

PENNSSTATE



Meetings of the Board of Trustees

September 18, 2015

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 July 17, 2015?

3. **President's Report**
4. **Provost's Report**
5. **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 – M. Abraham Harpster, 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 of Graduate Programs

(See Appendix I)

B. Committee on Audit and Risk – Walter C. Rakowich, Chair

C. Committee on Compensation – Paul H. Silvis, Chair

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

1) **Discussion of Consent Agenda Items Provided for Information or Approval:**

Information Items –

- a) Fire Alarm Replacement at Various Buildings, University Park
- b) Beaver Stadium Annual Maintenance, University Park
- c) Core Campus Walkways, Penn State Brandywine
- d) George T. Harrell Health Sciences Library Renovation, The Milton S. Hershey Medical Center
- e) Naming of Rooms, Portions of Buildings, and Plazas
- f) Status of Major Construction Programs and Borrowing
- g) Capital Budget Request for Fiscal Year 2016-2017
- h) Summary and Designation of Gifts Received

Action Items –

- i) Summary of Revised Funds
- j) Summary and Acknowledgement of New Funds and Major Commitments

(See Appendix II)

2) **Appointment of Non-University Employees to the Penn State Investment Council**

In September 2000, Penn State's Board of Trustees established the Penn State Investment Council to provide direct oversight of the University's endowment and long-term investment program. The Penn State Investment Council, appointed by the Board of Trustees, includes the: Senior Vice President for Finance and Business/Treasurer of the University (Chair); Chief Executive Officer, Office of Investment Management; and five to nine non-University members (at least one of whom is a voting or emeriti member of the Board of Trustees). The terms are staggered as follows:

2015

Blake Gall, President, MicroPlusPlus Investment Management (Boalsburg, PA)
Edward R. Hintz, Jr., President, Hintz Capital Management, Inc. (Morristown, NJ)
Joseph B. Markovich, Managing Director, J.P. Morgan Private Bank (New York, NY)

2016

Carmen J. Gigliotti, Managing Director (Retired), Private Equities, DuPont Capital Management (Wilmington, DE)
Colleen Ostrowski, Senior Vice President and Treasurer, Mylan (New York, NY)

2017

Gary A. Glynn, President and Chief Investment Officer (Retired), U.S. Steel & Carnegie Pension Fund
J. David Rogers, Chief Executive Officer, JD Capital Management (Greenwich, CT)

It is proposed to re-appoint Blake Gall, Edward R. Hintz, Jr., and Joseph B. Markovich, non-University Employees, to membership with terms expiring in 2018.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That Blake Gall, Edward R. Hintz, Jr., and Joseph B. Markovich, non-University employees, are appointed to the Penn State Investment Council for terms ending in 2018.

3) **Review of Long Term Investment Pool as of June 30, 2015**

Appendix III is an information report on the University's Endowment and Similar Funds as of June 30, 2015. A brief presentation will be made at the meeting.

(See Appendix III)

4) **Proposed Final Plan Approval and Authorization to Expend Funds, Morgan Academic Support Center for Student-Athletes, University Park**

The Morgan Academic Support Center for Student-Athletes, referred to as MAC, is instrumental in keeping Penn State's academic services and the academic performance of its student-athletes at the forefront among the nation's premier Division I athletic programs. Tutoring, advising, computer labs, group study areas and meeting places are currently located in four separate University Park locations: Lasch Football Building, East Area Locker Room, Recreation Hall, and

the Bank of America Career Services Building. The University intends to consolidate the MAC, to include all services and staff, into one physical location to better support and advise student-athletes while providing them with a more student-centered academic support area.

The Greenberg Ice Pavilion was vacated with the recent completion of Pegula Ice Arena. The majority of the first floor has since been renovated to serve as swing space for multiple science laboratories being renovated as part of the University's five year capital renewal plan. The remainder of the first floor and a portion of the ground floor will be renovated for the MAC and will accommodate approximately 800 student-athletes from 31 varsity sport teams. This project will provide the additional academic support space necessary since adding men's/women's varsity ice hockey teams two years ago.

The project includes office space for staff members, interns and graduate assistants, collaborative learning spaces, a large classroom, conference rooms, a multimedia interview room, and a student lounge.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the final plans for the Morgan Academic Center for Student-Athletes, as designed by the team of PJ Dick of Pittsburgh, Pennsylvania, and Hoffman Leakey Architects of Boalsburg, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$7,200,000.

5) **Proposed Final Plan Approval and Authorization to Expend Funds, Ruhl Student Center, Penn State York**

The 35,000 square foot Multi-Purpose Building (now called the Joe and Rosie Ruhl Student Community Center) at Penn State York first opened its doors in 1968. Student administrative services, such as Student Aid and Student Affairs, and recreational and athletic facilities are housed in the building. The campus and its student enrollment have grown considerably since 1968 and the facility is no longer able to meet the needs of today's students. Athletic programs have grown, and the student body wellness and recreation needs and expectations have evolved. Code changes, Title IX requirements, Americans with Disabilities Act (ADA) and other changes require that this building be brought up to current standards. A new, modern wellness, recreation and exercise facility will meet current and projected needs.

The project includes an approximate 28,000 square foot addition that will include much needed kinesiology, intramural, and athletic space in the form of a multi-activity court. This space will also allow for off season athletic team practice for sports such as baseball, soccer, and intramural activities. Additionally, a group fitness room for classes such as yoga and spinning will be included. Approximately 20,000 square feet of renovations to existing spaces include upgrades to the existing gymnasium, accessible bathrooms, an elevator and entrance with vestibule, a game room, kinesiology classrooms, student services offices, concession area and consolidated and updated and efficient HVAC systems.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the final plans for the Ruhl Student Center, as designed by the team of Renaissance 3 Architects of Pittsburgh, Pennsylvania, and Moody Nolan of Columbus, Ohio, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$13,500,000.

6) **Proposed Approval and Authorization to Expend Funds, New Learning Management System**

The University's enterprise Learning Management System (LMS), known as ANGEL, was purchased fourteen years ago (Fall 2001) as a teaching and learning system for Penn State University faculty and students. As a part of our ongoing examination of the academic technologies landscape, the University has conducted six LMS pilots since 2009, when Blackboard, Incorporated acquired ANGEL. The pilots have encompassed all of the industry leaders including Blackboard, Canvas, Desire2Learn, Moodle, and more. Blackboard reduced vendor support of ANGEL in October 2014, and announced a discontinuation of the product at the end of 2017.

In November 2014 the University joined the Unizin consortium. Unizin is a collaboration among partner institutions to support digital teaching and learning. Unizin helps its partner institutions manage and share digital content related to teaching and learning, as well as facilitating learning analytics to help improve student outcomes. The vision for Unizin is a highly integrated, standards-based set of services that enable faculty and higher-education institutions to provide a full range of easy-to-use digital educational experiences. Canvas (by Instructure, Incorporated) was carefully chosen by the consortium to be the primary and only LMS in the Unizin service offering for its early years. As part of membership with Unizin, the University piloted the Canvas LMS in spring 2015. A large majority of the pilot participants surveyed (faculty, staff, and students) agreed Canvas would be a suitable replacement for ANGEL.

After conducting a comprehensive technology assessment, cost/benefit analysis, and benchmarking, the LMS executive sponsors (Nicholas Jones, Executive Vice President and Provost; Craig Weidemann, Vice President for Outreach and Vice Provost for Online Learning; Robert Pangborn, Vice President and Dean for Undergraduate Education; and Kevin Morooney, Vice Provost for Information Technology) recommended unanimously that the acquisition of Canvas via Unizin would provide the greatest value for the University, with the least risk, in the shortest amount of time, and at the best cost associated with the added worth Unizin brings to the higher education learning ecosystem.

Will the Board of Trustees adopt the following resolutions:

WHEREAS, The University has determined a replacement of the existing enterprise Learning Management System (LMS), i.e., ANGEL, at the University is necessary; and

WHEREAS, The University conducted an in-depth review of the various options to replace the existing LMS, including a needs assessment, cost/benefit analysis, and extensive pilots of several vendor solutions, and has concluded that a modern-day “Software-as-a-Service” technology solution will provide the greatest functionality, flexibility, and scalability to the University, in the shortest amount of time; and

WHEREAS, The implementation of the new LMS solution will require the University to acquire additional resources to assist in the planning and implementation of such solution;

RESOLVED, That the Officers of the University are authorized to purchase Instructure, Incorporated’s cloud-based LMS solution, Canvas, and such other ancillary technology services, as necessary to replace the existing LMS and are authorized to acquire additional resources to assist the University with the implementation of such new technology solution.

FURTHER BE IT RESOLVED, That authorization to award contracts and hire staff to complete the replacement of the existing LMS be approved at a total capital cost not to exceed \$10,300,000.

FURTHER BE IT RESOLVED, That the Officers of the University shall have the discretion to expend up to an additional 10 percent of the approved total capital cost, as necessary.

7) **Proposed Approval to Transfer Control of The Milton S. Hershey Medical Center to Penn State Health**

Transferring control of the Pennsylvania nonprofit corporation “The Milton S. Hershey Medical Center” (the Medical Center”) is an essential step in the development of Penn State Health, the new enterprise created by the Board of Trustees to facilitate growth of the health enterprise supporting the University’s College of Medicine. Penn State Health presently includes Saint Joseph Regional Health Network, and through the Affiliation Agreement with Pinnacle Health System (“Pinnacle”), if approved by regulatory authorities, Pinnacle will join the Medical Center as a component of Penn State Health. The proposed transfer of control of the Medical Center is consistent with the long term plan for development of Penn State Health as shared with the Board of Trustees in previous presentations.

If transfer of the Medical Center is approved by the Board of Trustees, implementation of such a transfer will only occur when all necessary measures have been taken to assure a smooth transition to Penn State Health, and when all necessary regulatory approvals have been obtained, including review by the Pennsylvania Attorney General’s office and the M.S. Hershey Foundation. The proposed transaction does not change the University’s continuing ownership of the College of Medicine, and does not include transfer of any real estate comprising the campus in Derry Township, Pennsylvania.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That transfer of the control of the corporation known as The Milton S. Hershey Medical Center (“Medical Center”) to Penn State Health is hereby authorized and approved, and the officers of the University and the board of directors of the Medical Center are hereby authorized to take such actions as are necessary to effectuate such transfer, subject to all necessary regulatory approvals and upon such terms and conditions and agreements as are deemed necessary by the officers of the University and Medical Center for the purposes and interests of the University.

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

1) Proposed Approval of Granting of Trustee Emeritus Status

In accordance with *Standing Order IX*, the Committee on Governance and Long-Range Planning will make a report and accompanying recommendations to the Board with respect to the granting of trustee emeritus status.

F. Committee on Legal and Compliance – Richard K. Dandrea, Chair

1) Proposed Application for an Off-Premises Catering Permit for the Nittany Lion Inn

Will the Board of Trustees adopt the following resolutions:

WHEREAS, The Pennsylvania State University owns and controls liquor license H-4730 issued by the Pennsylvania Liquor Control Board for use at the Nittany Lion Inn; and

WHEREAS, The Pennsylvania Liquor Code authorizes the Pennsylvania Liquor Control Board to issue Off-Premises Catering Permits to holders of a hotel liquor license to sell, subject to certain conditions, alcoholic beverages at places other than the locations where the licenses are located; and

WHEREAS, The Pennsylvania State University desires that all service of alcoholic beverages at authorized events sponsored by the various clients, colleges and departments be done in full compliance with law employing the highest standards of care by beverage professionals.

