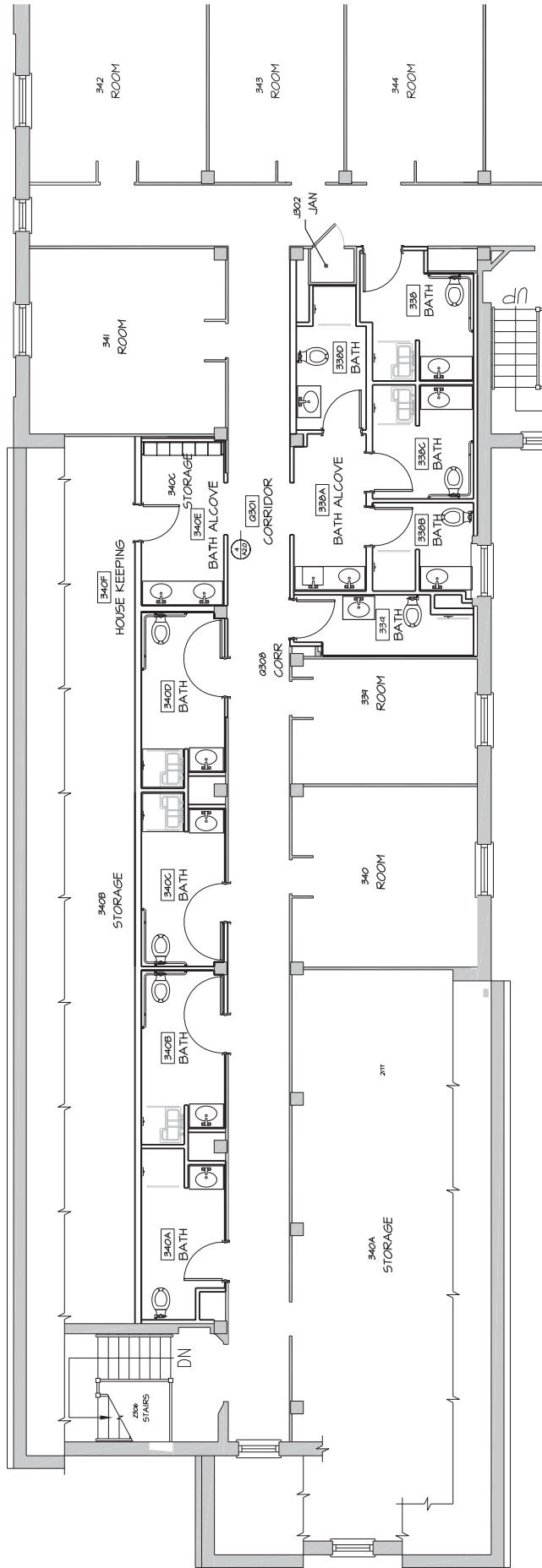


University Park



ATHERTON HALL - EXISTING FLOOR (TYPICAL)

University Park

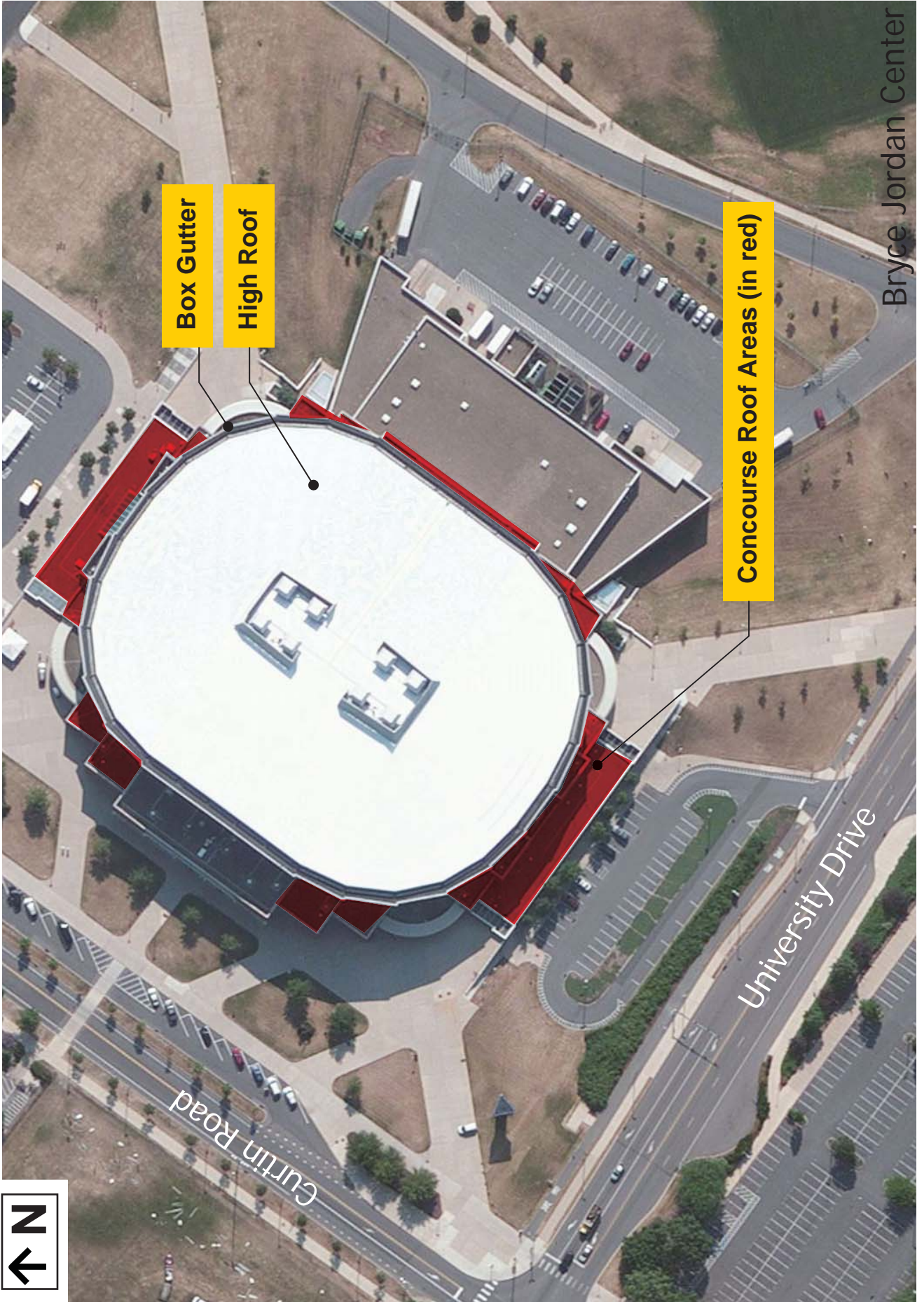


ATHERTON HALL - PROPOSED FLOOR (TYPICAL)

