

The Pennsylvania State University
Board of Trustees—Committee on Finance, Business and Capital Planning
Subcommittee on Finance Operating Guidelines

1. Statement of Purpose

The Subcommittee on Finance is a standing subcommittee of the Board of Trustees' Committee on Finance, Business and Capital Planning. The Subcommittee will have principal oversight responsibility with respect to certain of the University's material financial matters, including the capital budget, balance sheet management and debt strategy. The Subcommittee on Finance shall not have oversight responsibility with respect to the corporation's financial reporting, which is the responsibility of the Committee on Audit and Risk.

2. Subcommittee Structure & Operation

- *Operating Guidelines.* At least annually, the operating guidelines shall be reviewed and reassessed by the Subcommittee.
- *Members.* The Subcommittee shall be comprised of up to three members of the Committee on Finance, Business and Capital Planning and the Chair of the Board of Trustees (ex officio).
- *Meetings.* In order to discharge its responsibilities, the Subcommittee shall meet three times each year in conjunction with the regularly scheduled Board of Trustees meetings in March, July (or September), and November. Additional meetings may be scheduled as required.
- *Agenda, Minutes and Reports.* The Chair of the Subcommittee shall be responsible for establishing the agendas for meetings of the Subcommittee. An agenda, together with materials relating to the subject matter of each meeting, shall be sent to members of the Subcommittee prior to each meeting. Minutes for all meetings of the Subcommittee shall be prepared to document the Subcommittee's discharge of its responsibilities. The Senior Vice President for Finance and Business/Treasurer and the Associate Vice President for Finance shall be responsible for providing administrative support to the Subcommittee.
- *Taking Action.* The Subcommittee on Finance shall have no authority to take action on behalf of either the Committee on Finance, Business and Capital Planning or the Board of Trustees. The Subcommittee, based upon its discussions and deliberations, may make recommendations for action to the Committee.

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3. Duties and Responsibilities

The duties and responsibilities of the Subcommittee on Finance are to review and evaluate the following areas of the University's operations.

- a) Receive periodic briefings on and review performance of both endowed and non-endowment investments.
- b) Assess the Subcommittee on Finance's performance on a regular basis, specifically evaluating the achievement of the responsibilities noted in these Operating Guidelines.
- c) Review and endorse the University's endowment spending rate.
- d) Review the University's annual capital budget.
- e) Review the overall financial health of the University (using various ratios and benchmark data) and key financial policies.
- f) Review the University's debt portfolio, policies, and strategies regarding the issuance of debt instruments.
- g) Periodically consult with the University's financial advisors/consultants and ratings agencies to get broader perspectives relating to debt financing issues within the higher education segment of public finance.
- h) Review key areas of financial risk (as identified in Penn State's enterprise risk management compendium of risk areas) with appropriate senior management.

4. Reporting Responsibilities

- Regularly report, i.e., distribute minutes, to the Board of Trustees about the Subcommittee on Finance activities, issues and related recommendations.
- Review any other reports of the University that relate to the Subcommittee on Finance responsibilities.

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5. Matrix of Committee Responsibilities/Timing

| Responsibility | Mar | July | Nov |
|--|------------|-------------|------------|
| Review operating guidelines | X | | |
| Briefing on endowed and non-endowed investments and LTIP | X | X | X |
| Annual self-assessment by Subcommittee members | | X | |
| Review/endorse endowment spending rate | | X | |
| Review annual capital budget | | X | |
| Review financial benchmarks, ratios | | | X |
| Review debt portfolio/plans for future debt issuance | | | X |

Revised 4/11/2023