THEREFORE BE IT RESOLVED, That an application for an Off-Premises Catering Permit be filed with the Pennsylvania Liquor Control Board on behalf of the Nittany Lion Inn; and

BE IT FURTHER RESOLVED, That David J. Gray, Senior Vice President for Finance & Business/Treasurer and/or Joseph J. Doncsecz, Corporate Controller, or any appropriate designee(s), is/are authorized to execute the application and any other papers required by the Pennsylvania Liquor Control Board, and to take such other actions as may be required in connection with the application.

- G. **Committee on Outreach, Development and Community Relations** – Ryan J. McCombie, Chair

6. **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:

Eric J. Barron	Nicholas P. Jones
Kathleen L. Casey	Keith E. Masser
Mark H. Dambly	Daniel S. Mead
Keith W. Eckel	William F. Oldsey
David J. Gray	Paul H. Silvis
A. Craig Hillemeier	

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

1. Information on Graduate Programs**A. Bioinformatics at Penn State Great Valley: Drop Minor**

The proposal to drop the graduate minor in Bioinformatics at Penn State Great Valley was published in the Graduate Council Curriculum Report (GCCR) on December 3, 2014.

Due to faculty turnover and declining student interest, a decision was made to cease active promotion of the minor in the fall of 2008.

B. Religious Studies in the College of Liberal Arts: Drop Minor

The proposal to drop the graduate minor in Religious Studies in the College of Liberal Arts was published in the Graduate Council Curriculum Report (GCCR) on February 11, 2015.

Religious Studies ceased to be a budgeted unit in 2012. No graduate courses are offered in Religious Studies and there is no faculty capacity to offer them.

C. Master of Science in Architecture and Master of Architecture: New Program and Change in Requirements of Existing Program

The proposal to add a new Master of Science degree in Architecture and to change the requirements for the existing Master of Architecture degree was published in the Graduate Council Curriculum Report (GCCR) on June 10, 2015.

This proposal changes the requirements of the Master of Architecture degree in order to comply with the National Architectural Accrediting Board's guidelines for professional accreditation. It also establishes a research-oriented Master of Science in Architecture, consistent with Graduate Council guidelines differentiating academic, research-intensive graduate degrees from professional graduate degrees emphasizing practical application of knowledge.

D. J.D. at Penn State Law and Master of Health Administration in the College of Health and Human Development: Joint Degree Program

The proposal to create a joint degree program with the Juris Doctor (J.D.) at Penn State Law School and the Master of Health Administration (M.H.A.) in the College of Health and Human Development was published in the Graduate Council Curriculum Report (GCCR) on June 10, 2015.

The joint degree program will strengthen Penn State Law (PSL) and the Department of Health Policy and Administration (HPA) by providing educational opportunities that respond to the increasing role of federal law and regulation in the delivery of health care products and services, most notably through the Patient Protection and Affordable Care Act, which has fueled growing interest among students for classes and degree programs focused on the intersection of law and health care; and enhancing recruitment of top quality students and faculty to both PSL and HPA.

E. Doctor of Public Health in Penn State College of Medicine: New Program

The proposal to create a Doctor of Public Health (Dr.P.H.) degree program in Penn State College of Medicine was published in the Graduate Council Curriculum Report (GCCR) on June 10, 2015.

Educationally, the Dr.P.H. places an emphasis on discovery, teaching, integration, and application with a primary purpose of bridging research and practice to protect and improve the public's health. The Dr.P.H. degree is designed to prepare its graduates for evidence-based practice and leadership in the application of translational science and implementation research findings. This development effort is particularly timely given major initiatives in health reform, as well as entrenched public health problems that persist amidst a plethora of published research.

F. Medical Doctor and Master of Public Health in Penn State College of Medicine: Joint Degree Program

The proposal to create a joint degree program with the Medical Doctor (M.D.) and the Master of Public Health (M.P.H.), both in the Penn State College of Medicine, was published in the Graduate Council Curriculum Report (GCCR) on June 10, 2015.

The joint degree program will advance the M.P.H. degree program's reach and impact by responding to well-established national recommendations on the public health training needs of physicians; and continue to strengthen important collaborations between public health and medicine at Penn State.

1. **Fire Alarm Replacement at Various Buildings, University Park**

Fire alarm systems will be replaced in various buildings on campus such as Rec Hall, Physical Plant Building, Kern, and Research Building West, with a cost estimate of \$1,700,000. This is the final phase of a larger project that replaced fire alarm systems in 60 University Park buildings.

2. **Beaver Stadium Annual Maintenance, University Park**

Beaver Stadium maintenance projects are performed each fiscal year in order to keep the stadium operational. Following is a listing of potential projects for FY 2015/2016: winterize Beaver Stadium; bird netting replacement; water pressure pump replacement; bookstore storage room renovations; new security cameras; chiller repairs/replacement; suite drip pan water leaks; suite patio leaks and drain freezing; painting of exterior concession stands; UPS bowl lighting; stadium bowl washing; repaint seat numbers; recoat interior ramps with anti-skid; concrete paving/repair; replace north deck mesh panels; repair and paint damaged stairs at north upper deck; recoat south ramp over bookstore; seating bowl caulking; painting of steel members at press box; railing repair; ceiling mold and leak repair at concession stand; repair heat trace at east suite sewer line; replace doors at press box coaches room; replace chair pads at seating bowl; suite window Mecho Shade bracket upgrades; replace awnings at elevators; paint exterior doors and frames; and replace light pole banners. The 2015/2016 maintenance budget is estimated at \$3,750,000.

(See Appendix II.1)

3. **Core Campus Walkways, Penn State Brandywine**

The University has successfully completed Phase I of sidewalk, landscape, and lighting improvements to the campus core at Penn State Brandywine, near the Tomeszk Building. Phase II, near the Commons & Athletic Center will be completed in fall of 2015. A third phase is planned for the future near the Vairo Library. When Phase I was completed the total project cost for all phases was expected to be below \$1,000,000, but due to scope increases, such as additional lighting, site furniture and boulders for seating, and construction costs being higher than anticipated, the project cost estimate is now \$1,418,000, which requires that the Board of Trustees be informed.

(See Appendix II.2)

4. **George T. Harrell Health Sciences Library Renovation, The Milton S. Hershey Medical Center**

The Penn State College of Medicine intends to renovate the George T. Harrell Health Sciences Library located on the Penn State Hershey campus. The design provides for student collaboration, quiet study opportunities, access to emerging technologies, and an advanced administration suite. By creating a more inviting user experience, the renovated Library will inspire innovation and information sharing while remaining flexible for future functions.

The proposed floor plan includes study rooms with advanced technological components for small group work. The Main Collaborative area consists of group furniture components, some with embedded technology that allows broadcasting/sharing of data from mobile devices to a central display screen. A Quiet Study area consists of furniture components, group study tables, study carrels, computer pods, and lounge seating. There is a centrally located Service Point for IT staff and a Librarian. Staff will work one on one with students on specific devices.

The Administrative Suite consists of offices, Interlibrary Loans, a Multipurpose Break Room and staff offices. The room for Interlibrary Loans supports the scholarly research needs of Penn State Hershey faculty, staff and students. Materials can be requested from libraries worldwide along with articles and journals held in the current collection.

The History of Medicine Study/Display Area houses the archival medical books and other historic paraphernalia as well as a space for display of current student and faculty research and projects. Flexible lounge seating allows this area to be transformed into a space where events/receptions can be held.

Two prominent features of this renovation are the Technology Sandbox and the One Button Studio, both designed to promote collaboration. Presentations can be easily recorded via a "one button" control in the One Button Studio. The Technology Sandbox provides infrastructure for educational and research interests. The estimated total cost for this project is \$4,555,145.

(See Appendix II.3)

5. **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:

1. Name a conference room in the Junker Auditorium at Penn State Behrend in honor of Roger L. Sweeting, associate professor and former director of athletics. The recognition plaque will read:

*Hall of Fame Room
Dedicated in honor of
Dr. Roger L. Sweeting*

2. Name a multi-purpose conference room in the Health and Human Development Building in honor of a deceased faculty member, Janis E. Jacobs. The recognition plaque will read:

*In Memory of Janis E. Jacobs (1954-2005)
Respected and beloved adolescent development scholar, mentor and administrator.
Her many contributions enhanced the University and her field.*

3. Name the Department of Human Development and Family Studies Reception/Visitor space in the Health and Human Development Building in recognition of a pledge from Craig and Cindy Jackman. The recognition plaque will read:

*The Craig and Cindy Jackman Family
Visitor Office
Department of Human Development
And Family Studies*

4. Name the bronze resting buffalo statue in the Arboretum in recognition of a commitment from Ann and Peter Tombros and members of the For the Future Campaign Executive Committee. The recognition plaque will read:

*A Gift From
The Executive Committee of
For The Future: The Campaign for Penn State Students*

*In Honor of
Rodney P. Kirsch 2014h
Senior Vice President for
Development and Alumni Relations*

5. Name a Seatwall / Rock Planter in the Childhood's Gate Children's Garden in the Arboretum in recognition of a group gift from the Penn State Stewardship Committee in honor of its exiting chair, Linda Gall. The recognition plaque will read:

*Seatwall
A Gift from
The Penn State University Stewardship Committee
In Honor of
Linda J. Gall, Committee Chair (2007-2014)*

6. Name the Amphitheater in the Childhood's Gate Children's Garden in the Arboretum in recognition of a group gift in honor of the For the Future volunteer leadership. The recognition plaque will read:

*In Honor of
The Executive Committee of
For The Future: The Campaign for Penn State Students,
2007-2014*

*Peter G. Tombros, Chair
E. Lee Beard, Vice-chair
Bruce R. Miller, Vice-chair*

*John M. Arnold
Richard J. Barry
Edward J. Beckwith
Dennis P. Brenckle
James S. Broadhurst
Linda J. Gall
Steve A. Garban
Edward R. Hintz
Helen S. Hintz
William A. Jaffe
Martha B. Jordan*

*Edward P. Junker, III
Jeffery L. King
Keith E. Masser
Arthur J. Nagle
Karen B. Peetz
Robert E. Poole
Catherine Shultz Rein
Douglas L. Rock
Richard K. Struther
John P. Surma, Jr.
John K. Tsui*

7. Name the Defensive Staff Meeting Room in the Lasch Football Building in recognition of a pledge from Robert and Kim Nielsen. The recognition plaque will read:

*Bob and Kim Nielsen
Defensive Staff Meeting Room*

8. Name the Steam Room in the Pegula Ice Arena in recognition of a pledge from Michael Tarvin. The recognition plaque will read:

*Meredith E. Tarvin
Steam Room*

9. Name the Child Life Play Area in the Penn State Hershey Children's Hospital in recognition of a gift from Suzy and Jim Broadhurst. The recognition plaque will read:

*Made possible by the generosity of
Suzy and Jim Broadhurst
In honor of Pat Kehew*

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

(See Appendix II.4)

7. **Capital Budget Request for Fiscal Year 2016-2017**

Penn State has identified several projects as a priority and annually submits a list of those projects to the Commonwealth's Department of Education for further consideration by the Legislature. In order for the Governor to release funds for capital projects, the projects must have prior authorization and approval by the Legislature. The Capital Budget Request consists of those projects for which the University is seeking authorization for subsequent funding by the Governor.