University Park

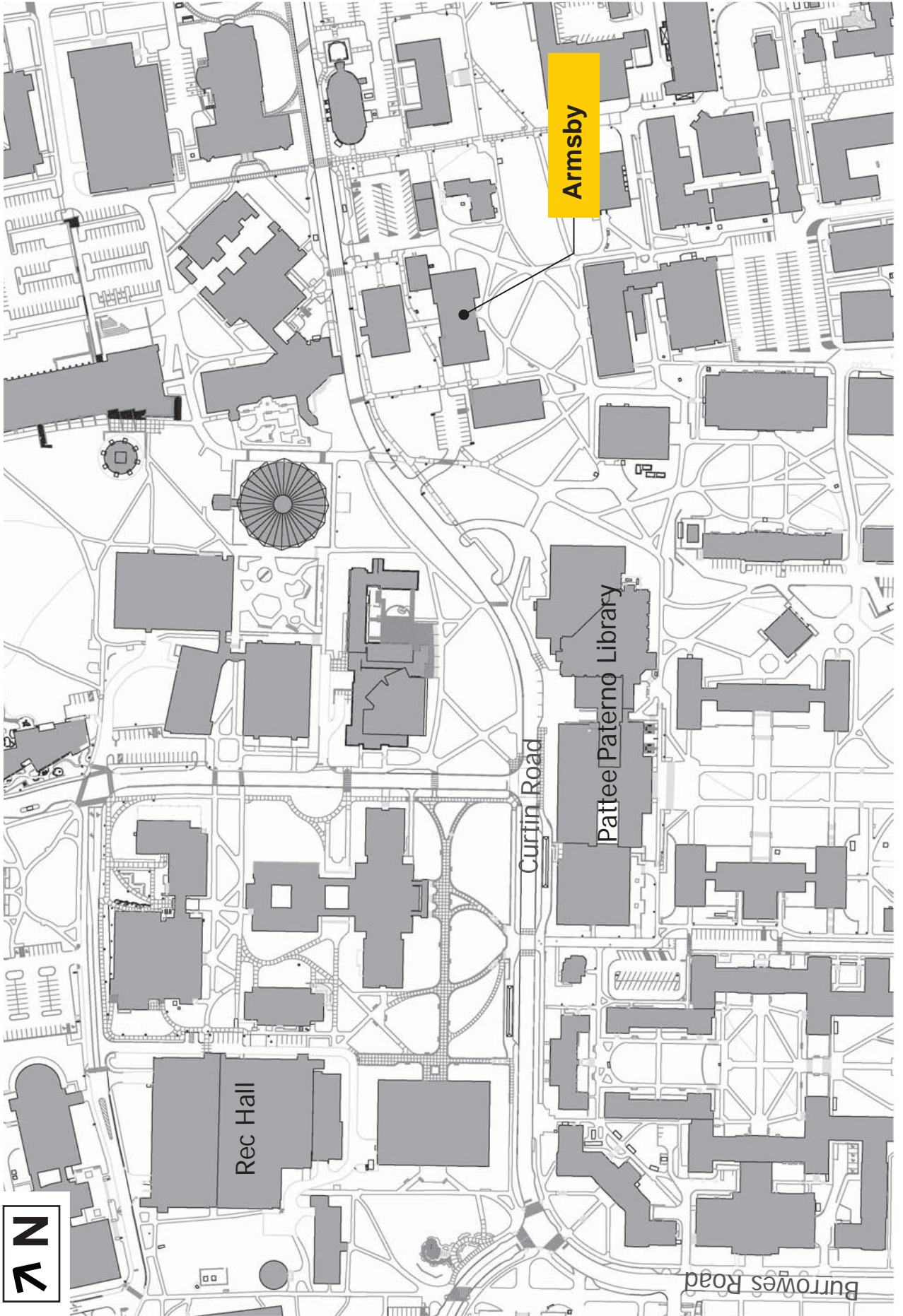


University Park

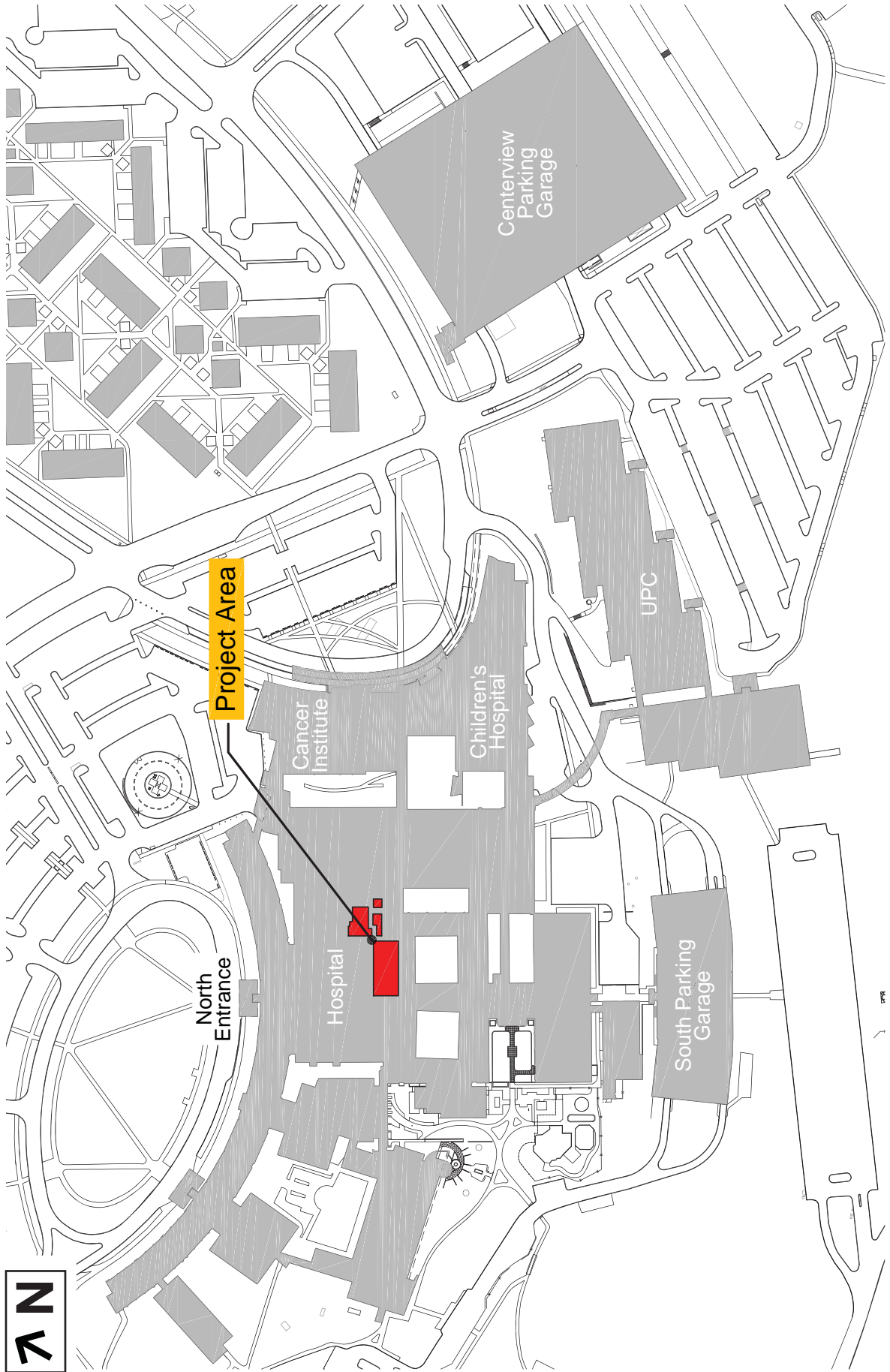


Bryce Jordan Center

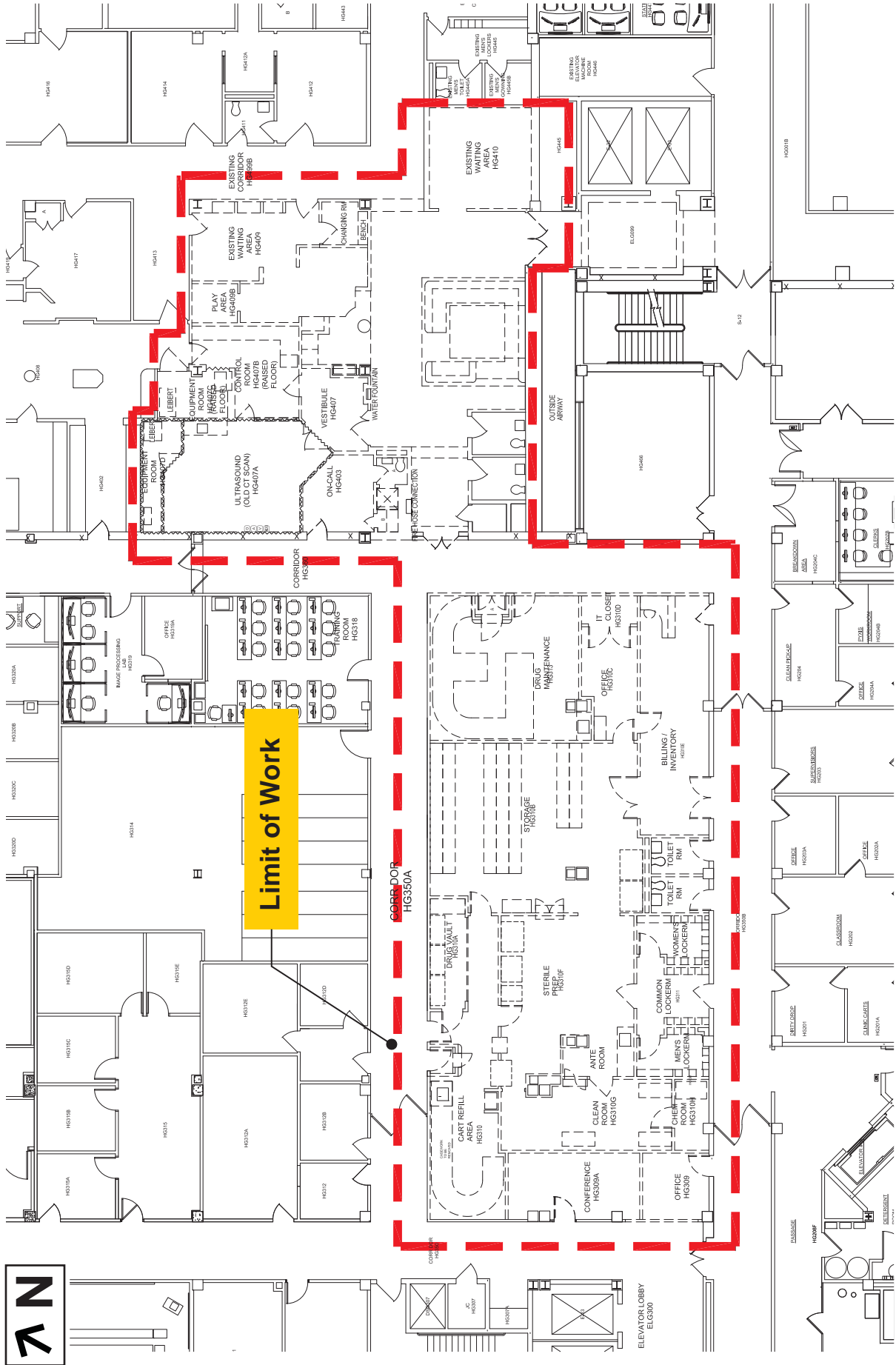
University Park



The Milton S. Hershey Medical Center



The Milton S. Hershey Medical Center

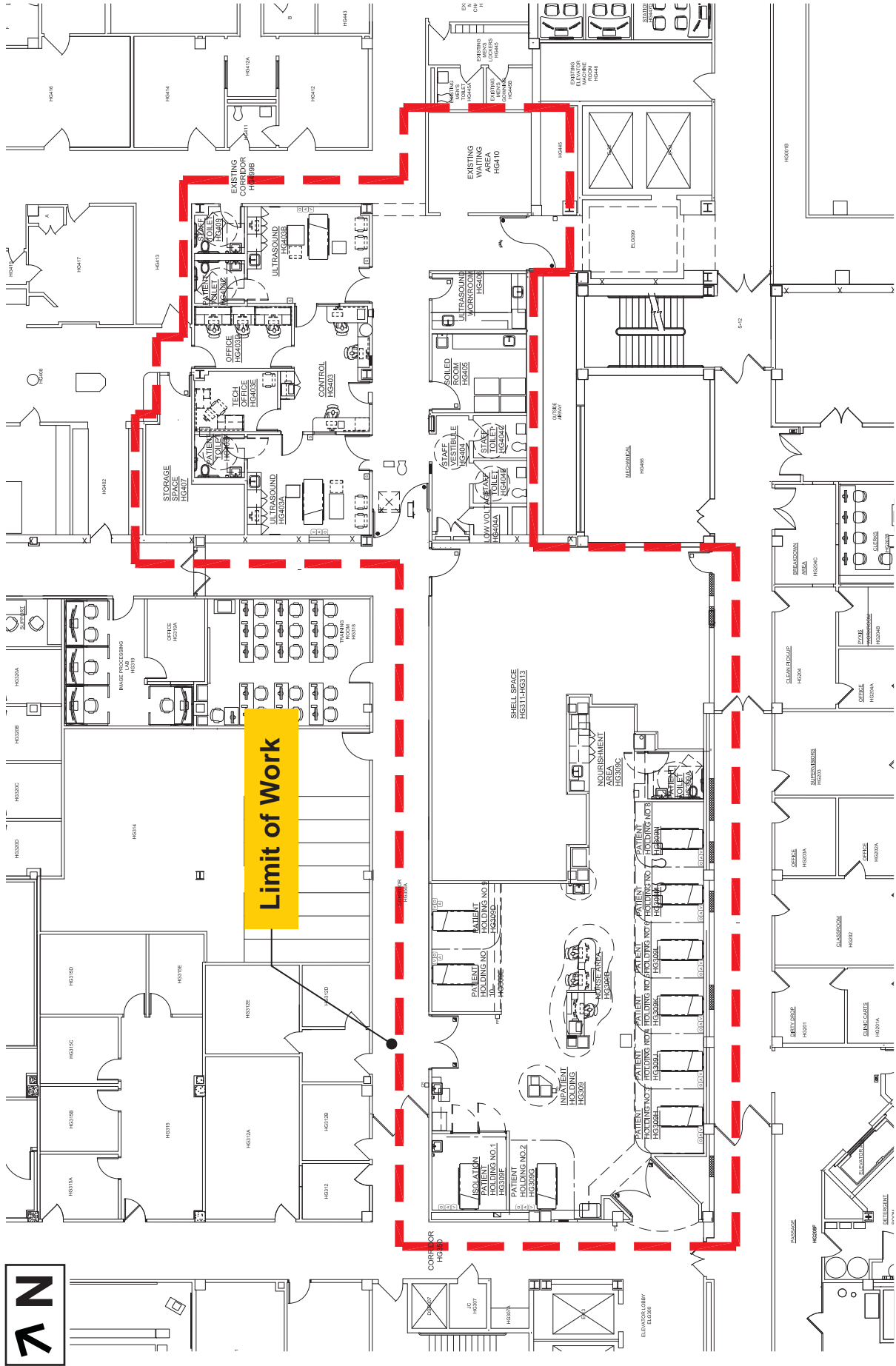


Limit of Work

The Milton S. Hershey Medical Center

3/7/2014

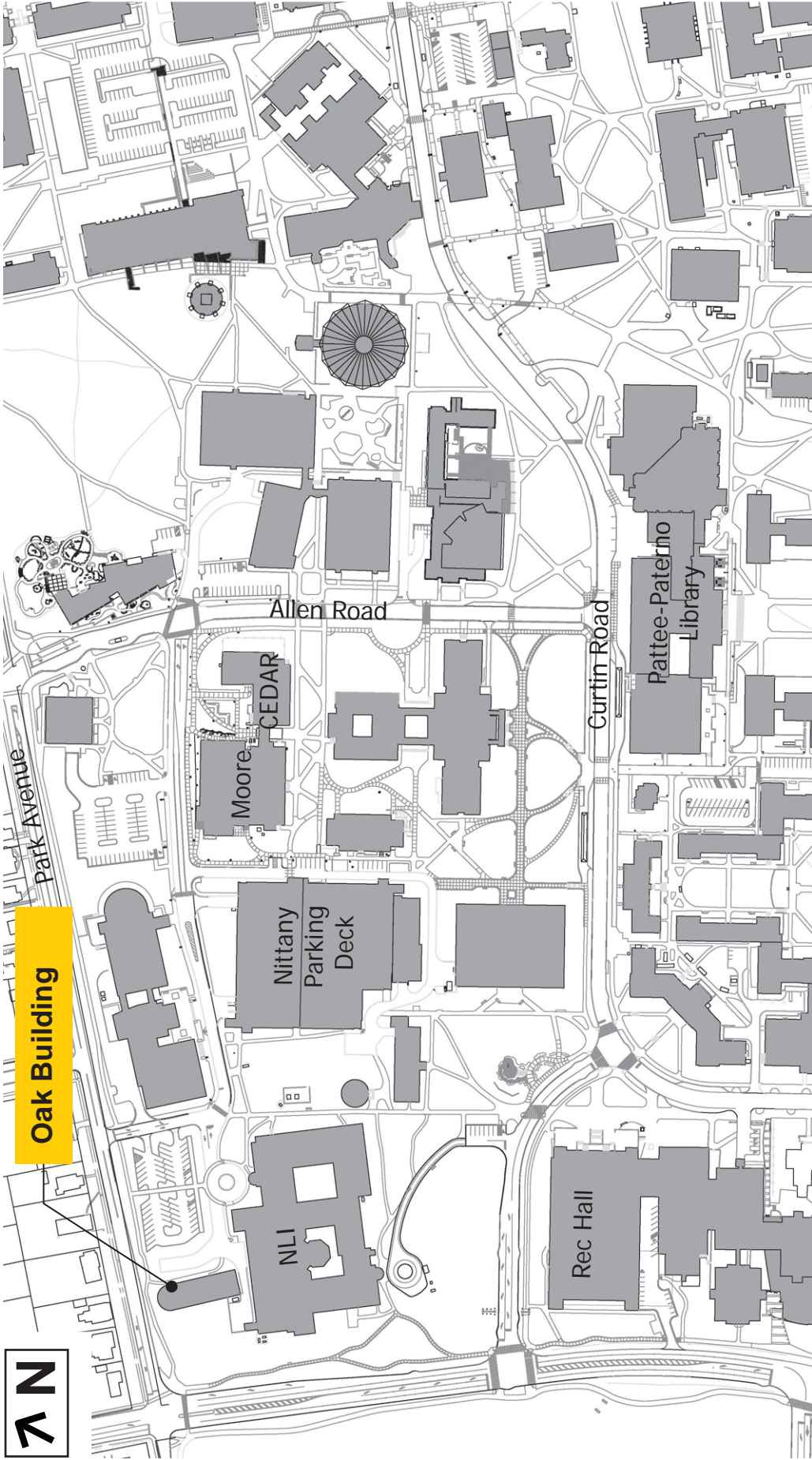
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PROPOSED GROUND FLOOR - RADIOLOGY

(Appendix II.6)

University Park



STATUS OF MAJOR CONSTRUCTION PROGRAMS AND BORROWING (> \$5 Million)
February 28, 2014

Campus	Project Data		Budget Amount	Commonwealth Funding	Gift Amount	BOT Milestones		Construction		Notes
	Project Name	Arch/Eng Selection				Final Plan Approval	Start Date	Completion Date		
Abington	Woodland Building Renovation	01/13	\$7,000,000	\$0	\$0	11/13	04/14	10/14	Project bids received. Construction to begin in April 2014.	
Beaver	Michael Baker Building Renovation	11/13	\$8,000,000	\$0	\$0	01/15	03/15	06/16	Project in design.	
Berks	Luerssen Building Renovation	03/13	\$15,000,000	\$11,400,000	\$0	07/14	08/14	12/15	Project in design.	
Harrisburg	Educational Activities Building	11/11	\$19,500,000	\$0	\$0	01/13	02/13	05/14	Construction is approximately 60% complete.	
	Student Enrichment Center	11/13	\$27,000,000	\$0	\$1,000,000	01/15	04/15	08/16	Project in design.	
Hershey	Data Center	09/13	TBD	\$0	\$0	01/15	01/15	08/16	Project in design.	
Philadelphia	EEB Hub, Building 661 and 7R, Philadelphia Navy Yard	09/11	\$39,000,000	\$30,000,000	\$0	01/13	02/13	02/14, 05/14 *	Construction is approximately 70% complete.	
York	Ruhl Student Center and Multi-Purpose Building Addition and Renovation	11/13	\$10,500,000	\$0	\$1,000,000	01/15	03/15	06/16	Project in design.	
	Beaver Stadium Video Boards / Sound System	07/11	\$10,000,000	\$0	\$0	07/13	12/13	08/14	Construction is approximately 25% complete.	
	Burrows Building Renovation	05/12	\$37,800,000	\$0	\$0	01/14	02/14	12/15	Construction began in February 2014.	
	CBL Cage Wash Addition	N/A	\$5,400,000	\$0	\$0	09/13	12/13	08/14	Construction began in December 2013.	
	Data Center	09/13	TBD	\$0	\$0	01/15	01/15	03/17	Project in design.	
	East Campus Steam Line	N/A	\$13,500,000	\$11,000,000	\$0	03/11	06/11	TBD	Construction is approximately 90% complete with pending quality / performance issues.	
	Environmental Improvements BFP Installations	N/A	\$10,500,000	\$7,000,000	\$0	N/A	06/08	08/14	Project program is approximately 70% complete.	
	Essential Services Program	N/A	\$11,950,000	\$3,000,000	\$0	N/A	12/05	12/14	Project program is approximately 70% complete.	
	Health and Human Development Building	01/08	\$58,500,000	\$52,300,000	\$0	11/12	03/13	05/15	Construction is approximately 20% complete.	
	HFS Warehouse and Bakery Expansion	11/13	\$12,900,000	\$0	\$0	09/14	09/14	09/15	Project in design.	
	HUB Addition	03/11	\$44,600,000	\$0	\$0	05/13	05/13	05/15	Construction is approximately 33% complete.	
	IM Building Addition	01/11	\$26,110,000	\$0	\$0	01/13	02/13	04/14	Construction is approximately 90% complete.	
	IM Building Addition Phase II	03/13	\$31,250,000	\$0	\$0	01/14	03/14	05/15	GMP being finalized. Construction to begin in March 2014.	
University Park	IML Renovations	N/A	\$22,500,000	\$8,200,000	\$0	05/14	05/14	04/16	Project in design.	
	Mueller Laboratory Renovations	03/12	\$20,700,000	\$0	\$0	01/14	05/14	07/15	GMP being finalized. Construction to begin in May 2014.	
	Old Main Building Systems Renovation Phase I	09/11	\$11,000,000	\$0	\$1,500,000	11/12	01/13	03/14	Construction is approximately 98% complete.	
	South Fear Phase II Renovations	01/12	\$18,100,000	\$0	\$0	01/13	02/13	06/14	Construction is approximately 60% complete.	
	South Halls Renovations and New Building	3/11, 11/11	\$94,100,000	\$0	\$0	03/12	05/12	12/14	Construction is approximately 65% complete.	
	Stetile Renovation	03/12	\$52,000,000	\$0	\$0	05/14	05/14	11/15	Project in design.	
	Transformer Replacement Program	N/A	\$11,100,000	\$1,000,000	\$0	N/A	06/07	07/15	Project program is approximately 80% complete.	
