A meeting of the Audit and Insurance Committee of the Board of Trustees convened at 3:39 p.m. on Friday, December 18, 2015, in Room 326 of Stewart Center on the campus of Purdue University in West Lafayette, Indiana.

All members of the Committee were present: John Hardin, chair; JoAnn Brouillette; and Thomas Spurgeon. All other trustees were present: Sonny Beck; Michael Berghoff; Vanessa Castagna; Michael Klipsch; Gary Lehman; Cameron Mann; and Don Thompson.

Also in attendance were: Mitch Daniels, President; Deba Dutta, Provost and Executive Vice President for Academic Affairs and Diversity; Bill Sullivan, Treasurer and Chief Financial Officer; Jim Almond, Senior Vice President and Assistant Treasurer; Steve Schultz, Legal Counsel; and Janice Indrutz, Executive Assistant to the Board and Corporate Secretary.

I. APPROVAL OF MINUTES

Upon proper motion duly seconded, the Committee voted unanimously to approve the minutes of its last meeting held on October 8, 2015.

II. APPROVAL OF MODIFIED RESOLUTION ON DOMESTIC PARTNER BENEFITS

Legal Counsel Schultz informed the Committee and members of the Board that since September 2002, by a resolution by the Board of Trustees at that time, the university had offered employee benefits to same-sex domestic partners to the same extent that it had offered such benefits to married employees. He explained that the Board had based that decision on the rationale that offering an equivalent cache of benefits for same-sex couples, who were then unable to legally marry, would place the university in a more advantageous position to recruit faculty and staff while upholding Purdue’s commitment to maintaining a fair and equitable environment for all employees. Meanwhile, as same-sex marriage became legal in a number of states, the university maintained its position that legally married spouses were eligible for benefits regardless if the legally married couple was same-sex or opposite-sex.

Mr. Schultz further explained that the legal landscape had changed after the U.S. Supreme Court legalized same-sex marriage in all 50 states in June 2015. Thus, the university was placed in the position of having to recognize that continuing to offer fringe benefit programs to eligible same-sex domestic partners, while not offering the same benefits to opposite-sex domestic partners, created an unequal and potentially discriminatory environment of a different type.

For these reasons, Mr. Schultz requested approval of a modified resolution on domestic partner benefits. He said it provided for discontinuing the current practice of offering benefits to same-sex domestic partners in a manner, and on a timetable, that was fair and reasonable. Thus, the current practice would continue only until the expiration of the plan period that ended on December 31, 2016. Mr. Schultz noted that several peer institutions, including Indiana University, had already taken the same action. In summary, the university would maintain the status quo for one year to allow affected employees time to make the transition to legal marriage.
Mr. Trent Klingerman, vice president for human resources, stated that in July 2014, before same-sex marriage was legal in Indiana, 32 same-sex domestic partners were covered by the university health plan. After same-sex marriage was legalized in Indiana, and after the decision of the U.S. Supreme Court, the number of same-sex domestic partners had decreased to 15. Mr. Klingerman informed the Committee that Human Resources staff had met with APSAC, CSSAC, and the University Senate to help these university leaders understand the new discriminatory environment in which the university found itself, and he said that Human Resources would work with the remaining 15 same-sex partners over the next year to help them make decisions to the best extent possible.

Trustee Hardin summarized that all Purdue employees now had the ability to be married, and Mr. Klingerman answered questions from Trustee Beck and Trustee Brouillette.

Upon proper motion duly seconded, the members of the Audit and Insurance Committee voted unanimously to seek full Board approval of the modified resolution on domestic partner benefits. Supporting documents were filed with the minutes.

III. REVIEW OF THE FY 2015 FINANCIAL REPORT

Ms. Kendra Cooks, university comptroller, introduced Ms. Jane Kuhn and Ms. Amber Platt from the State Board of Accounts, and she was pleased to report that the university’s financial statements had received an unmodified, or excellent, opinion from the State Board of Accounts. She then discussed the summary statement of revenues, expenses, and changes in net position, as well as the summary statement of net position. Treasurer Sullivan joined Ms. Cooks in explaining the situation regarding the unfunded liability for the Public Employees’ Retirement Fund (PERF), and he said a decision regarding the university’s future with PERF would be made in the spring following further analysis.

Ms. Kuhn was very complimentary of the university staff and said the audit went very well.

The FY 2015 Financial Report was for information only; no Committee action was required.

IV. REVIEW OF THE 2014-15 PROPERTY AND LIABILITY INSURANCE PROGRAM

Ms. Cooks reminded the Committee about the responsibilities of the Risk Management department. She then reviewed the mechanics of the property and liability insurance program and highlighted that by switching carriers for property insurance in 2016, the university would save $2,100,000 over three years. She also reviewed the fidelity program, which covered commercial crime and employee faithful performance, and aviation insurance.

Ms. Cooks then provided a snapshot of risk management financial performance, and Mr. Mark Kebert, risk manager, was in attendance to answer questions about the losses the university had incurred in 2015. Ms. Cooks outlined the risk management plans for 2016 to conclude her review.

No action was required by the Committee.

V. ADJOURNMENT

By consent, the meeting adjourned at 4:15 p.m.