For fiscal year 2016-2017, the University will submit a Capital Budget Request to the Commonwealth for authorization of \$148.2 million of which \$124.0 million is for construction projects and the remaining \$24.2 million is for original equipment.

(See Appendix II.5)

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

(See Appendix II.6)

9. **Summary of Revised Funds**

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.

10. **Summary and Acknowledgement of New Funds and Major Commitments**

The Committee on Finance, Business and Capital Planning is advised that for the period June 22, 2015 through August 21, 2015, 33 new funds totaling approximately \$5,555,259 were accepted by the University, including scholarships, fellowships, etc. All of these items conform to established University policies and regulations.

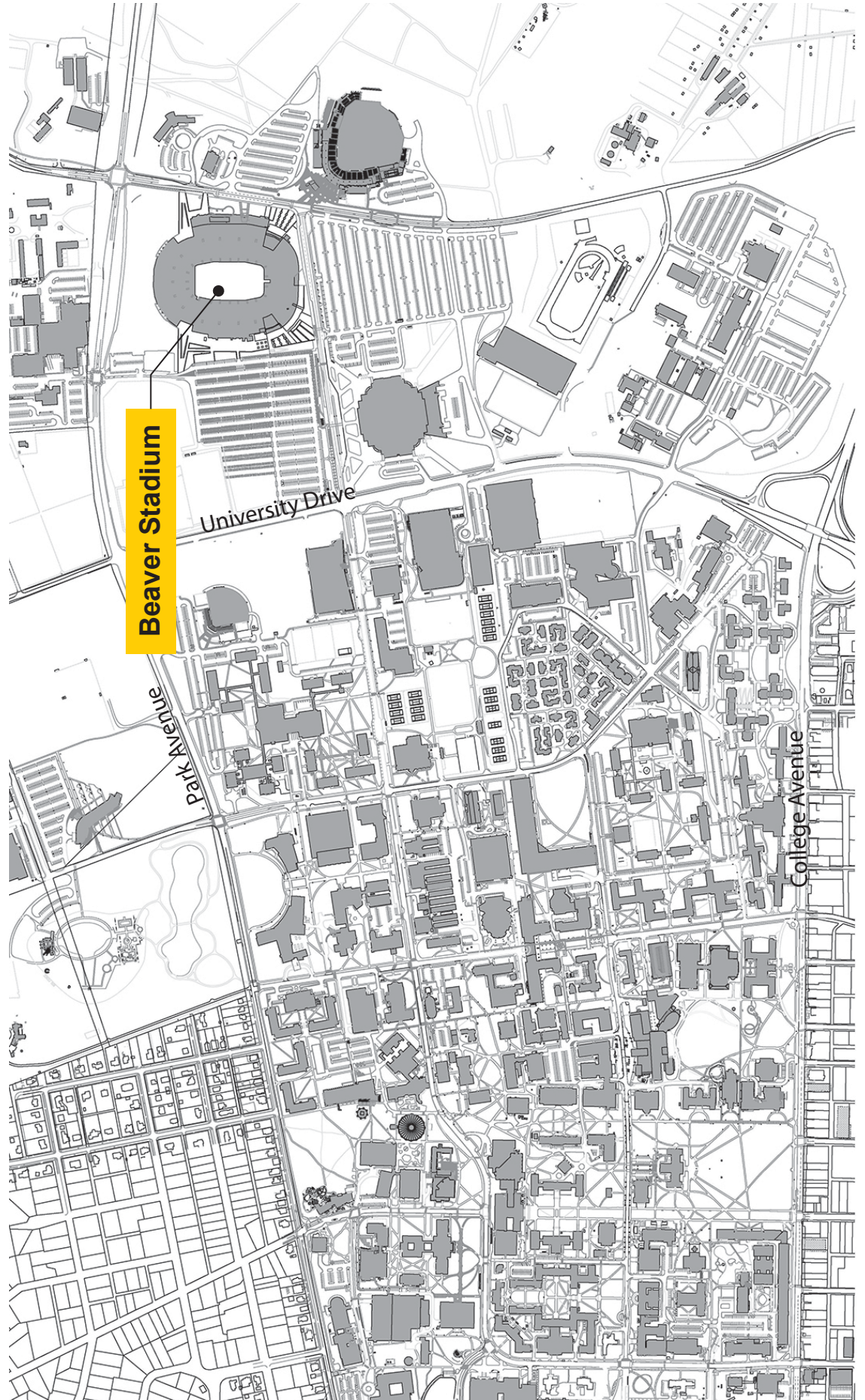
For the period May 1, 2015 through June 30, 2015, 53 major commitments were accepted by the University totaling approximately \$14,719,411.

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

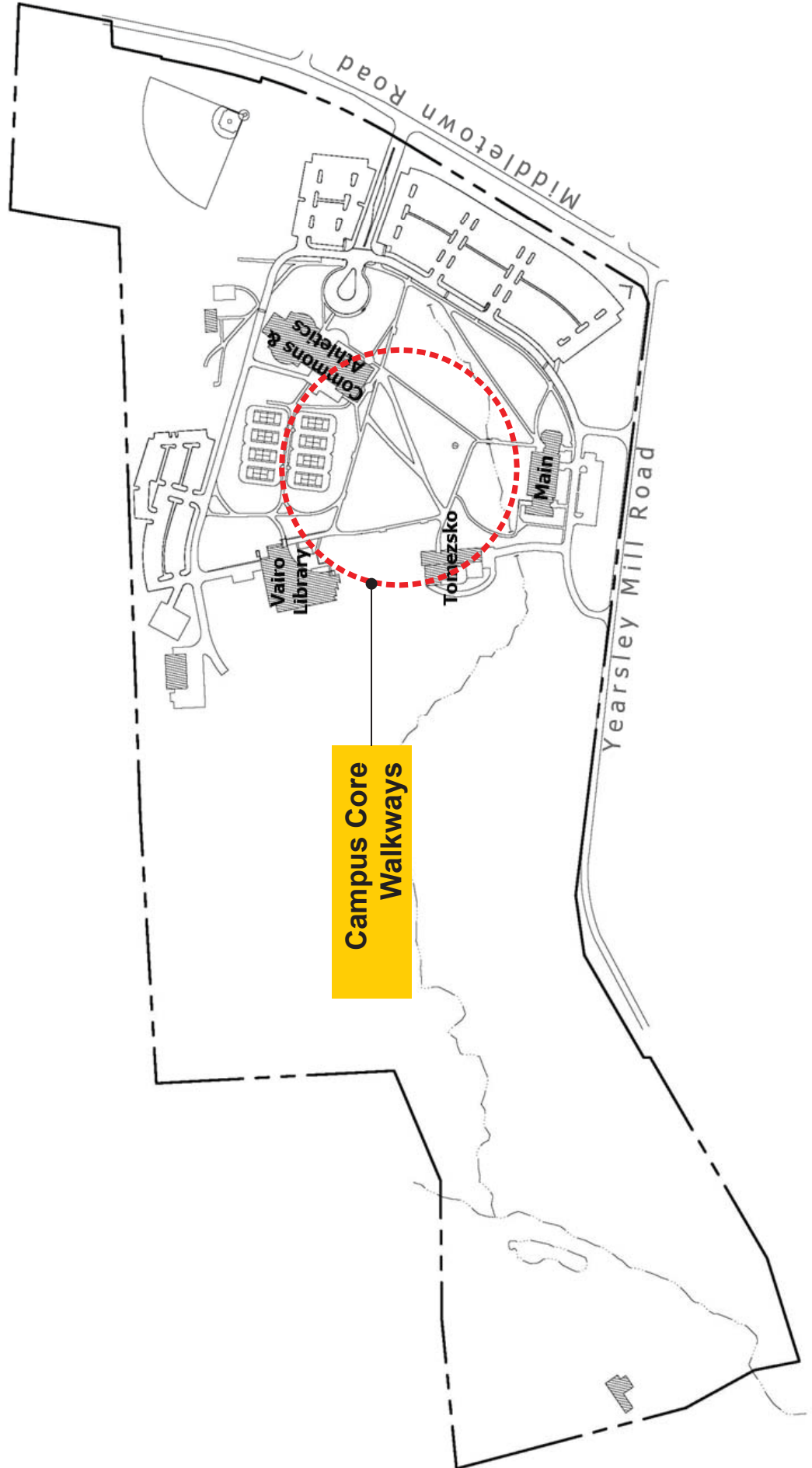
RESOLVED, That the Board of Trustees gratefully acknowledges the generous contributions of the many friends of the University in support of endowments, funds, and other major commitments as reported to the Committee on Finance, Business and Capital Planning at its meeting of September 17, 2015.