	Water Treatment Plant and Distribution System Upgrades	01/11	\$44,300,000	\$37,500,000	\$0	01/15	03/15	10/16	Project in design.	
	WCSP Steam Turbine Replacement	01/11	\$9,200,000	\$0	\$0	01/13	12/13	TBD	Construction began in December 2013.	
	WCSP Steam Production Modifications	01/11	\$57,300,000	\$0	\$0	11/12	02/14	TBD	Construction to begin in February 2014.	
	West Campus Chilled Water Plant 3000 Ton Chiller	01/12	\$16,200,000	\$0	\$0	09/12	11/12	08/14	Construction is approximately 60% complete.	
	Whitmore Laboratory Renovations	03/12	\$32,900,000	\$0	\$0	09/14	01/15	12/16	Project in design.	

* 02/14 completion for Building 661 and a 05/14 completion for Building 7R (EEB Hub)

Summary of University Long-Term Debt - \$(000) (excluding PCT)

Total Bonds, Notes and Capital Leases as of June 30, 2013	\$867,404
Bonds, Notes, and Capital Leases Issued Year to Date Fiscal Year 2013/14	\$0
Year to Date Principal Payments and Premium Amortizations	(\$37,427)
Total Bonds, Notes and Capital Leases as of February 28, 2014	\$829,977
* Related Interest Expense Totals Approximately	\$32,394

Authorized Borrowing Status - \$(000) (excluding PCT)

Borrowing Authority per September 2013 Board of Trustees	\$750,000
Capital Leases, Bonds, & Notes Issued	\$0
Future Capitalized Leases & Other Anticipated Commitments	(\$5,900)
Estimated Authority Remaining	\$744,100

Long-Term Investment Pool & Similar Funds (LTIP)

Investment Review for Calendar 2013

Submitted March 2014

This cover page provides a summary overview of the Pennsylvania State University Long-Term Investment Pool (see next page for details) for Calendar Year 2013. The second page summarizes LTIP-related data that is discussed on the remaining pages, along with performance analysis.

Executive Overview

Long-Term Investment Pool (LTIP) Performance

Annualized *net* investment returns for the Penn State University LTIP (adjusted for the impact of gifts and spending, and after external investment management expenses) for periods ending December 31, 2013 are:

<u>Calendar 13</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
14.2%	10.6%	11.8%	8.6%

Long-Term Investment Pool Market Value (pg 3)

As of December 31, 2013, Penn State University's LTIP was valued at \$3.20 billion, including \$2.12 billion in endowment assets and \$1.08 billion in non-endowed funds. An additional \$110 million was held as Similar Funds (see page 2 for details).

Review of Investment Markets (pg 4)

The graph below compares respective returns for 12-months ending December 31, 2013 and December 31, 2012 for the S&P 500, MSCI All Country World (ACWI) ex-US, Dow Jones UBS Commodities, Barclays Aggregate Bonds, and publicly-traded Real Estate Investment Trusts (REITs) Indexes. As shown below, US equity returns for calendar 2013 exceeded their 2012 performance, while non-US equities, REITs, US bonds and Commodities all trailed their respective prior year returns by varying degrees.

Investment Diversification and Asset Mix (pg 5)

At calendar year-end, 52% of LTIP assets were invested in public equities (domestic and foreign) and 11% in private equity/venture capital, representing 63% of LTIP in growth-oriented assets. In addition, 16% was invested in fixed income/cash, 12% in real return assets (TIPS, real estate, natural resources and commodities), and 9% in diversifying strategies (hedge funds).

Comparative Fund Performance (pg 6)

Penn State's LTIP returned 14.2% net for the year ending December 31, 2013 versus 14.6% for the Passive Policy Portfolio, whereas LTIP's 3- and 5-yr relative performance notably outpaced the respective passive benchmark returns.

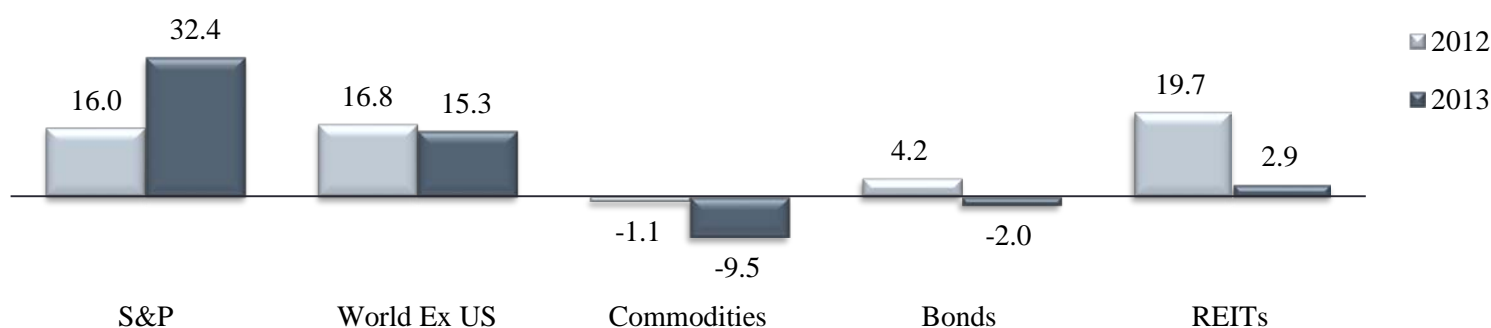
LTIP Liquidity (pg 7)

With nearly one-half of assets convertible to cash in a matter of days, the LTIP maintains adequate liquidity to satisfy anticipated cash requirements.

LTIP Performance and Spending (pg 8)

The Penn State LTIP's average annual net returns of 8.6% for both the last 10- and 20-year periods have allowed the LTIP to maintain inflation-adjusted spending while achieving long-term intergenerational equity.