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

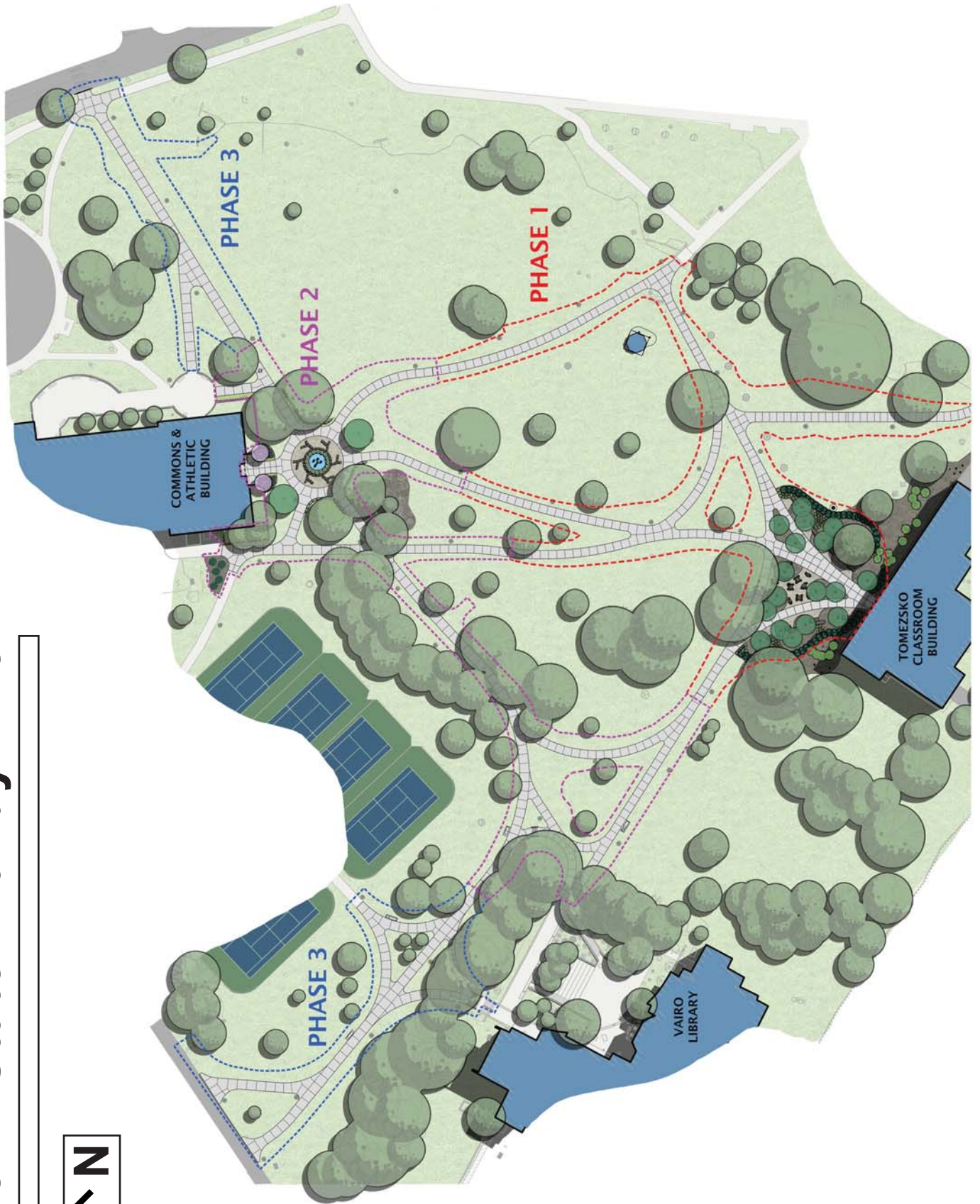


Penn State Brandywine

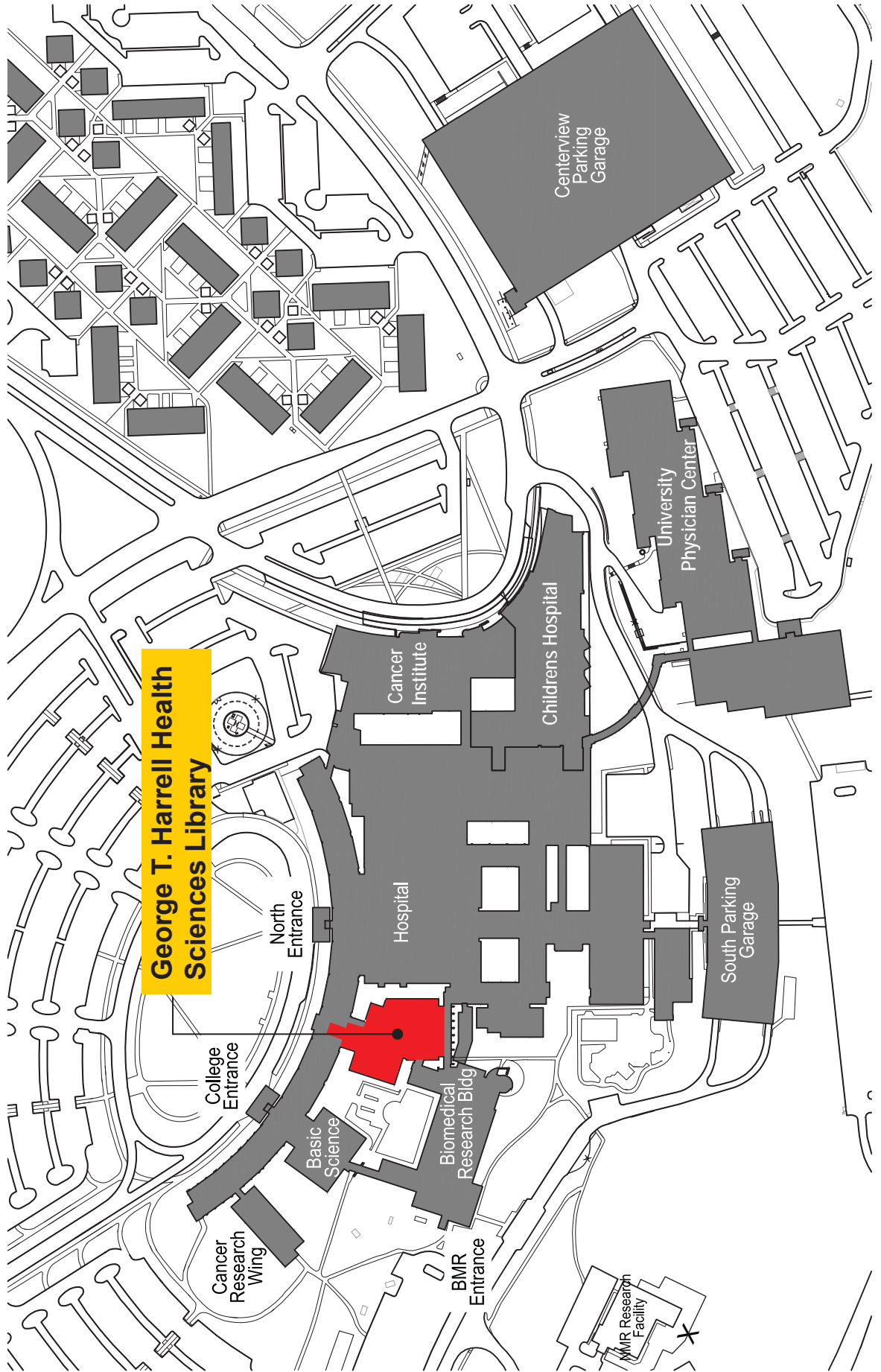


Campus Core Walkways

Penn State Brandywine



The Milton S. Hershey Medical Center



The Milton S. Hershey Medical Center

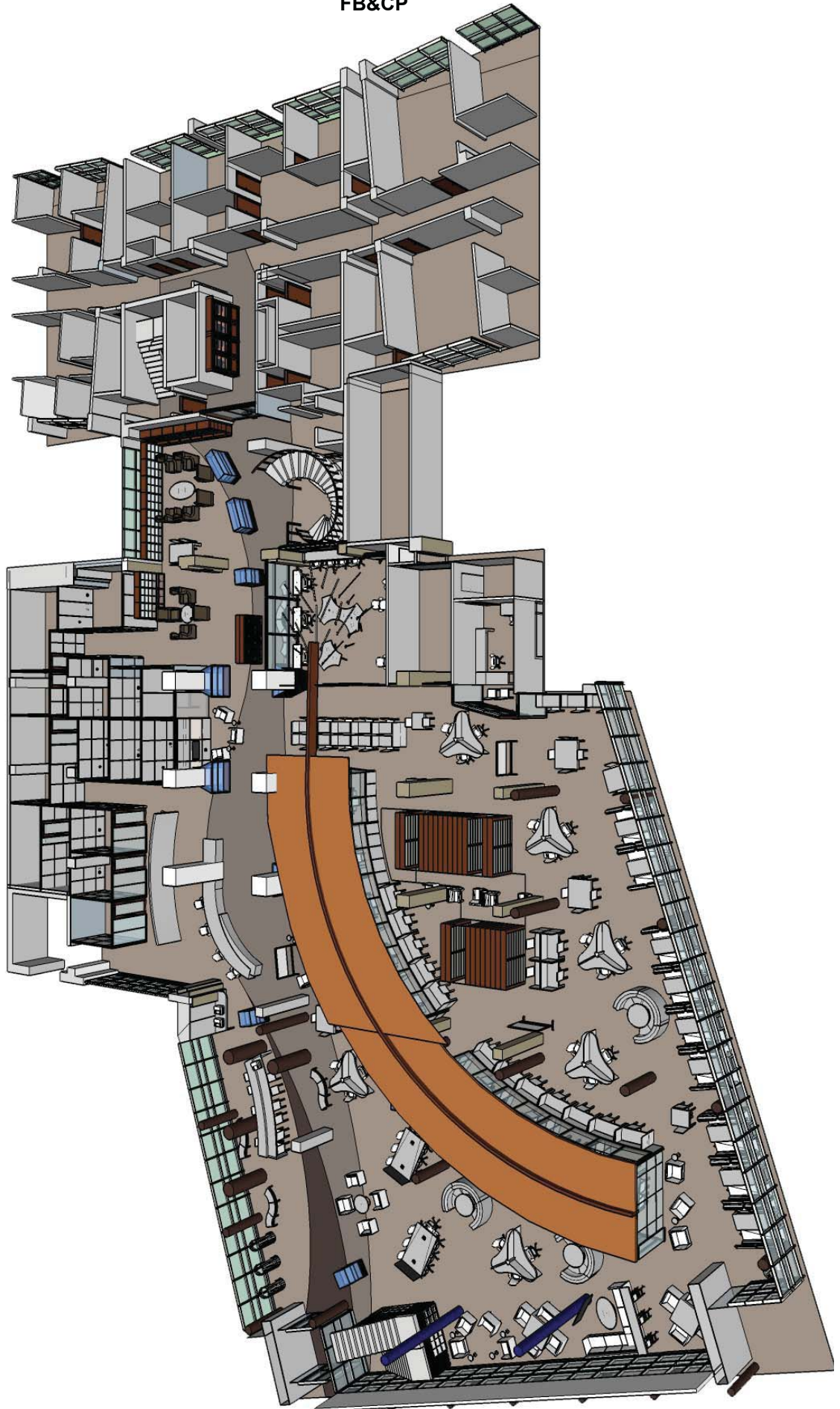


SQUARE FOOTAGE : 17,044 SF

SEAT COUNT : 301

George T. Harrell Sciences Library Floor Plan

The Milton S. Hershey Medical Center



(Appendix II.3)