**Investment Market Returns
Calendar Years Ending December 31**



5-Year LTIP Facts and Figures

	Annual Periods Ending December 31				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Investment Performance					
Endowment ¹ (annualized net returns)	14.2%	14.0%	3.9%	14.1%	13.0%
Market Values (\$ millions)					
Endowment ¹	2,120.7	1,859.0	1,669.1	1,545.8	1,356.5
Similar Funds ²	<u>109.7</u>	<u>94.3</u>	<u>89.7</u>	<u>116.5</u>	<u>103.2</u>
Endowment and Similar Funds	2,230.4	1,953.3	1,758.8	1,662.3	1,459.7
Gifts & Other Additions (\$ mils)	87.3	52.6	139.1	71.4	63.4
Current Spending (\$ mils)	73.1	71.2	66.4	62.5	64.3
As described in footnote #3 below, approximately \$1 billion earmarked to fund FAS 106 liabilities (post-retirement health care benefits for PSU retirees) was commingled into the University's Long-Term Investment Pool (LTIP) over the past four years. Prospectively, the reported market value, and related analysis, for LTIP will include all commingled funds, as shown below December 31, 2013.					
Non-Endowed Funds ³	<u>1,081.0</u>	<u>717.3</u>	<u>134.8</u>	<u>135.7</u>	<u>125.6</u>
Total LTIP ⁴ & Similar Funds	3,311.4	2,670.6	1,893.6	1,798.0	1,585.3
1) Endowment — donor-restricted gifts					
2) Similar Funds — deferred gifts and donor-restricted funds in transit to Endowment					
3) Non-Endowed Funds earmarked for FAS 106 liability (employee post-retirement health care benefits)					
4) Commingled assets over which Penn State's Office of Investment Management (OIM) has investment responsibility, as approved by the Penn State Investment Council (PSIC), exclusive of Similar Funds					

Penn State Investment Council (PSIC) Meetings

August 23, 2013:

- Committing \$20M to: Townsend Real Estate Alpha Fund I, L.P.

November 1, 2013:

- Committing \$20M to: Levine Leichtman Capital Partners V, L.P.
- Investing \$25M in: SFP Value Realization Fund
- Investing \$50M in: Kiltarn Global Equity Fund
- Investing \$50M in: Manning & Napier U.S. Core Equity Fund

December 13, 2013:

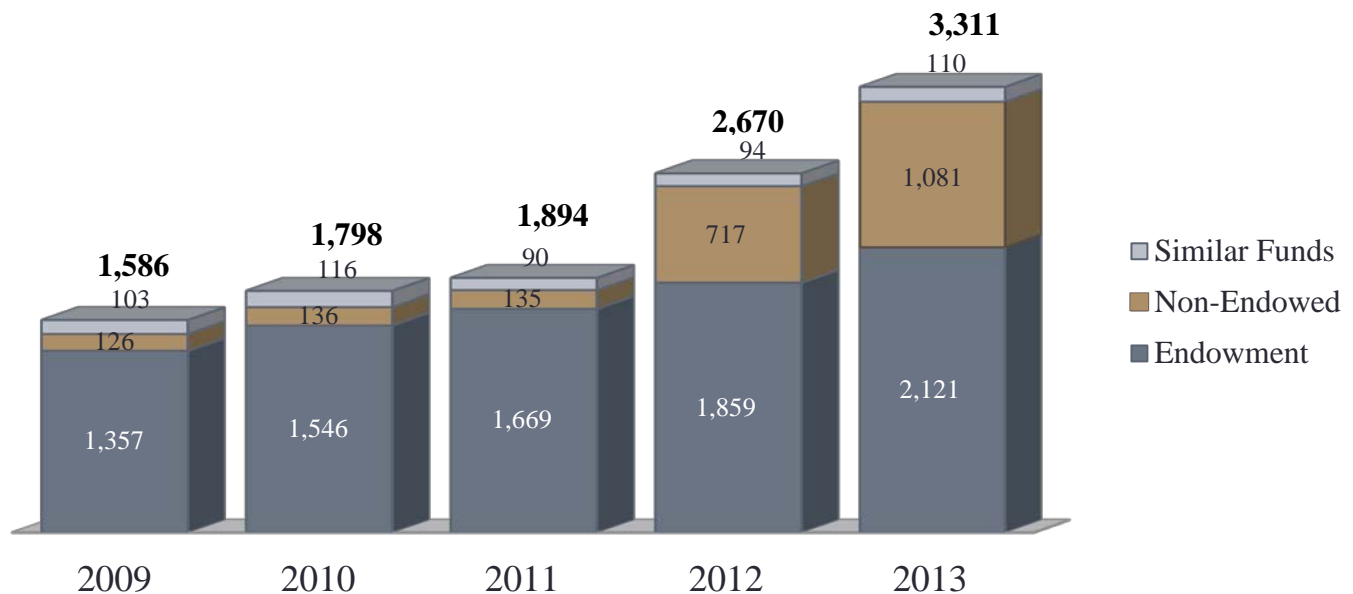
- Committing \$20M to: Odyssey V, L.P.
- Committing \$15M to: Atlas Capital Resources II, L.P.
- Committing \$10M to: DFJ Venture XI, L.P.

Please note that commitments made to Limited Partnerships (LPs) are not immediately invested and are called (paid in) over several years until commitment is satisfied, except as noted.

Long-Term Investment Pool Market Value

As of December 31, 2013, Penn State’s Long-Term Investment Pool was valued at \$3.20 billion, including non-endowed funds in the amount of \$1.08 billion of non-endowed funds that has been commingled into the LTIP. Non-pooled assets — charitable remainder trusts, charitable gift annuities, and other life income funds in addition to donor restricted funds — accounted for an additional \$110 million, shown below as Similar Funds, for a total \$3.31 billion in assets.

Long-Term Investment Pool Market Value
Calendar Years Ending December 31
 (\$ millions)



Endowment Assets

Endowment assets increased by \$262 million during calendar 2013, from \$1.86 billion to \$2.12 billion. As seen in the table on page 2, endowed gifts added over the last 12 months totaled \$87 million, while endowment program support (spending) amounted to \$73 million. Current endowment spending has been approved by the Board of Trustees to remain at an annual rate of 4.5%.

Long-Term Investment Pool

As of December 31, the market value of the Long-Term Investment Pool totaled \$3.20 billion, including \$1.08 billion in non-endowed assets that have been commingled for investment purposes, but are restricted to the on-going funding of the University’s FAS 106 liability, per above.

The remainder of this report will focus on the Long-Term Investment Pool, including all commingled funds.

Review of Investment Markets in Calendar 2013

Following a year of double-digit gains globally, domestic equities in calendar 2013 doubled the performance of the prior year, while developed, non-US equities repeated their double-digit gains and emerging markets were slightly negative. Meanwhile, fixed income returns were uncharacteristically negative. The performance of investment markets that directly impact Penn State University's Long-Term Investment Pool is discussed below.

US Equities

The S&P 500 returned 32.4% for the 12 months ending December 31, 2013, compared to 16.0% for calendar 2012, while the more broadly-based Russell 3000 Index returned 33.6% and 16.4%, respectively. Small-capitalization stocks, as measured by the Russell 2000 Index, returned 38.8% versus 16.3% last year. The Nasdaq Index's return of 38.3% bested the broad domestic indexes in calendar 2013, improving on its 2012 return of 15.9%.

Non-US Equities

Equities outside the United States broadly trailed as the Morgan Stanley All Country World (ACW) Index ex-US returned 15.3% for the 12-month period ending December 31, 2013. This was slightly lower than its calendar 2012 return of 16.8%. On the other hand, emerging market equities in developing countries returned -2.6% over the last 12 months, far short of their 18.2% return in calendar 2012.

Fixed Income

Barclays Capital Aggregate Bond Index (various maturities of US Government and non-government domestic bonds) returned -2.0% in calendar 2013 versus 4.2% in 2012. US Long-Term Treasury Bonds returned -12.7% in calendar 2013 versus 3.6% a year earlier.

For calendar 2013 and 2012, 91-day Treasury Bills remained essentially flat at 0.1%. Global Treasury Inflation Protected Securities (TIPS) returned -3.2% in calendar 2013 compared to 8.5% in calendar 2012.

Real Estate

Publicly-traded Real Estate Investment Trusts (REITs) returned 2.9% for the calendar year ended December 31, 2013, lower than their 2012 return of 19.7%. Privately-held real estate investment partnerships, as measured by the largely commercial property NCREIF Index, returned 11.0% in both calendar years 2013 and 2012.

Alternatives

Private Equity Buyouts and Venture Capital earned time-weighted returns of 17.0% and 15.1%, respectively, for the 12 months ending September 30, 2013 (private capital partnerships are reported on a 3-month lag). In the previous 12-month period ending September 30, 2012, Private Equity Buyouts returned 14.9%, while Venture Capital was at 7.5%. By comparison to public markets, the Russell 2000 Index of small-capitalization stocks returned 30.1% for the 12 months ending September 30, 2013 and 31.9% for the year ending September 30, 2012.

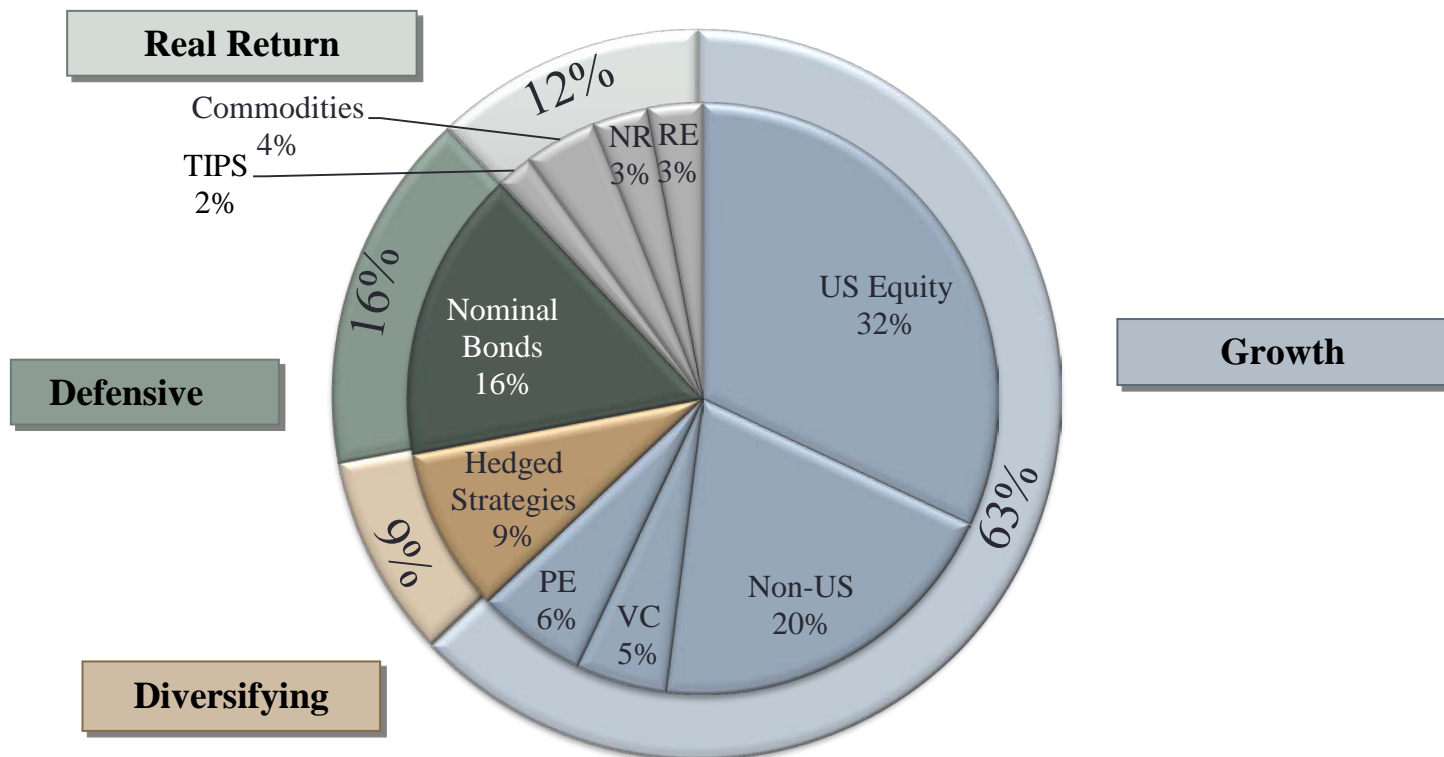
Economic and Market Outlook

In the 12 months ending December 31, 2013, global equity markets generally surged ahead, with US equities easily outpacing non-US indexes. However, fixed income markets were negative after six consecutive years of positive returns, as bond markets began to anticipate the possibility of Federal Reserve Bank tapering its monthly purchase of treasury and mortgage-backed bonds. Prospectively, expectations for domestic corporate profits are leveling off in the face of record profit margins but a slowly recovering world economy, especially in the European developed countries.

Penn State's well-diversified Long-Term Investment Pool — consisting of public equities, private partnerships, bonds, and hedge funds in addition to inflation-sensitive “real return assets” — continues to be the appropriate investment approach for long-term growth and sustainable spending.

Investment Diversification and Asset Mix

Asset allocation is a primary determinant of investment performance and risk control. LTIP's asset mix combines four broad investment strategies – growth (economic-sensitive), real (inflation-sensitive), diversifying (low sensitivity to economic/investment-market fluctuations), and defensive – to maximize potential returns, while tempering volatility. In the graph below, the four macro investment strategies are shown in the outermost ring with their December 31, 2013 allocations of 63%, 9%, 16% and 12%, respectively; however, the percentages fluctuate over time depending on market trends and allocations approved by the Penn State Investment Council.



At a more granular level, LTIP's diversified portfolio includes a variety of traditional asset classes that comprise the four macro strategies, as shown by the slices within the inner pie (percentages are rounded):

- Growth (63%): 32% in publicly-traded US and 20% in publicly-traded non-US common stocks, as well as 5% in venture capital and 6% private equity funds.
- Diversifying (9%): 4% in credit-related, 3% in equity-related strategies and less than 2% in various other hedged strategies.
- Defensive (16%): 11% in US government and investment grade corporate bonds, and 5% in global bonds.
- Real Return (12%): 2% in Global Treasury Inflation Protected Securities (TIPS), as well as 3% in real estate, 3% in natural resources, and 4% in commodities.

The approximately 75% currently allocated to growth and inflation sensitive strategies is intended to take advantage of capital growth and purchasing power protection offered by equity-type investments. The 16% invested in defensive (fixed income) and 9% in various hedged strategies is intended to provide stability and diversification during times of market turbulence and uncertain economic conditions.

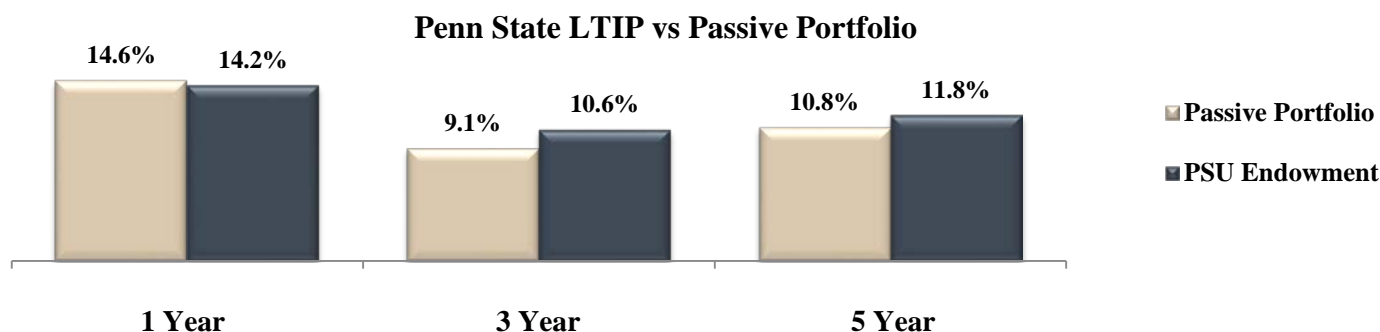
LTIP Performance Compared to Passive Portfolio

The Pool's investment performance is measured against a hypothetical *Passive Portfolio*, comprised of four broad asset categories: Public Equities, Private Capital, Fixed Income and Commodities. This passive portfolio serves as a blended benchmark against which the performance of the actual, actively-managed, and more broadly-diversified LTIP portfolio is monitored. This analysis is separate from the previous page where the described strategies do not necessarily have measurable benchmarks and represent a conceptual, top-down approach to asset allocation that is updated and reviewed regularly.

In the table below, the respective static weightings of four traditional major asset categories are associated with corresponding market benchmarks and their respective index returns to generate *Passive Portfolio* returns over 1-, 3-, and 5-year horizons:

<u>Asset Class</u>	<u>Benchmark</u>	<u>% Weighting</u>	<u>Annualized % Benchmark Returns</u>		
			<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Public Equities	MSCI All Country World	55	23.4	10.3	15.5
Total Private Capital	Custom Index	20	14.5	14.8	5.9
Fixed Income	Barclays Aggregate Bond Index	20	-2.0	3.3	4.4
Commodities	Dow Jones UBS Commodities	<u>5</u>	<u>-9.5</u>	<u>-8.1</u>	<u>1.5</u>
Total Passive Portfolio (net)		100%	14.6%	9.1%	10.8%

Note: the above categories are very broad: the equity and fixed income categories include hedge funds whose strategies are equity and/or credit oriented, respectively, while commodities include hedge funds and long-only equities invested in a variety of commodity strategies. The weightings used here are assumed to be constant over the entire 5-yr period, much like a traditional balanced portfolio whose weightings are rebalanced back to policy weights to account for fluctuating market returns.



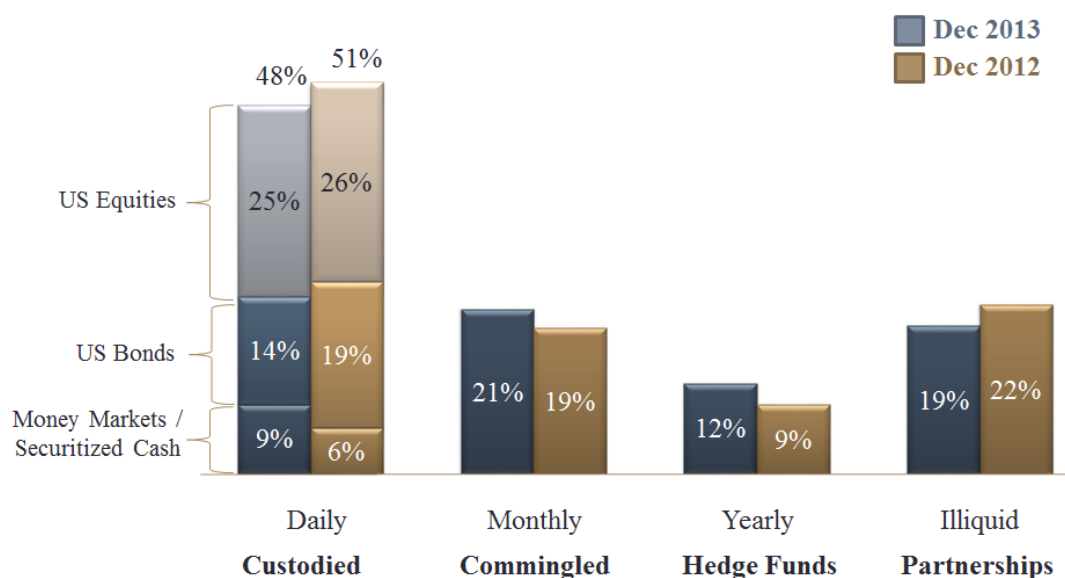
As shown above, Penn State's LTIP returned 14.2% net for calendar 2013, slightly lagging the 14.6% return of the Passive Portfolio, owing largely to the timing of cash inflows associated with the transfer of the non-endowed funds during the last 12 months. For the 3- and 5-year periods, the Long-Term Investment

Pool's annualized returns of 10.6% and 11.8% outpaced the Passive Portfolio's 9.1% and 10.8%, respectively. This indicates that, over the long term, LTIP was able to outperform passive indexes through selection of active investment managers and broader assortment of assets as shown on the previous page.

The Passive Portfolio provides a guidepost to help achieve long-term results that are consistent with the twin objectives of purchasing-power preservation, along with stable LTIP spending. LTIP's performance varies from the *static* Passive Portfolio as a consequence of several factors, including but not limited to the timing of cash-flows, tactical shifts in asset mix, and individual investment manager performance and turnover.

Long-Term Investment Pool Liquidity

Financial crises are characterized, among other considerations, by lack of liquidity, as institutions are unable to meet current obligations due to lack of available cash. In the graph below, LTIP assets are classified according to how quickly they can be converted to cash. Securities listed on exchanges or traded over-the-counter, and held in custody as separately managed accounts, can be liquidated on a daily basis (typically 1- and 3-day settlement for bonds and stocks, respectively). Commingled portfolios, i.e., collectively-managed investment pools of publicly-traded securities, are eligible for purchase or sale at least once a month. Hedge fund partnerships are typically open for at least partial liquidation once a year, with a few having more and/or less frequent liquidity “windows.” Non-marketable partnerships are considered illiquid primarily because of the inability of limited partners to transact at will.



Observations from the blue (left) bars of each of the four pairs above for the period ending December 31, 2013:

- 48 percent of LTIP assets are invested in stocks and bonds that can be converted to cash in a matter of days. Of this, about 2% is held in money market accounts, along with approximately 7% in “securitized cash” (i.e., fully-collateralized S&P and Treasury futures), which can be readily converted to cash in order to satisfy day-to-day and/or unforeseen cash requirements.
- Commingled portfolios, primarily non-US public equities, comprise 21% of LTIP assets and can be converted to cash within 30 days or, in some cases, sooner.
- 12% of LTIP assets are invested in various diversifying hedge fund partnerships and can be at least partially converted to cash annually or in many cases quarterly.
- 19% percent of LTIP assets are invested in more than 100 different partnership funds or other non-marketable investments which are considered illiquid because underlying holdings are typically not readily marketable, as well as uncertain timing of future cash distributions.

The foregoing indicates that LTIP maintains sufficient liquidity to satisfy anticipated cash requirements.

Liquidity Trends

As shown above, the liquidity profile of Penn State’s LTIP has shifted somewhat from the end of calendar 2012 (tan bars) to the end of calendar 2013 (grayish-blue bars). Daily liquidity decreased slightly (from 51% to 48%), while monthly liquidity increased from 19% to 21% and yearly liquidity increased from 9% to 12%. On the other hand, illiquid non-marketable alternative assets decreased from 22% to 19%, owing to the growth of the total investment pool as a result of commingling non-endowed assets primarily into the other three liquidity categories. Over time, stepped up commitments to partnerships will gradually result in larger representation by non-marketable investments.

Long-Term LTIP Growth and Spending

In the chart below, the top line represents the cumulative net investment return of the Penn State Long-Term Investment Pool (LTIP) over the last 20 years, averaging 8.6% per year. The layers illustrate investment return apportioned to program support (spending as previously discussed on page 3) and inflation (as measured by the Higher Education Price Index [HEPI]), with the remaining residual representing net, real (inflation-adjusted) growth.



LTIP's primary investment goal is to earn a long-term rate of return sufficient to support *current* spending and to preserve *future* purchasing power. This two-pronged objective is illustrated by apportioning total nominal (i.e., before adjusting for inflation) investment return (top line above) into discrete layers, representing program support and inflation, along with a residual layer corresponding to net *real* growth. Because investment returns periodically fluctuate (illustrated by the jagged topography above), real growth, which nets out program support and inflation from total LTIP return, oscillates across the horizontal "intergenerational equity" line. While market fluctuations have caused the growth layer to swing positive and negative, "intergenerational equity" has largely been achieved.