STATUS OF MAJOR CONSTRUCTION PROGRAMS AND BORROWING (> \$5 Million)
August 31, 2015

Campus	Project Data		Budget Amount	Commonwealth Funding	Gift Amount	BOT Milestones		Construction		Notes
	Project Name	Project Name				Arch/Eng Selection	Final Plan Approval	Start Date	Completion Date	
Abington	New Residence Hall		\$49,200,000	\$0	\$0	07/14	11/15	12/15	07/17	Project in design.
Altoona	Alder Building Addition and Renewal		\$24,600,000	\$13,700,000	\$3,200,000	12/13 (06S)	11/15	12/15	02/17	Project in design.
Beaver	Michael Baker Building Renovation		\$9,450,000	\$0	\$0	11/13	01/15	04/15	06/16	Construction is approximately 15% complete.
Berk	Larssen Building Renovation		\$15,300,000	\$11,400,000	\$0	03/13	07/14	08/14	12/15	Construction is approximately 55% complete.
Brandywine	New Residence Hall		\$30,600,000	\$0	\$0	07/14	01/16	02/16	07/17	Project in design.
	Student Union		\$18,600,000	\$0	\$0	07/14	01/16	02/16	07/17	Project in design.
Harrisburg	Student Enrichment Center		\$30,000,000	\$0	\$1,000,000	11/13	03/15	04/15	08/16	Construction is approximately 12% complete.
Hershey	Hershey Data Center		\$54,000,000	\$0	\$0	08/13	11/14	01/15	08/17	Construction is approximately 10% complete.
York	Rohi Student Center and Multi-Purpose Building Addition and Renovation		\$13,600,000	\$0	\$1,000,000	11/13	02/15	02/15	08/16	Project bidding in progress.
	Agricultural Digester and Dairy Barn Replacement		\$7,240,000	\$0	\$0	07/15	05/16	06/16	06/17	Project in design.
	Agricultural Engineering Building Renewal		\$42,140,000	\$0	\$0	01/15	03/16	07/16	01/18	Project in design.
	Airport Infrastructure and Site Improvements		\$6,300,000	\$0	\$0	05/15	05/15	11/15	09/16	Project is on hold until FAA funding amounts are confirmed.
	Burrows Building Renovation		\$37,800,000	\$0	\$0	05/12	01/14	02/14	12/15	Construction is approximately 80% complete.
	Chemical and Biomedical Engineering Building		\$150,000,000	\$0	\$10,000,000	03/15	01/17	01/17	12/16	Project in design.
	Davis Building Renovations		\$15,000,000	\$0	\$0	07/15	07/16	08/16	11/17	Project in design.
	LIP Data Center		\$58,000,000	\$0	\$0	08/13	03/15	04/15	07/16	Construction is approximately 20% complete.
	East Halls Renovation and New Residence Hall, Phase 1A			\$0	\$0		01/16	02/16	07/17	Project in design.
	East Halls Renovation and New Residence Hall, Phase 1B		\$171,300,000	\$0	\$0	11/14	01/17	02/17	07/18	Project in design.
	East Halls Renovation and New Residence Hall, Phase 1C			\$0	\$0		01/18	02/18	07/19	Project in design.
	Environmental Improvements BFP Installations			\$0	\$0	N/A	N/A	06/08	09/15	Project program is approximately 95% complete.
	Essential Services Program		\$11,950,000	\$3,000,000	\$0	N/A	N/A	12/05	11/16	Project program is approximately 90% complete.
	Friday Dining Commons Renovation		\$23,800,000	\$0	\$0	08/14	01/16	02/16	12/16	Project in design.
	Greenberg Renovation		\$10,300,000	\$0	\$0	05/14	11/14	12/14	08/15	Construction is approximately 85% complete.
	HFS Warehouse and Bakery Expansion		\$15,600,000	\$0	\$0	11/13	01/15	03/15	03/16	Construction is approximately 25% complete.
	IMI Building Addition Phase III		\$26,000,000	\$0	\$0	03/13	05/16	05/16	08/17	Project in design.
	Lacrosse Facility Upgrades		\$5,400,000	\$0	\$5,400,000	03/15	TBD	TBD	TBD	Project in design.
	Leach Football Building Locker/Equipment Room Renovation		\$12,000,000	\$0	\$0	01/15	11/15	12/15	07/16	Project in design.
	Morgan Academic Center		\$7,200,000	\$0	\$3,200,000	05/14	08/15	09/15	06/16	Project bidding in progress.
	MRL Renovations		\$25,900,000	\$9,500,000	\$0	N/A	08/14	08/14	08/16	Construction is approximately 55% complete.
	Mueller Laboratory Renovations		\$20,700,000	\$0	\$0	03/12	01/14	05/14	06/15	Construction is approximately 92% complete.
	Recreational Facility Access Modifications		\$7,500,000	\$6,000,000	\$0	N/A	11/15	02/16	09/16	Project bidding in progress.
	Research Building West Renovations		\$7,000,000	\$0	\$0	01/15	TBD	TBD	TBD	Project in programming.
	Residence Hall at North Halls		\$30,200,000	\$0	\$0	08/14	01/16	02/16	07/17	Project in design.
	Rivencour Student Center		\$6,000,000	\$0	\$0	N/A	08/15	10/15	06/16	Project bidding in progress.
	Steele Renovation		\$52,000,000	\$0	\$0	03/12	05/14	06/14	06/16	Construction is approximately 45% complete.
	Transformer Replacement Program		\$11,100,000	\$1,000,000	\$0	N/A	N/A	09/07	12/15	Project program is approximately 85% complete.
	Tyson Building HVAC Upgrades and Roof Replacement		\$5,200,000	\$4,100,000	\$0	N/A	03/14	05/14	09/15	Construction is approximately 85% complete.
	Visual Arts Building HVAC Replacement		\$8,000,000	\$0	\$0	03/15	03/15	12/14	09/15	Construction is approximately 65% complete.
	Water Treatment Plant and Distribution System Upgrades		\$61,600,000	\$45,000,000	\$0	01/11	03/15	05/15	03/17	Construction is approximately 9% complete.
	WCSP Steam Turbine Replacement		\$9,200,000	\$0	\$0	01/11	01/13	12/14	03/16	Construction is approximately 50% complete.
	WCSP Steam Production Modifications		\$57,300,000	\$0	\$0	01/11	11/12	02/14	08/18	Construction is approximately 35% complete.
	Whitmore Laboratory Renovations		\$31,700,000	\$0	\$0	03/12	08/14	01/15	12/16	Construction is approximately 15% complete.

University Park

Summary of University Long-Term Debt - \$(000) (excluding PCT) \$891,630
Estimated Bonds, Notes and Capital Leases as of June 30, 2015 (unaudited)

Authorized Borrowing Status - \$(000) (excluding PCT) \$750,000
 Borrowing Authority per September 2013 Board of Trustees (\$111,067)
 Capital Leases, Bonds, & Notes Issued (\$29,750)
 Future Capitalized Leases & Other Anticipated Commitments \$609,183
 Estimated Authority Remaining

THE PENNSYLVANIA STATE UNIVERSITY
PROPOSED CAPITAL BUDGET REQUEST FOR 2016-2017

<u>Priority Number</u>	<u>2016-2017 Construction Projects</u>	<u>Amount Requested</u>
1.	Classroom/Class Lab Building (Abington Campus)	\$45,000,000

Penn State Abington has a substantial deficit of academic space. A new multi-story Classroom/Class Lab Building will be constructed to provide modern classrooms, instructional laboratories, faculty offices, instructional support and service spaces to support general and technology instructional programs. Funding will be used for design and construction costs, as well as, necessary utility upgrades and extensions, site improvements and code-related upgrades. The construction will meet all current building code requirements and provide for barrier-free access as required by the Americans with Disabilities Act and related codes.

2.	Hosler Building Renewal (University Park Campus)	\$42,000,000
-----------	---	---------------------

Hosler Building was constructed in 1950 as the home for the Mineral Industries Department of the College of Earth and Mineral Sciences. Very little has been done to the structure in the ensuing 62 years. The condition of existing building systems is hampering ongoing research and reduces the quality of the undergraduate educational experience.

The funding for this project will renew the facility by replacing worn systems, updating electrical services and lighting, replacing heating and adding central chilled water air conditioning, improving the thermal envelope, replacing windows and interior finishes. Accessibility issues will be addressed. Interior space modifications will be required to meet the needs of the departments and activities housed within the facility, including research activities. In addition to design and construction, the project funding will provide for necessary utility upgrades and extensions, site improvements and code-related upgrades. The renewal will meet all current building code requirements and provide for barrier-free access as required by the Americans with Disabilities Act and related codes.

**THE PENNSYLVANIA STATE UNIVERSITY
PROPOSED CAPITAL BUDGET REQUEST FOR 2016-2017**

<u>Priority Number</u>	<u>2016-2017 Construction Projects</u>	<u>Amount Requested</u>
3.	<p>Nursing Sciences Building Expansion and Renewal (University Park Campus)</p> <p>Nursing Sciences Building is in need of upgrades to meet the needs of the College of Nursing to include future growth, partnerships, and community outreach supporting the mission of the college. The building footprint will be expanded to provide for a proper entrance on the north or south face. The construction may include upward expansion to include a lecture hall. The building will be completely modernized to support current instructional programs and meet current building codes. Obsolete equipment and mechanical systems will be removed and replaced as appropriate and the building will be air-conditioned. Interior spaces will be reconfigured and renovated to provide modern instructional classrooms, laboratories, faculty offices, meeting and seminar, student service and support spaces. Flooring will be replaced, lighting and acoustical treatments will be upgraded or provided and all special fixed instructional equipment and communications infrastructure will be included as required. Any relocation costs will be included in this project. Funding will be used for design and construction costs, as well as, necessary utility upgrades and extensions, site improvements and code-related upgrades. The construction will meet all current building code requirements and provide for barrier-free access as required by the Americans with Disabilities Act and related codes.</p>	\$25,000,000
4.	<p>Vairo Library Renewal (Brandywine Campus)</p> <p>Vairo Library was constructed in 1980. The building's design is unique and attractive. However the design has created shortcomings in the operation and use of the building. The building lacks accessibility for the physically challenged except through the loading dock area at the rear of the building. Patrons then must use a freight elevator originally designed for library activities to gain access to the upper floor. This elevator is accessible from the upper floor only through the library, the main occupant of the building. On the lower floor are classrooms and non-intensive labs, and a student lounge.</p> <p>This project will address these shortcomings and renew building systems, which have not been updated since the buildings construction. It will allow replacement of mechanical, electrical, plumbing and exterior envelope systems. Funding will be used for design and construction costs related to the building renewal, as well as, necessary utility upgrades and extensions, site improvements and code-related upgrades. The renewal will meet all current building code requirements and provide for barrier-free access as required by the Americans with Disabilities Act and related codes.</p>	\$12,000,000
2016-2017 Total Construction Projects		<u>\$124,000,000</u>

**THE PENNSYLVANIA STATE UNIVERSITY
PROPOSED CAPITAL BUDGET REQUEST FOR 2016-2017**

<u>Priority Number</u>	<u>2016-2017 Original Equipment</u>	<u>Amount Requested</u>
1.	Classroom/Class Lab Building (Abington Campus)	\$ 9,000,000
2.	Hosler Building Renewal (University Park Campus)	\$ 8,400,000
3.	Nursing Sciences Building Expansion and Renewal (University Park Campus)	\$ 5,000,000
4.	Vairo Library Renewal (Brandywine Campus)	\$ 1,800,000
	2016-2017 Total Original Equipment	\$ <u>24,200,000</u>
	2016-2017 TOTAL REQUESTED	\$ <u>148,200,000</u>

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

THROUGH JUNE 2015

	This Year Year-To-Date (As of 6/30/15)		Last Year Year-To-Date (As of 6/30/14)		Change Year-To-Date (From 2014 - 2015)		Last Fiscal Year Grand Totals (7/01/13 - 6/30/14)	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
ALUMNI	127,722	78,499,816	128,493	84,934,131	(771)	(6,434,315)	128,493	84,934,131
FRIENDS	154,152	33,708,697	164,157	47,936,546	(10,005)	(14,227,849)	164,157	47,936,546
CORPORATIONS	13,395	63,562,600	13,946	87,267,428	(551)	(23,704,828)	13,946	87,267,428
FOUNDATIONS	1,746	26,499,311	1,868	29,069,087	(122)	(2,569,776)	1,868	29,069,087
ORGANIZATIONS	10,753	23,727,681	7,995	22,449,970	2,758	1,277,711	7,995	22,449,970
TOTALS	307,768	\$225,998,105	316,459	\$271,657,162	(8,691)	(\$45,659,057)	316,459	\$271,657,162

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

THROUGH JUNE 2015

	This Year Year-To-Date (As of 6/30/15)		Last Year Year-To-Date (As of 6/30/14)		Change Year-To-Date (From 2014 - 2015)		Last Fiscal Year Grand Totals (7/01/13 - 6/30/14)	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
UNRESTRICTED	5,141	1,023,787	6,994	1,466,325	(1,853)	(442,538)	6,994	1,466,325
ACADEMIC DIVISIONS	15,886	4,692,882	16,174	5,961,207	(288)	(1,268,325)	16,174	5,961,207
FACULTY RESOURCES	474	10,996,944	512	14,721,971	(38)	155,929	512	14,721,971
RESEARCH	3,659	29,800,296	4,154	29,073,798	(495)	726,498	4,154	29,073,798
PUBLIC SVC & EXT	18,816	4,142,167	20,007	4,248,849	(1,191)	(106,682)	20,007	4,248,849
LIBRARY	1,396	582,484	1,329	787,322	67	(204,838)	1,329	787,322
PHYS. PLANT MAINT.	110	42,841	229	21,294	(119)	21,547	229	21,294
STUDENT AID	54,773	61,399,422	51,015	67,190,780	3,758	(5,791,358)	51,015	67,190,780
SCHOLARSHIPS	16,961	29,654,757	17,206	46,028,250	(245)	(16,373,493)	17,206	46,028,250
STUDENT LOANS	47	4,000	61	6,480	(14)	(2,480)	61	6,480
GRADUATE FELLOWSHIPS	1048	11,806,602	804	2,273,369	244	9,533,233	804	2,273,369
ATHLETIC GRT-IN-AID	36,717	19,934,063	32,944	18,882,681	3,773	1,051,382	32,944	18,882,681
PROP/BLDGS/EQUIP	5,721	43,162,459	6,437	84,435,228	(716)	(41,272,769)	6,437	84,435,228
OTHER PURPOSES	201,792	70,154,823	209,608	63,750,388	(7,816)	6,404,435	209,608	63,750,388
TOTALS	307,768	\$225,988,105	316,459	\$271,657,162	(8,691)	(\$45,659,057)	316,459	\$271,657,162