Two Very Different Decades of Market Performance

The variable nature of investment returns is characterized in the table below which bifurcates the last 20 years into two successive 10-year periods, whose respective investment returns differed widely, but less so than in the past. The 10 years ending December 2003 (second row) benefitted from an extended equity bull market during the 1990's, while the 10 years ending December 2013 (first row) suffered large sell-offs in equities, before rebounding over the last 4.8 years. The return disparity is reflected by comparing the S&P 500's 10-year average return for the decade ending December 31, 2013 (7.4%) versus December 31, 2003 (11.1%) below:

<i>10-Year Periods</i>	— Annual Nominal Returns —			HEPI	— Annual Real Returns —		
	<i>Ending December 31</i>	<i>S&P 500</i>	<i>Bond Index</i>		<i>LTIP</i>	<i>S&P</i>	<i>Bonds</i>
2003 to 2013		7.4%	4.6%	2.8%	4.6%	1.8%	5.7%
1993 to 2003		11.1	7.0	3.5	7.6	3.5	5.1
Diff (percentage points)		-3.7%p	-2.4%p	-0.7%p	-3.0%p	-1.7%p	0.6%p

As shown by the negative differentials for the S&P and Bonds in the third row above, market index returns for the most recent 10 years lagged those for the previous 10 years: S&P 500's 7.4% annualized nominal return for the 10 years ending December 31, 2013 trailed its 11.1% pace for the prior 10-year period by 3.7%p (percentage points); Barclays Aggregate Bond Index returned 4.6% for the December 31, 2013 10-year period versus 7.0% for the prior 10-year period. LTIP's 8.6% annualized nominal net return for the 10 years ending December 31, 2013 markedly *exceeded* the respective returns for both stocks and bonds. LTIP's prior 10-year return likewise averaged 8.6%.

On an inflation-adjusted basis relative to HEPI (boxed column in middle of above table), LTIP's net real return difference was a *positive* 0.6%p compared to *negative* real differences of 3.0%p for stocks and 1.7%p for bonds (last row of the right three columns above). Over the last decade, decreased public equity exposure along with increased "alternative investments" has enabled LTIP to outperform both stocks and bonds (nominal and real) for the 10 years ending December 2013, when overall investment returns were significantly lower than the prior 10-year period.

THE PENNSYLVANIA STATE UNIVERSITY
 OFFICE OF UNIVERSITY DEVELOPMENT
 YEAR TO DATE REPORT - ALL SOURCES
 TYPE DONOR REPORT (GIFTS)

THROUGH JANUARY 2014

	This Year Year-To-Date (As of 1/31/14)		Last Year Year-To-Date (As of 1/31/13)		Change Year-To-Date (From 2013 - 2014)		Last Fiscal Year Grand Totals (7/01/12 - 6/30/13)	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
ALUMNI	69,861	50,358,431	75,293	66,990,256	(5,432)	(16,631,825)	128,151	87,597,929
FRIENDS	79,434	25,524,654	99,094	16,932,003	(19,660)	8,592,651	168,798	29,977,565
CORPORATIONS	7,235	32,033,608	7,217	40,900,045	18	(8,866,437)	13,727	63,298,429
FOUNDATIONS	1,035	18,211,894	966	20,638,490	69	(2,426,596)	1,538	29,703,841
ORGANIZATIONS	3,204	7,572,392	2,177	13,204,839	1,027	(5,632,447)	5,301	27,201,516
TOTALS	160,769	\$133,700,979	184,747	\$158,665,633	(23,978)	(\$24,964,654)	317,515	\$237,779,280

THE PENNSYLVANIA STATE UNIVERSITY
 OFFICE OF UNIVERSITY DEVELOPMENT
 YEAR TO DATE REPORT - ALL SOURCES
 PURPOSE OF GIFT

THROUGH JANUARY 2014

	This Year Year-To-Date <i>(As of 1/31/14)</i>		Last Year Year-To-Date <i>(As of 1/31/13)</i>		Change Year-To-Date <i>(From 2013 - 2014)</i>		Last Fiscal Year Grand Totals <i>(7/01/12 - 6/30/13)</i>	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
UNRESTRICTED	4,933	957,636	5,441	1,985,236	(508)	(1,027,600)	7,679	2,167,199
ACADEMIC DIVISIONS	9,250	3,159,302	9,548	2,497,573	(298)	661,729	16,479	4,202,845
FACULTY RESOURCES	256	7,726,003	269	7,404,383	(13)	321,620	480	10,914,405
RESEARCH	2,154	16,365,573	2,200	22,218,301	(46)	(5,852,728)	4,209	36,212,007
PUBLIC SVC & EXT	11,202	1,837,293	12,391	2,759,695	(1,189)	(922,402)	21,177	4,616,968
LIBRARY	814	571,140	904	194,705	(90)	376,435	1,427	315,896
PHYS. PLANT MAINT.	189	19,305	82	23,864	107	(4,559)	140	31,281
STUDENT AID	29,505	47,366,589	31,413	39,642,832	(1,908)	7,723,757	51,103	58,693,967
SCHOLARSHIPS	10,289	35,215,658	9,873	24,918,424	416	10,297,234	16,913	33,698,925
STUDENT LOANS	36	2,055	52	107,093	(16)	(105,038)	83	110,848
GRADUATE FELLOWSHIPS	577	1,466,134	377	2,887,953	200	(1,421,819)	657	5,770,856
ATHLETIC GRT-IN-AID	18,603	10,682,742	21,111	11,729,362	(2,508)	(1,046,620)	33,450	19,113,338
PROP/BLDGS/EQUIP	2,258	23,755,319	3,690	52,295,569	(1,432)	(28,540,250)	7,695	65,756,503
OTHER PURPOSES	100,208	31,942,819	118,809	29,643,475	(18,601)	2,299,344	207,126	54,868,209
TOTALS	160,769	\$133,700,979	184,747	\$158,665,633	(23,978)	(\$24,964,654)	317,515	\$237,779,280

THE PENNSYLVANIA STATE UNIVERSITY
OFFICE OF UNIVERSITY DEVELOPMENT
YEAR TO DATE REPORT - ALL SOURCES
DEVELOPMENT OFFICER'S GOAL REPORT

THROUGH JANUARY 2014

	This Year Year-To-Date <i>(As of 1/31/14)</i>		Last Year Year-To-Date <i>(As of 1/31/13)</i>		Change Year-To-Date <i>(From 2013 - 2014)</i>		Last Fiscal Year Grand Totals <i>(7/01/12 - 6/30/13)</i>	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
ABINGTON	789	436,390	813	1,165,589	(24)	(729,199)	1,270	1,273,990
AGRICULTURAL SCIENCES	3,142	5,519,239	3,834	4,965,647	(692)	553,592	5,754	8,209,413
ALTOONA	1,193	1,802,871	1,299	1,058,556	(106)	744,315	1,879	1,554,686
ARTS & ARCHITECTURE	4,435	1,929,410	3,641	2,292,477	794	(363,067)	5,696	3,081,621
BEAVER	627	277,375	529	150,851	98	126,524	881	310,859
BEHREND	2,338	2,833,137	2,168	9,010,200	170	(6,177,063)	3,637	11,328,530
BERKS	660	573,404	786	252,867	(126)	320,537	1,344	458,038
BRANDYWINE	413	901,568	408	263,307	5	638,261	788	442,778
COMMUNICATIONS	931	578,516	1,060	991,390	(129)	(412,874)	1,516	1,471,270
DICKINSON SCHOOL OF LAW	535	352,537	490	753,746	45	(401,209)	793	922,094
DUBOIS	470	6,335,780	688	370,684	(218)	5,965,096	956	699,918
EARTH & MINERAL SCIENCES	2,071	14,420,430	2,077	2,947,581	(6)	11,472,849	3,114	5,641,896
THE EBERLY COLLEGE OF SCIENCE	3,108	12,182,011	3,266	13,806,680	(158)	(1,624,669)	4,673	18,925,944
EDUCATION	2,643	1,125,153	2,584	2,078,515	59	(953,362)	3,793	2,796,101
EDUCATIONAL EQUITY	413	953,124	360	122,693	53	830,431	611	613,234
ENGINEERING	5,906	9,215,094	6,090	8,745,236	(184)	469,858	8,893	20,428,283
FAYETTE, THE EBERLY CAMPUS	227	243,388	243	137,063	(16)	106,325	431	231,013
GREAT VALLEY	375	50,158	285	66,023	90	(15,865)	486	356,138
GREATER ALLEGHENY	476	178,060	627	161,658	(151)	16,402	856	277,196
HARRISBURG	1,575	685,354	1,686	1,273,188	(111)	(587,834)	2,571	2,379,968
HAZLETON	510	1,088,449	486	874,019	24	214,430	744	1,037,267
HEALTH & HUMAN DEVELOPMENT	3,322	4,763,673	3,420	5,659,850	(98)	(896,177)	4,983	7,851,986
HERSHEY	59,368	18,528,688	81,410	23,172,392	(22,042)	(4,643,704)	149,830	40,720,474
INFORMATION SCIENCES & TECHNOLOGY	331	1,648,730	341	7,613,360	(10)	(5,964,630)	529	7,917,412
INTERCOLLEGIATE ATHLETICS	21,722	15,473,375	24,092	38,185,941	(2,370)	(22,712,566)	39,015	50,463,097
LEHIGH VALLEY	425	214,564	386	141,261	39	73,303	661	241,929
LIBERAL ARTS	3,385	5,843,505	3,437	3,007,941	(62)	2,835,564	5,100	6,225,943
MONT ALTO	782	689,799	844	602,803	(62)	86,996	1,445	797,202
NEW KENSINGTON	414	322,093	380	226,372	34	95,721	618	304,590
OUTREACH	12,384	1,712,569	13,068	3,205,832	(684)	(1,493,263)	22,516	5,031,811
RESEARCH & GRADUATE SCHOOL	352	851,797	344	3,438,232	8	(2,586,435)	537	3,983,097
SCHREYER HONORS COLLEGE	1,217	1,000,892	772	707,056	445	293,836	1,383	1,357,785
SCHUYLKILL	541	367,879	539	765,726	2	(397,847)	939	800,175
SHENANGO	361	227,505	384	351,165	(23)	(123,660)	558	394,418
THE SMEAL COLLEGE OF BUSINESS	4,417	4,762,225	4,677	4,873,402	(260)	(111,177)	7,060	7,872,456
STUDENT AFFAIRS	4,020	715,478	4,182	1,468,137	(162)	(752,659)	6,382	1,941,688
UNDERGRADUATE EDUCATION	1,772	4,284,581	1,692	6,579,854	80	(2,295,273)	2,365	7,936,300
UNIVERSITY LIBRARIES	2,636	2,249,614	2,712	2,082,320	(76)	167,294	3,707	4,140,999
UNIVERSITY WIDE	8,594	4,370,805	6,798	4,163,863	1,796	206,942	16,090	5,658,015
WILKES-BARRE	608	631,946	563	134,988	45	496,958	1,038	514,045
WORTHINGTON SCRANTON	564	649,814	567	336,409	(3)	313,405	966	592,400
YORK	717	2,709,999	719	460,759	(2)	2,249,240	1,107	593,221
TOTAL	160,769	\$133,700,979	184,747	\$158,665,633	(23,978)	(\$24,964,654)	317,515	\$237,779,280

2014–2015

Room and Board Rate Proposal Housing and Food Services *The Pennsylvania State University*

- Housing Capacities Fall 2014
- Academic Year Occupancy Percentages
- 2013–2014 Comparison Room and Board Rates
- Budget Planning Factors for 2014–2015
- Expense Increases for 2014–2015
- Double Room and Meal Plan 3 Rate 2008–2015
- Proposed Room and Board Rates 2014–2015