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

THROUGH JUNE 2015

	This Year Year-To-Date <i>(As of 6/30/15)</i>		Last Year Year-To-Date <i>(As of 6/30/14)</i>		Change Year-To-Date <i>(From 2014 - 2015)</i>		Last Fiscal Year Grand Totals <i>(7/01/13 - 6/30/14)</i>	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
ABINGTON	1,228	262,766	1,225	1,415,010	3	(1,152,244)	1,225	1,415,010
AGRICULTURAL SCIENCES	5,282	9,150,665	5,240	13,588,739	42	(4,438,074)	5,240	13,588,739
ALTOONA	1,910	4,105,601	1,699	4,222,807	211	(117,206)	1,699	4,222,807
ARTS & ARCHITECTURE	7,244	3,868,238	6,660	3,341,492	584	526,746	6,660	3,341,492
BEAVER	627	348,172	957	434,654	(330)	(86,482)	957	434,654
BEHREND	3,286	11,626,095	3,893	11,486,529	(607)	139,566	3,893	11,486,529
BERKS	936	1,519,283	1,043	1,637,960	(107)	(118,677)	1,043	1,637,960
BRANDYWINE	852	365,098	727	1,845,752	125	(1,480,654)	727	1,845,752
COMMUNICATIONS	1,488	781,835	1,450	1,198,036	38	(416,201)	1,450	1,198,036
DICKINSON SCHOOL OF LAW	987	1,007,098	837	444,576	150	562,522	837	444,576
DUBOIS	625	850,125	886	7,252,856	(261)	(6,402,731)	886	7,252,856
EARTH & MINERAL SCIENCES	3,111	17,939,438	3,052	18,704,974	59	(765,536)	3,052	18,704,974
THE EBERLY COLLEGE OF SCIENCE	4,627	13,732,356	4,528	14,402,197	99	(669,841)	4,528	14,402,197
EDUCATION	3,705	1,299,047	3,773	1,965,925	(68)	(666,878)	3,773	1,965,925
EDUCATIONAL EQUITY	784	1,836,887	699	2,009,795	85	(172,908)	699	2,009,795
ENGINEERING	8,692	23,746,713	8,843	20,950,783	(151)	2,795,930	8,843	20,950,783
FAYETTE, THE EBERLY CAMPUS	343	155,588	349	1,093,527	(6)	(937,939)	349	1,093,527
GREAT VALLEY	399	98,422	551	1,074,132	(152)	(975,710)	551	1,074,132
HARRISBURG	2,690	1,594,234	2,463	1,234,396	227	359,838	2,463	1,234,396
HAZLETON	590	454,118	761	1,482,386	(171)	(1,028,268)	761	1,482,386
HEALTH & HUMAN DEVELOPMENT	4,051	13,776,874	4,160	7,098,177	(109)	6,678,697	4,160	7,098,177
HERSHEY	141,767	36,339,344	149,035	40,311,717	(7,268)	(3,972,373)	149,035	40,311,717
INFORMATION SCIENCES & TECHNOLOGY	552	4,882,986	582	13,117,990	(30)	(8,235,004)	582	13,117,990
INTERCOLLEGIATE ATHLETICS	41,521	28,323,355	38,346	45,912,594	3,175	(17,589,239)	38,346	45,912,594
LEHIGH VALLEY	777	242,951	735	291,639	42	(48,688)	735	291,639
LIBERAL ARTS	4,867	10,887,461	4,977	7,142,709	(110)	3,744,752	4,977	7,142,709
MONT ALTO	1,127	301,826	1,276	814,547	(149)	(512,721)	1,276	814,547
NEW KENSINGTON	675	353,002	697	1,229,448	(22)	(876,446)	697	1,229,448
NURSING	763	992,099	777	1,328,270	(14)	(336,171)	777	1,328,270
OUTREACH	19,920	4,072,056	21,478	5,024,420	(1,558)	(952,364)	21,478	5,024,420
PENN STATE LAW	64	16,331	42	5,290	22	11,041	42	5,290
RESEARCH & GRADUATE SCHOOL	583	3,104,809	575	8,873,694	8	(5,768,885)	575	8,873,694
SCHREYER HONORS COLLEGE	1,751	1,593,759	2,087	1,364,804	(336)	228,955	2,087	1,364,804
SCHUYLKILL	898	473,888	861	421,817	37	52,071	861	421,817
SHENANGO	515	264,993	522	270,611	(7)	(5,618)	522	270,611
THE Smeal COLLEGE OF BUSINESS	6,453	8,760,774	6,657	8,230,429	(204)	530,345	6,657	8,230,429
STUDENT AFFAIRS	4,938	1,182,363	5,724	1,216,785	(786)	(34,422)	5,724	1,216,785
UNDERGRADUATE EDUCATION	2,555	4,668,168	2,798	5,786,794	(243)	(1,118,626)	2,798	5,786,794
UNIVERSITY LIBRARIES	3,753	2,661,993	3,748	4,247,681	5	(1,585,688)	3,748	4,247,681
UNIVERSITY WIDE	17,285	6,773,146	17,936	3,474,321	(651)	3,298,825	17,936	3,474,321
WILKES-BARRE	1,008	456,426	1,027	742,168	(19)	(285,742)	1,027	742,168
WORTHINGTON SCRANTON	1,033	496,458	968	822,756	65	(326,298)	968	822,756
YORK	1,048	479,694	1,156	3,920,795	(108)	(3,441,101)	1,156	3,920,795
TOTAL	307,768	\$225,998,105	316,459	\$271,657,162	(8,691)	(\$45,659,057)	316,459	\$271,657,162



Long-Term Investment Pool & Similar Funds (LTIP)

Investment Review for Fiscal 2015

Submitted September 2015

This cover page provides a summary overview of the Pennsylvania State University Long-Term Investment Pool (see next page for details) for Fiscal Year 2015. 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 June 30, 2015 are:

<u>Fiscal 15</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
3.1%	10.6%	11.5%	7.8%

Long-Term Investment Pool Market Value (pg 3)

As of June 30, 2015, Penn State University’s LTIP was valued at \$3.63 billion, which includes \$2.38 billion in endowment assets and \$1.25 billion in non-endowed funds. An additional \$116 million was held as Similar Funds (see page 2 for details). Endowment spending is reviewed on pages 2 and 3.

Review of Investment Markets (pg 4)

The graph below compares respective returns for the 12-months ending June 30, 2015 and June 30, 2014 for the S&P500, 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, investment market returns for Fiscal 2015 broadly lagged respective returns for June 30, 2014.

Investment Diversification and Asset Mix (pg 5)

At fiscal year-end, 53% of LTIP assets were invested in public equities (domestic and foreign) and 21% in private equity and venture capital, in combination representing 74% of LTIP in growth-oriented assets. In addition, 14% was invested in fixed income/cash, 4% in real assets, and 8% in diversifying (hedged) strategies.

Comparative Fund Performance (pg 6)

Penn State’s LTIP returned 3.1% net for the year ending June 30, 2015, outpacing the 2.3% return of the Passive Policy Portfolio, while LTIP’s 3-yr and 5-yr relative performance was notably better than the respective passive benchmark returns.

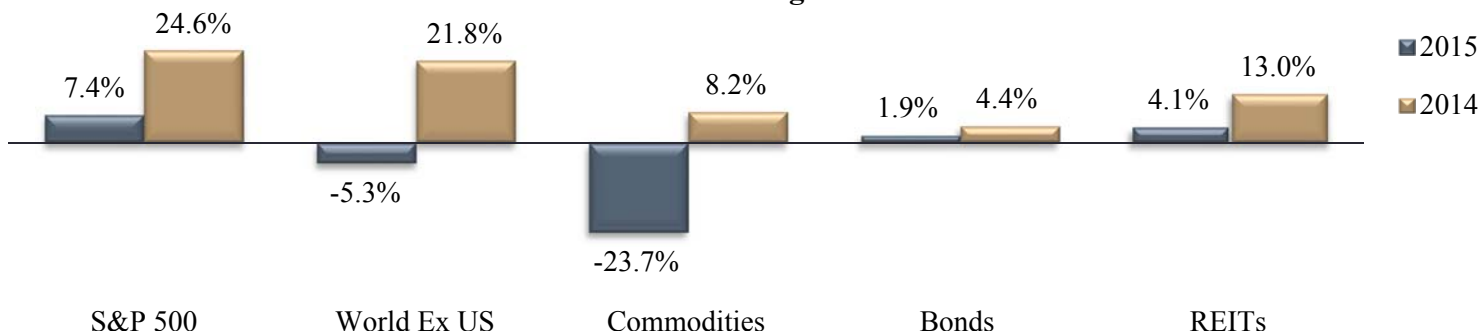
LTIP Liquidity (pg 7)

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)

LTIP’s average annual net returns of 7.8% and 8.6% for the last 10-year and 20-year periods, respectively, have allowed LTIP to earn inflation-adjusted returns in excess of spending, achieving long-term intergenerational equity.

**Investment Market Returns
Fiscal Years Ending June 30**



5-Year LTIP Facts and Figures

	Annual Periods Ending June 30				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Investment Performance					
Endowment ¹ (annualized net returns)	3.1%	17.9%	11.3%	3.5%	23.2%
Market Values (\$ millions)					
Endowment ¹	2,375.7	2,286.0	1,933.2	1,765.0	1,708.4
<u>Similar Funds</u> ²	<u>115.9</u>	<u>113.5</u>	<u>95.7</u>	<u>90.0</u>	<u>122.7</u>
Endowment and Similar Funds	2,491.6	2,398.5	2,028.9	1,855.0	1,831.1
Gifts & Other Additions (\$ mils)	130.3	92.2	73.9	76.2	136.3
Current Spending (\$ mils)	84.0	75.4	71.5	70.8	66.0
As described in footnote #3 below, funds earmarked for FAS 106 liabilities (post-retirement health care benefits for PSU retirees) were commingled into the University's Long-Term Investment Pool (LTIP) between September 2009 and January 2013. Prospectively, the reported market value, and related analysis, for LTIP will include all commingled funds, as shown below for June 30, 2015.					
<u>Non-Endowed Funds</u> ³	<u>1,252.2</u>	<u>1,140.6</u>	<u>1,004.8</u>	<u>239.8</u>	<u>143.3</u>
Total LTIP ⁴ & Similar Funds	3,627.9	3,539.1	3,033.7	2,094.8	1,974.4
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) & President's Strategic Fund					
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

February 18, 2015:

- Committing \$20M to: OCM Opportunities Fund Xb, L.P.
- Committing \$15M each to: EnCap Energy Capital Fund X, L.P.; Franklin Park International Vehicle 2015, L.P.
- Committing \$10M each to: OCM Power Opportunities Fund IV, L.P.; Emergence Capital Partners IV, L.P.; Atlas Fund X, L.P.