Housing Capacities Fall 2014

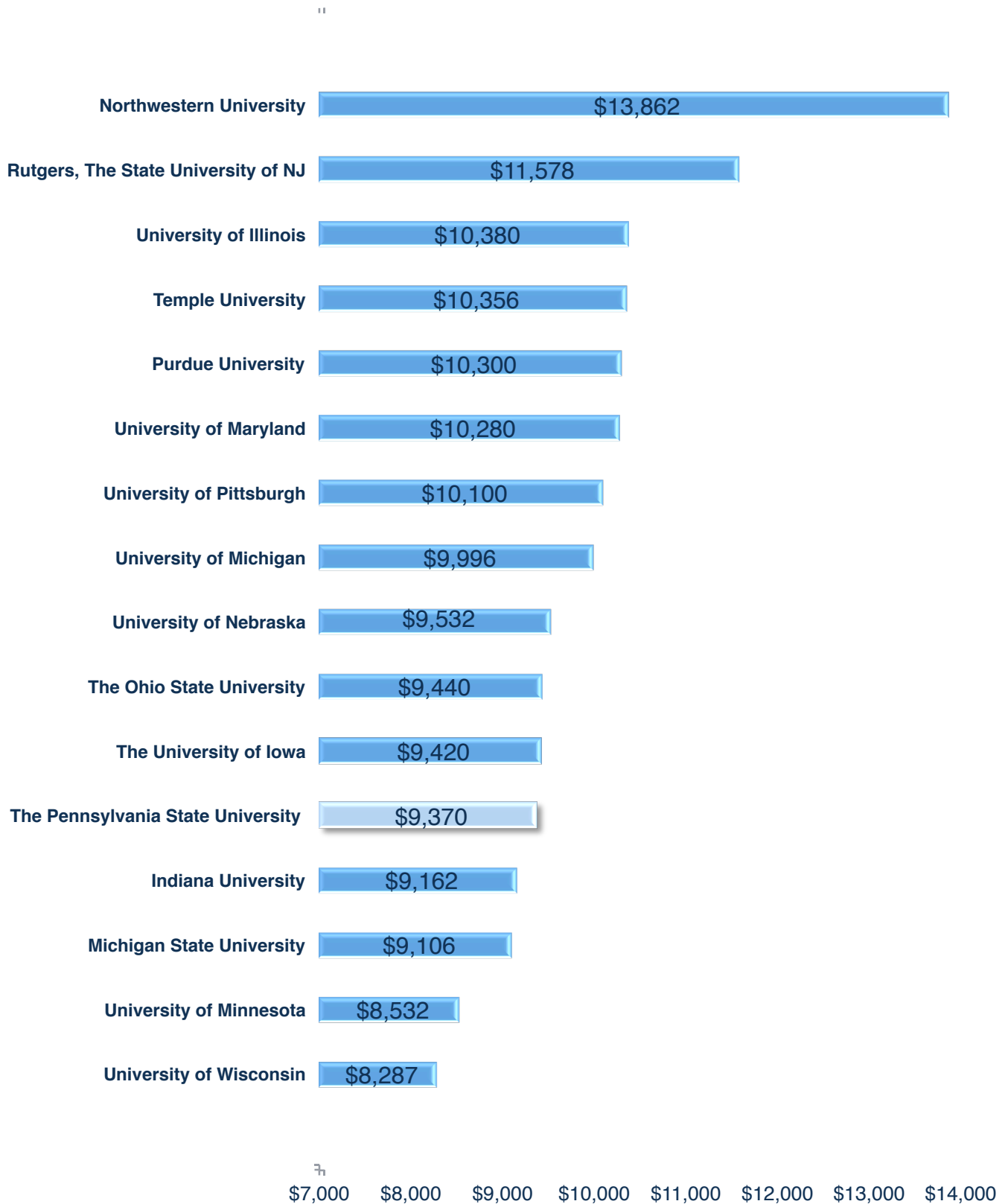
	Undergraduate Halls	Single Student Apts.	Subtotal	University Apts.	Total
University Park	13,062	300	13,362	124	13,486
Altoona	901		901		901
Beaver	211		211		211
Berks	805		805		805
Erie	1,368	283	1,651		1,651
Greater Allegheny	210		210		210
Harrisburg	99	332	431		431
Hazleton	455		455		455
Mont Alto	438		438		438
TOTAL	17,549	915	18,464	124	18,588

Academic Year Occupancy Percentages

	09–10	10–11	11–12	12–13	13–14 <i>est.</i>
University Park					
Single Student Housing	103.3	103.0	102.3	103.3	102.0
Apartments	97.4	95.2	97.0	85.4	85.0
Altoona	98.8	98.7	100.5	100.2	98.0
Beaver	80.8	82.0	89.5	74.3	70.0
Berks	99.6	99.2	99.4	97.3	95.0
Erie	100.3	99.7	98.5	99.1	98.0
Greater Allegheny	95.1	93.7	91.0	79.0	70.0
Harrisburg	99.2	98.9	98.7	96.7	96.0
Hazleton	101.8	100.5	100.7	99.0	95.0
Mont Alto	95.3	95.0	87.9	70.4	60.0

2013–2014 Comparison Room and Board Rates

Double Room and Board



Budget Planning Factors for 2014–2015

Housing and Food Services is a self-supporting auxiliary enterprise. As such, monies paid by students and guests for food and lodging are the only funds available to pay all operating expenses, building loans, and interest payments as well as costs for major maintenance and facility renewal. State funds are not used for construction, maintenance of facilities, or the operations of the housing and dining program.

The room and board rates proposed for 2014–2015 will meet the operating needs of our multi-campus residential program, provide for the necessary maintenance of our facilities, continue the major renewal plan begun with the renovation of North and South Halls, and support the strategic direction for Abington and Brandywine.

EXPENSES

Food Costs

Food costs for 2014-2015 are expected to increase by 2.3 percent. This increase reflects cost reduction strategies that incorporate additional contracts for direct manufacturer purchases, product testing results, the backhaul program, and monetary rebates.

Salaries and Wages

Monies are included for anticipated inflationary increases for staff and technical service employees. Additional funds are needed to meet the requirements outlined in the Affordable Care Act.

Utilities and Other Operating Expenses

Utility rates are expected to rise by 3.75 percent in the aggregate. A 2.5 percent increase is planned for each of the following areas: maintenance, supplies, and services.

Residence Life

The Office of Residence Life is requesting that the counseling fee be increased by 4.85 percent, from \$288.50 to \$302.50 per student per semester. This increase will generate an additional \$427,000 to compensate for increases in operating costs, anticipated salary and employee benefit increases, and room and board for resident assistants at all campuses.

OVERHEAD EXPENSES

Housing and Food Services Administration and Support Services

Administration and support services are provided with an allocation of \$2,200,000.

University Overhead

The budget provides \$7,595,000 for University administrative costs. Housing and Food Services pays a percentage of gross revenue to the University for central support. This rate is 4 percent for 2014–2015.

PROPERTY EXPENSES

Debt Service

The annual debt service for 2014–2015 will be \$29,992,000.

Deferred Maintenance and Facility Renewal

In total, this budget provides \$34,674,000 for facility renewal, deferred maintenance, emergency reserves, and strategic new construction for housing and foods facilities across the commonwealth.

For on-campus living to remain attractive to potential and returning students, especially with the proliferation of off-campus apartments, we need to ensure that our residence halls and dining facilities meet the standards of quality that students and their families expect.

Housing and Food Services has made significant progress on projects such as wireless capability and surveillance equipment. Based on board approval in March 2013, we are moving ahead with master planning and phasing schedules, feasibility studies, and cost estimating to further the plans for new construction at the Abington, Behrend, and Brandywine campuses and renovations for East and Pollock Halls at University Park.

INCOME

Meal Plan 3 most closely approximates the average board plan selected. A student living in a standard double room who selects Meal Plan 3 will pay 4.27 percent more for room and board in 2014–2015. The recommended rate increases for housing, food services, and conferences at Penn State University Park and the campuses will generate the required \$8,109,000 in additional income.

Expense Increases for 2014–2015

	<u>2013–2014</u> <u>% of Budget</u>	<u>2014–2015</u> <u>% of Budget</u>	<u>2013–2014</u> <u>Budget</u>	<u>2014–2015</u> <u>Increase</u>	<u>2014–2015</u> <u>Proposed</u>
Food Costs	14.2%	13.9%	\$27,094,000	\$623,000	\$27,717,000
Payroll & Related	24.7%	24.3%	47,240,000	1,262,000	48,502,000
Utilities	9.4%	9.4%	17,977,000	675,000	18,652,000
Other Operating Expenses	15.2%	15.0%	29,124,000	906,000	30,030,000
HFS Admin. & Support	1.1%	1.1%	2,135,000	65,000	2,200,000
University Overhead	3.8%	3.8%	7,374,000	221,000	7,595,000
Property	31.6%	32.5%	60,424,000	4,357,000	64,781,000
TOTAL EXPENSE	100.0%	100.0%	\$191,368,000	\$8,109,000	\$199,477,000

Double Room and Meal Plan 3 Rate 2008–2015

Year	Semester Rate	Semester Increase	Percent Increase
2008–09	\$3,835	\$245	6.82%
2009–10	\$4,085	\$250	6.52%
2010–11	\$4,185	\$100	2.45%
2011–12	\$4,370	\$185	4.42%
2012–13	\$4,495	\$125	2.86%
2013–14	\$4,685	\$190	4.23%
2014–15	\$4,885	\$200	4.27%

**RENTAL RATE COMPARISON
UNIVERSITY MANOR VS. PRIVATE APARTMENT COMPLEXES**

The rental rates that follow are the proposed University Manor rental rates as compared to the current rates for private apartment complexes in the Hershey area. The average private rental rate has been adjusted to include utility expenses where none previously existed in the rental rate. This then provides an “apples-to apples” rate comparison.

The average difference between the proposed University Manor rates and the current private apartment rates are:

**DIFFERENCES BETWEEN UNIVERSITY MANOR
AND PRIVATE APARTMENT RENTAL RATES**

	<u>Average Private Rates</u>	<u>Proposed Rates</u>
1 Bedroom	\$ 932	\$ 32 less
2 Bedroom	\$ 1,110	\$ 50 less
3 Bedroom	\$ 1,457	\$ 263 less
4 Bedroom	\$ 2,890	\$ 770 less

University Manor (Proposed Rates as of July 1, 2014):

	<u>Proposed Rates</u>
1 Bedroom	\$ 900
2 Bedroom	\$ 1,060
3 Bedroom	\$ 1,194
4 Bedroom	\$ 2,120



DATE: February 12, 2014
FROM: Jeanie Andrews *Jeanie*
TO: Members of the Board of Trustees

Attached is a draft of proposed amendments to the *Charter* and *Bylaws* as approved by the Governance and Long Range Planning Committee at its meeting on Thursday, January 16, 2014. These amendments will be recommended for approval at the March Board meeting.

The amendments are generally described as follows:

Charter

1. "Qualifications of Electors" (Page C-3) has been amended to clarify the qualifications of electors for the nomination and election for alumni to the Board. The modification allows that all qualified electors with a valid e-mail address on file in the University's alumni records will receive a ballot, rather than the existing practice of requiring qualified individuals to request a ballot.

Bylaws

1. Section 5.09(a)(iii) and 5.09(b)(iv) have been revised to modify and clarify the types of real estate transactions and other capital transactions to be brought to the Board for approval and for informational purposes.
2. Section 5.09(a)(iv) has been revised to reflect editorial revisions.

Attachments

cc/att: Frank T. Guadagnino
Thomas G. Poole

QUALIFICATIONS OF ELECTORS

(1) Alumni

- (a) All graduates who have received a first or bachelor's degree or an advanced degree from the University, and former students (limited to those persons who have satisfactorily passed one semester's or two terms' work, or more, in any ~~of the University courses-program which~~ requir~~esing~~ ing two years, or more, for completion and which results in a degree) shall be eligible to vote for alumni trustees, at the election next following the year of their graduation or the year following that in which they were no longer in attendance at the University, subject, however, to the procedure next stated. (Decree of the Court of Common Pleas of Centre County, April 25, 1892, No. 166, April Term, 1892; Decree of the Court of Common Pleas of Centre County, February 28, 1958, No. 211, February Term, 1958; Decree of the Court of Common Pleas of Centre County, No. 192, October Term, 1962; Resolution of the Board of Trustees, _____, 2014)
- (b) Procedure in Conducting Nominations and Elections: Ballots for the nomination and election of alumni to the Board of Trustees of the University shall be sent electronically only to:
- (i) Electors (qualified as above set forth) who have a valid email address on file in the University's alumni records as of the date of distribution of such ballots, within two years prior to March 1 of each year, been either active members of the Penn State Alumni Association or contributors to the University, or
- (ii) Electors who make individual request, in writing to the University, that such ballots be furnished to them. (Decree of the Court of Common Pleas of Centre County, February 28, 1958, No. 211, February Term, 1958; Resolution of the Board of Trustees, May 3, 2013; Resolution of the Board of Trustees, _____, 2014)

transactions; and (i) to exercise all powers and duties incident to the office of Treasurer; and such further duties from time to time as may be prescribed in these Bylaws or by the Board of Trustees or the President. The assistant treasurers shall assist the Treasurer in the performance of his or her duties and shall also exercise such further powers and duties as from time to time may be prescribed by the Board of Trustees, the President or the Treasurer. At the direction of the Treasurer or in his absence or disability, an assistant treasurer shall exercise the powers and duties of the Treasurer.

Section 5.08 Vacancies. Any vacancy in any office or position by reason of death, resignation, removal, disqualification, disability or other cause shall be filled in the manner provided in this Article V for regular election or appointment to such office.

Section 5.09 Delegation of Duties. The Board of Trustees may in its discretion delegate for the time being the powers and duties, or any of them, of any officer to any other person whom it may select. Upon authorization by the Board of Trustees, an officer may delegate performance of specific duties to employees and agents of the University.

(a) Notwithstanding the foregoing, the following matters shall require the approval of the Board of Trustees:

- (i) Basic University Organization and Policy
 - (1) Amendments to the Charter, Bylaws and Standing Orders;
 - (2) All reports of standing or special committees of the University's Board of Trustees;
 - (3) All major modifications of educational policy;
 - (4) Authorization to grant degrees to graduates;

(5) The determination of the major goals of the University, including the establishment and review of long-range plans for the educational, financial and physical development of the University; and

(6) University intellectual property policy.

(ii) Fiscal Matters

(1) Establishment of, or changes in existing, major University fiscal policies;

(2) Annual operating budgets and changes in the approved totals, state appropriation requests, and appropriation of building funds unappropriated;

(3) Acceptance of gifts, bequests, grants, fellowships, scholarships, loan funds that are not in accord with established policy;

(4) Establishment of, or changes in, fees including tuition, room and board;

(5) Authorization to borrow money; authorization of persons to sign checks, contracts, legal documents, and other obligations, and to endorse, sell, or assign securities; and

(6) Selection of a firm to make annual audit of University accounts.

(iii) ~~Physical Plant~~ Capital Projects

(1) Establishment of, or changes in existing policies, on matters such as selection of architects, naming of buildings and roads, preservation of campus landmarks;

(2) Purchase of land and other real estate with a purchase price of \$1 million or more;

~~(3)~~ ~~(2) Approval of the purchase or sale~~ Sale of land and other real estate ~~with a value of over \$1 million~~, with the exception of the sale of land and other real estate ~~up to~~ with a sale price of less than \$3 million ~~in value~~ gifted to the University for the express purpose of sale with proceeds benefitting the University;

~~(4)~~ ~~(3) Approval of specific~~ Honorific names for individual buildings and roads;

~~(4) Design plans for buildings and facilities to be constructed or significant alteration to existing buildings, with the exception of temporary buildings or buildings under \$5 million in cost; provided that review and approval may be requested by the administration in lieu of presentation as an information item for projects of a special nature that fall below the \$5 million level;~~

~~(5)~~ Any new construction or renovation project for which the total project cost is \$5 million or more, including

(A) Total project cost; provided, however, that the Officers of the University shall have the discretion to expend up to an additional 10 percent of the approved total project cost, as necessary;

(B) Appointment of architects, unless such project is funded in whole or in part with Commonwealth funds or designed by University employees;

(C) Design; and

(D) Awarding of contracts for construction;

~~(6)~~ ~~(5) Projects under \$5 million in cost that are bond-financed; and~~

~~(6) Approval to award contracts for construction; provided, however, that the Officers of the University shall have the discretion to expend up to an additional 10 percent of the authorized construction cost, as necessary; and~~

~~(7) Appointment of architect for construction of major projects. Other capital expenditures of \$5 million or more;~~

(iv) Personnel Matters.

(1) ~~The selection~~Selection, evaluation, compensation and removal of the President of the University, in accordance with policies and procedures adopted by the Board of Trustees from time to time. This responsibility includes a commitment to grant the President broad delegated authority, to support the President in his/her exercise of such authority, to judge the performance of the President, and if necessary, to remove the President. In the selection of a President, the Board shall consult with representatives of the faculty and the student body.

(2) ~~The establishment~~Establishment of and any changes to the University's executive compensation philosophy.

(3) ~~The establishment~~Establishment of and any changes to the employment terms and conditions of the President of the University.

the
(4) ~~The appointment~~Appointment of Vice Presidents and Deans and appointment and removal of the Vice President and General Counsel.

(v) Miscellaneous

(1) Selection of the recipients of Distinguished Alumni Awards, honorary degrees and the Penn State Medal; and

(2) Selection of specific dates for regular meetings of the Board of Trustees.

(b) The delegation of authority set forth in this Section 5.09 requires that the Board of Trustees rely on the judgment and decisions of those who operate under its authority. However, this reliance of the Board of Trustees must be based upon its continuing awareness of the operations of the University. Therefore, the Board of Trustees shall receive and consider thorough and forthright reports on the affairs of the University by the President or those designated by the President. The Board of Trustees has a continuing obligation to require information or answers on any University matter with which it is concerned. In addition to such matters as the President of the University may determine, or as requested by the Chair of the Board of Trustees, the following matters shall be presented to the Board of Trustees for information:

(i) Basic University Organization and Policy

- (1) New curricula and major changes in existing curricula;
- (2) Major policy matters affecting student welfare and activities; and
- (3) Major policy matters affecting research.

(ii) Fiscal Matters

- (1) Financial statements, and gifts, bequests, grants, fellowship, scholarships, loan funds that are in accord with established policy; and
- (2) The University's annual reports filed under the Clery Act and the Pennsylvania Right to Know Act.

(iii) Personnel Matters

(1) Policies. New policies or changes in existing policies governing appointments, promotions in academic rank, leaves of absence, resignations, retirements, academic freedom and tenure, hours and conditions of employment, and fringe benefits; and

(2) Executive Compensation. Information regarding

i. the evaluation and compensation of University executives (other than the President of the University), in accordance with policies and procedures recommended by the committee on compensation from time to time.

ii. The establishment of and any changes to executive compensation and benefit programs and policies.

iii. Information regarding the removal of Vice Presidents and Deans.

(iv) ~~Physical Plant~~ Capital Projects

(1) New construction or renovations projects with a total project cost between \$1,000,000 and \$4,999,999 equal to or greater than \$1 million but less than \$5 million;

(2) ~~Naming~~ Generic naming of individual buildings and roads and honorific naming of rooms, portions of buildings, and plazas;

(3) ~~Real~~ Purchase of real estate purchases with a purchase price of less than \$1 million in value;

(4) Proceeds from the sale of land and other real estate with a sale price of less than \$3 million gifted to the University for the express purpose of sale;

(5) Capital budget request submitted to the Commonwealth of Pennsylvania; and

(6) Reports (including photographs) on the progress of new construction or renovation projects with a total project cost of \$5 million or more.

(c) Board of Trustees Delegation of Authority to Certain University

Administrative Officers.

(i) The President, Vice President, Secretary, Treasurer, Assistant Treasurer, Senior Vice President for Finance and Business, and Corporate Controller of the University, or any one of such officers be and they are hereby fully authorized and empowered on behalf of the University to execute and acknowledge all deeds, agreements and contracts, and to transfer and endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes, evidences of indebtedness or other securities now or hereafter standing in the name of or owned by this University, and to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

(ii) The Treasurer, or in the absence of the Treasurer, the Senior Vice President for Finance and Business, may delegate in writing to such employees of the University as they may deem appropriate, the authority to execute and acknowledge on behalf of the University standardized agreements and contracts for which those employees have administrative responsibility.

(iii) The Executive Director, Office of Investment Management, or in his absence, the Chief Investment Officer, is hereby fully authorized and empowered on behalf of the University to transfer and endorse, sell, assign, set over and deliver any and all shares of stock, bonds, debentures, notes or other securities now or hereafter standing in the name of or owned by this University, and to make, execute, acknowledge, and

deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

(iv) The Associate Vice President for Finance and Business and Controller, or, in his or her absence, the Associate Controller, be and they are hereby fully authorized and empowered on behalf of the University to execute and acknowledge all agreements and contracts related to the affairs of the College of Medicine.

(v) The Associate Secretary and Assistant Secretary of this University, or any one of such officers, be and they are hereby fully authorized and empowered on behalf of this University to make, execute, acknowledge, and deliver, under the corporate seal of this University, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

ARTICLE VI

MISCELLANEOUS CORPORATE TRANSACTIONS AND DOCUMENTS

Section 6.01 Execution of Notes, Checks, Contracts and Other

Instruments. All notes, bonds, drafts, acceptances, checks, endorsements (other than for deposit), guarantees and all evidences of indebtedness of the University whatsoever, and all deeds, mortgages, contracts and other instruments requiring execution by the University, may be signed by the Chair, the President, any Vice President or the Treasurer, and authority to sign any of the foregoing, which may be general or confined to specific instances, may be conferred by the Board of Trustees upon any other person or persons. Any person having authority to sign on behalf of the University may delegate, from time to time, by instrument in writing, all or any part of such authority to any other person or persons if authorized to do so by the Board of Trustees,

ANNUAL REPORT OF THE CORPORATION FOR PENN STATE

The Corporation for Penn State is a Pennsylvania non-profit corporation organized in 1985 and is tax-exempt under the Federal Internal Revenue Code. Its Board of Directors is elected annually by the Board of Trustees and the current membership includes:

Marianne E. Alexander
James S. Broadhurst
Mark H. Dambly
Keith W. Eckel
Rodney A. Erickson
David J. Gray

Edward R. Hintz, Jr.
Nicholas P. Jones
Keith E. Masser
Harold L. Paz
Paul H. Silvis
Linda B. Strumpf

The Chair of the Board of Trustees serves as Chair of the Board of Directors; and the University President serves as President and Chief Executive Officer

The Corporation has two principal purposes—it acts as a holding company for a number of affiliates and subsidiaries engaged in activities, which for a variety of reasons, the University cannot or should not do directly.

These include the following three for-profit subsidiaries and affiliates:

1. The Nittany Insurance Company is a captive insurance company incorporated in the State of Vermont, organized for the purpose of providing access to the reinsurance market for various insurance programs.
2. The Research Park Management Corporation is responsible for the administration of the development of Innovation Park.
3. Penn State Hershey Health System was organized for the purpose of investing in joint ventures with healthcare organizations.

There are five non-profit subsidiaries and affiliates:

1. The Penn State Research Foundation is a corporate vehicle for the patenting, licensing and commercialization of intellectual property created by the faculty of the University. The proceeds of these activities are used to support research and technology transfer at the University.
2. The Ben Franklin Technology Center of Central and Northern Pennsylvania is a non-profit corporation which receives funding from the Commonwealth of Pennsylvania Department of Community and Economic Development and exists as a means to help create and preserve jobs in Pennsylvania.
3. The Pennsylvania College of Technology has been a subsidiary and part of Penn State since 1989.
4. The Recycling Markets Center receives its funding from the Commonwealth and was organized in 2005 for the purpose of aiding corporations throughout the Commonwealth to overcome technical barriers to the use of recyclable materials.
5. The Pennsylvania State University Philanthropic Fund was established in 2010 for the purpose of receiving gifts and grants from the public to be used to support and further the educational mission of The Pennsylvania State University.

The Board of Directors receives reports from each of these subsidiaries and the affiliates at least once each year.

The second principal purpose of The Corporation for Penn State is that it can, under certain circumstances, accept gifts on behalf of the University that cannot be made directly to the University. This continues to be an important vehicle for the accomplishment of University objectives.