June 24, 2015:

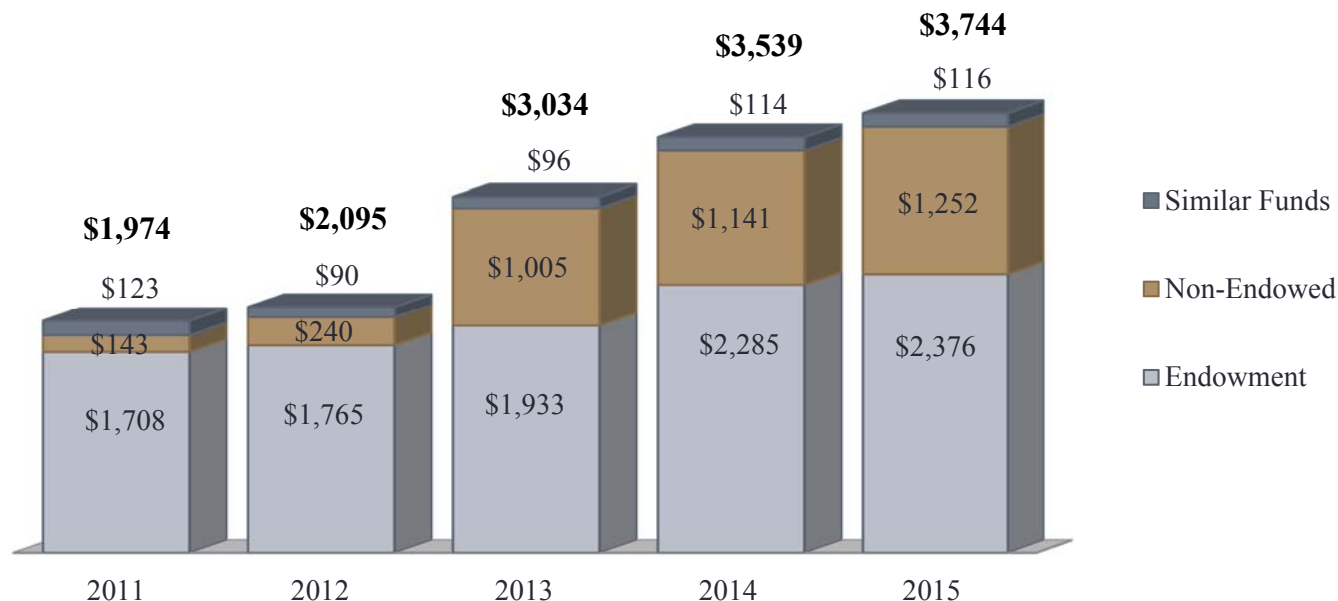
- Committing \$15M each to: Foundry 2016 Fund, L.P.; Townsend Real Estate Alpha Fund II, L.P.; Commonfund Emerging Markets 2013, L.P.
- Investing \$60M in: Blackstone Strategic Opportunities Fund Ltd.
- Investing \$50M in each: Pershing Square International, Ltd.; Lyrical Long-Only Partners, L.P.
- Investing \$30M to: Symphony Japan Special Opportunities Fund, 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 June 30, 2015, Penn State’s Long-Term Investment Pool was valued at \$3.63 billion, including non-endowed funds in the amount of \$1.25 billion that have 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 \$116 million, shown below as Similar Funds, for a total \$3.74 billion in assets.

Long-Term Investment Pool Market Value
Fiscal Years Ending June 30
 (\$ millions)



Endowment Assets

Endowment assets increased by \$90.7 million during fiscal 2015, from \$2.28 billion to \$2.38 billion. As seen in the table on page 2, endowed gifts added over the last 12 months totaled \$130 million, while endowment program support (spending) amounted to \$84 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 June 30, 2015, the market value of the Long-Term Investment Pool (LTIP) totaled \$3.74 billion. In addition to Endowment assets of \$2.38 billion, LTIP includes \$1.25 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.

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

Review of Investment Markets in Fiscal 2015

In the table below, representative financial market returns are listed for 1-, 3-, and 5-year periods covering four major asset categories: Global Equities (divided into US Equities and Non-US Equities), Fixed Income, Commodities, and Private Capital. The performance of investment markets that impact Penn State University's Long-Term Investment Pool (LTIP) is discussed below.

<i>Annualized Percentage Returns as of June 30, 2015</i>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Global Equities U.S.			
S&P 500 Index (US Large Cap Equities)	7.4	17.3	17.3
Russell 3000 Index (Total US Equities)	7.3	17.7	17.5
Russell 2000 Index (US Small Cap Equities)	6.5	17.8	17.1
Global Equities Non-U.S.			
MSCI All Country Ex-U.S. Index (ACWI)	-5.3	9.4	7.8
MSCI Developed Non-U.S. Index (EAFE)	-4.2	12.0	9.5
MSCI Emerging Markets Index (EME)	-5.1	3.7	3.7
Fixed Income			
Barclays US Aggregate Bond Index	1.9	1.8	3.3
Barclays US Treasury TIPS Bond Index	-1.7	-0.8	3.3
JP Morgan Global Bond Index	-9.0	-2.4	1.0
Commodities			
Bloomberg Commodities Index	-23.7	-8.8	-3.9
Gold (SPDR GLD)	-12.2	-9.8	-1.3
Private Capital (3/31/15)			
Venture Capital (Cambridge Associates)	20.4	18.3	17.2
Private Equity (Cambridge Associates)	10.5	14.4	15.2
Private Real Estate (NCREIF)	12.7	11.5	12.8

Market Notes:

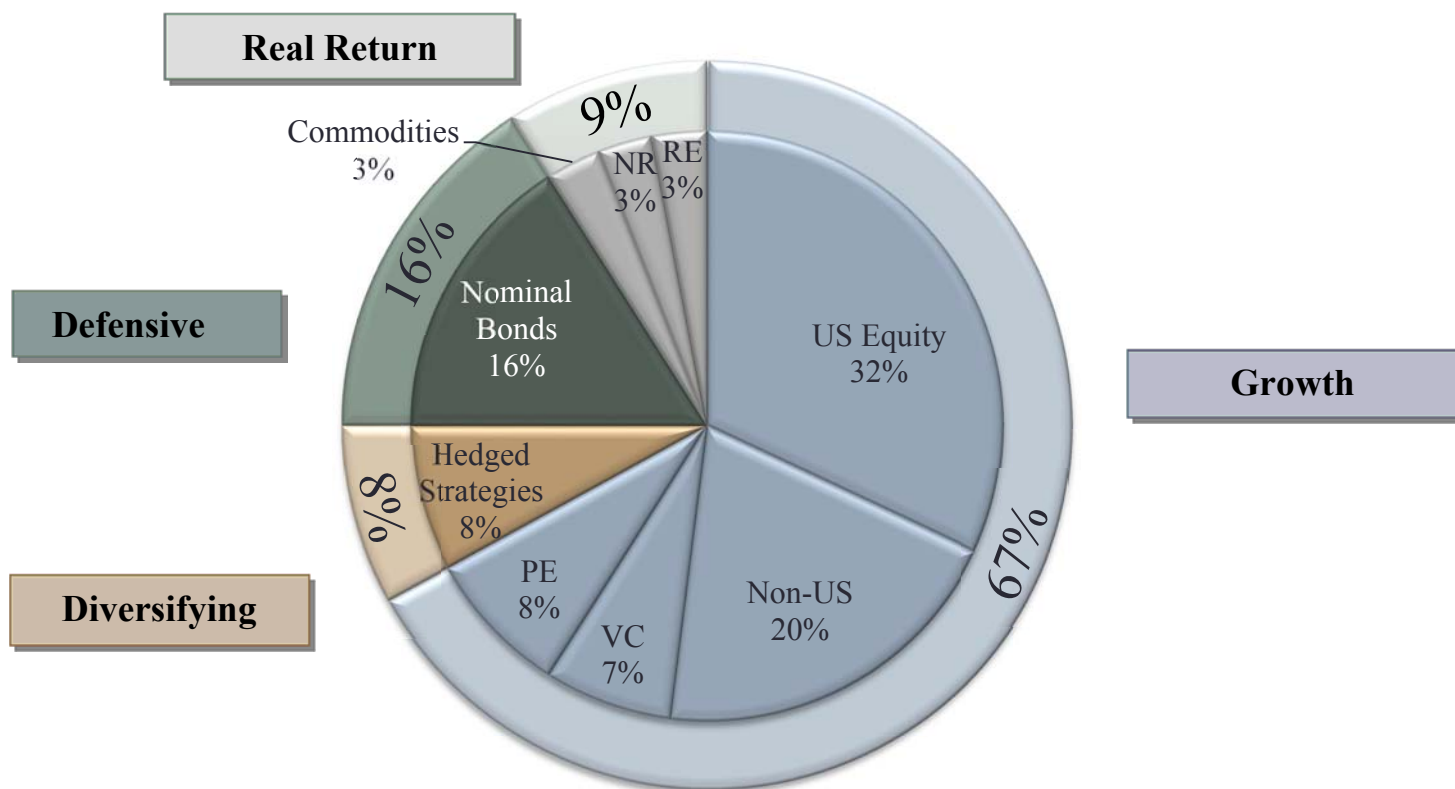
- **Global Equities:** US Equities recording single-digit advances for the fiscal year ended June 30, 2015, with stronger double-digit returns for the 3-, and 5-year periods. US Equities continued to outpace non-US Equities over all three periods. Non-US Equities were down -5.3% in fiscal 2015, with Developed Markets, as measured by EAFE, returning -4.2% and Emerging Market Equities returning -5.1%.
- **Fixed Income:** US Fixed Income continued a pace of modest, positive gains while US TIPS were slightly negative, -1.7%, and Global Bonds declined markedly, -9.0, in Fiscal 2015.
- **Commodities:** The Bloomberg Commodities Index continued its negative trend, registering losses of -23.7%, -8.8%, and -3.9% for the trailing 1-, 3-, 5-years, while Gold's -12.2% return outpaced commodities overall.
- **Private Capital:** Private Equity, Venture Capital, and Private Real Estate all continued their double-digit gains for each of the 1-, 3-, 5-year periods ending 3/31/2015, which is the latest reporting period for non-marketable investments.

Economic and Market Outlook

On the following two pages, LTIP's broad and detailed asset mix is discussed, followed by the composite investment returns for each of the four above asset categories compared to the corresponding LTIP returns.

Investment Diversification and Asset Mix

Asset allocation is a primary determinant of investment performance and risk control. LTIP's asset mix combines four strategic investment themes – growth (economic-sensitive), diversifying (low sensitivity to economic/investment market fluctuations), real (inflation-sensitive), and defensive (counter-sensitive to market turbulence) – to maximize potential returns, while tempering volatility. In the graph below, the four macro investment themes are shown in the outermost ring with their June 30, 2015 allocations of 67%, 8%, 16% and 9%, respectively. Over time, the percentages vary 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 strategic themes, as shown by the slices within the inner pie (percentages are rounded):

- Growth (67%): 32% in publicly-traded US and 20% in publicly-traded non-US common stocks, as well as 7% in venture capital and 8% in private equity funds.
- Diversifying (8%): 6% in credit-related, and 2% in equity-related strategies.
- Defensive (16%): 10% in US government and investment grade corporate bonds, and 6% in global bonds.
- Real Return (9%): 3% in real estate, 3% in natural resources, and 3% in commodities.

The above grouping by investment themes provides insight to the functional role of the various asset classes within LTIP. The relative allocations represent comparative long-term return expectations, tempered by risk-mitigating assets to offset capital market turbulence. Hence, the approximately 67% currently allocated to growth is intended to take advantage of the capital appreciation and purchasing power protection historically offered by higher returning equity investments. Given the sometimes volatile nature of equity returns, 16% is invested in defensive (fixed income) and 8% in various hedged strategies to provide stability and diversification during times of market turbulence and uncertain economic conditions. In addition, 9% of LTIP is allocated to real return in order to help neutralize inflationary episodes.

LTIP Performance Compared to Passive Portfolio

The Long-Term Investment 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 distinct from the foregoing conceptual, strategic themes which do not lend themselves to benchmarks analysis.

These categories are very broadly defined: the equity and fixed income categories include hedge funds whose strategies are equity and/or credit oriented, respectively, while commodities include hedged and long-only strategies. The custom index for Private Capital includes representative private equity, venture capital, and private real estate partnership time-weighted returns.

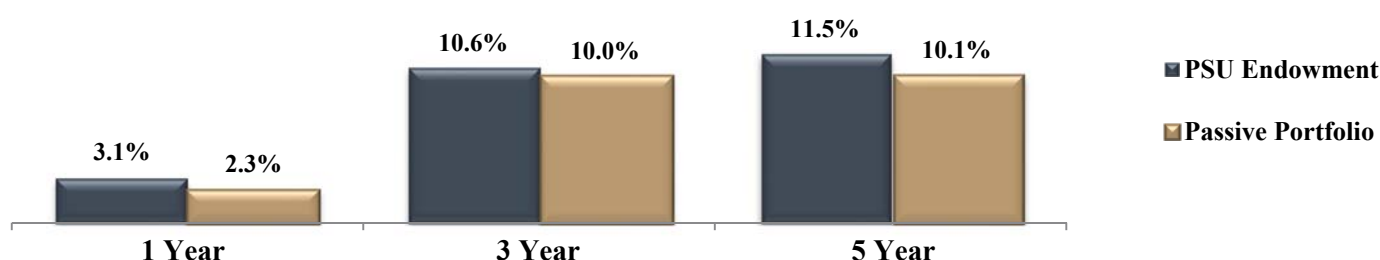
In the table below, the respective static weightings of the four asset categories are associated with corresponding market benchmarks and their respective index returns to generate *Passive Portfolio* returns over 1-, 3-, and 5-year horizons:

Annualized Benchmark Returns

<u>Asset Class</u>	<u>Benchmark</u>	<u>Weighting</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Public Equities	MSCI All Country World	55%	0.7	13.0	11.9
Total Private Capital	Custom Index	20	10.5	14.4	15.2
Fixed Income	Barclays Aggregate Bond Index	20	1.9	1.8	3.3
Commodities	Dow Jones UBS Commodities	<u>5</u>	<u>-23.7</u>	<u>-8.8</u>	<u>-3.9</u>
Total Passive Portfolio (net)		100%	2.3%	10.0%	10.1%

Note: The weightings used above 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.

Penn State LTIP vs Passive Portfolio

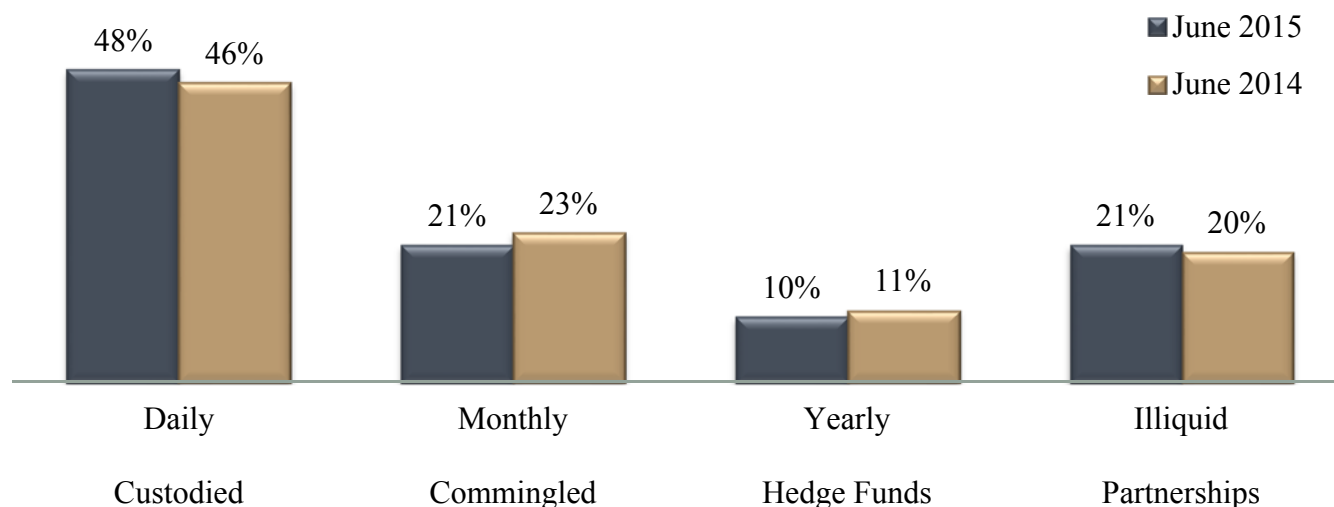


As shown above, Penn State's LTIP returned 3.1% net for fiscal 2015, surpassing the 2.3% return of the Passive Portfolio over the trailing 12 months. For the 3- and 5-year periods, the Long-Term Investment Pool's annualized returns of 10.6% and 11.5% outpaced the Passive Portfolio's returns of 10.0% and 10.1%, respectively. These returns indicate that, over the long term, LTIP was able to outperform passive indexes through selection of active investment managers and broad diversification 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 partner investors to transact at will.



Observations from the blue (left) bars of each of the four pairs above for the period ending June 30, 2015:

- 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 1% is held in money market accounts, along with approximately 4% in “securitized cash” (e.g., 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. Commingled investment structures are used for non-US holdings in lieu of registering in individual countries where foreign companies are headquartered.
- 10% 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.
- 21% percent of LTIP assets are invested in more than 100 different partnership funds or other non-marketable investments that are considered illiquid because underlying holdings are typically not readily marketable or the timing of future realizations into cash distributions are uncertain.

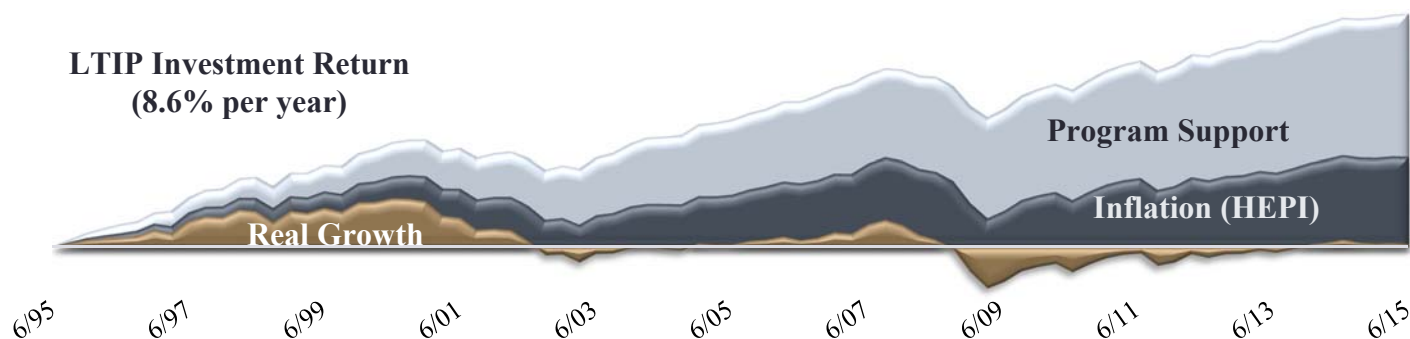
The foregoing indicates that LTIP maintains sufficient liquidity to satisfy anticipated cash requirements.

Liquidity Trends

As shown above, the liquidity profile of Penn State’s LTIP has shifted somewhat from the end of fiscal 2014 (tan bars) to the end of fiscal 2015 (blue bars). Daily liquidity increased slightly from 46% to 48%, while monthly liquidity decreased from 23% to 21%, largely owing to the outperformance of US stocks relative to non-US equities. Yearly liquidity dropped marginally from 11% to 10%, while illiquid non-marketable alternative assets increased from 20% to 21%. 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 pages 2 and 3) and inflation (as measured by the Higher Education Price Index [HEPI]), with the remaining residual representing net, real (inflation-adjusted) growth.



Cumulative 20-year Returns (Base 100 Index)

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 (topmost 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 around the horizontal line, intergenerational equity has largely been achieved.

Two 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 have been narrowing. The 10 years ending June 2005 (second row) benefitted from an extended equity bull market during the 1990s, while the 10 years ending June 2015 (first row) suffered a large sell-off in equities, before rebounding over the last 6.3 years. The return disparity between decades is visibly reflected by comparing the 10-year average returns for the period ending June 30, 2015 versus the period ending June 30, 2005 for both the S&P 500 and Barclays Aggregate Bond Indexes below:

<u>10-Year Periods</u> <u>Ending June 30</u>	<u>Annual Nominal Returns</u>			<u>HEPI</u>	<u>Annual Real Returns</u>		
	<u>S&P 500</u>	<u>Bond Index</u>	<u>LTIP</u>		<u>S&P</u>	<u>Bonds</u>	<u>LTIP</u>
2005 to 2015	7.9%	4.4%	7.8%	2.7%	5.2%	1.8%	5.1%
1995 to 2005	12.0	6.8	9.4	3.6	8.4	3.2	5.8
Difference:	-4.1%p	-2.4%p	-1.6%p	-0.9%p	-3.2%p	-1.4%p	-0.7%p

As shown by the negative differentials 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 7.9% annualized nominal return for the 10 years ending June 30, 2015 trailed its 12.0% pace for the prior 10-year period by 4.1% (percentage points); meanwhile, Barclays Aggregate Bond Index returned 4.4% for the June 30, 2015 10-year period versus 6.8% for the prior 10-year period. LTIP's 7.8% annualized net return for the 10 years ending June 30, 2015 essentially matched equity returns and broadly outpaced bond returns. For the 10-year period ending June 30, 2015, LTIP's return of 9.4% was midway between corresponding stock and bond returns, while LTIP's return differential of -1.6%p was narrower, i.e., more consistent, decade to decade.

On an inflation-adjusted basis relative to HEPI (boxed column in middle of above table), LTIP's net real return decade difference was -0.7%p compared to real differences of -3.2% for stocks and -1.7% for bonds (the third row of the right three columns above). Over the last decade, replacing public market investments with a variety of "alternative investments" has enabled LTIP to outperform both stocks and bonds for the 10 years ending June 2015. More importantly, LTIP's inflation-adjusted returns (5.1% and 5.8%) exceeded Penn State's annual spending rate (4.5%).