Minutes
Board of Trustees of the Trustees of Purdue University
Finance Committee
June 17, 2016

A meeting of the Finance Committee of the Board of Trustees convened at 8:52 a.m. on Friday, June 17, 2016, in Room 326 of Stewart Center on the campus of Purdue University in West Lafayette, Indiana.

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

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 February 26, 2016.

II. Review of Perf Soft Freeze Liability and Approval of Down Payment

Trustee Thompson reminded everyone that the university stopped participation in the Public Employees Retirement Fund (PERF) in September 2013 and moved all new employees to a defined contribution plan, but legislation had since been passed that imposed a new funding obligation to those employers who had left PERF. The legislation required employers to make a supplemental contribution to fund an amount necessary to pay their share of the unfunded pension liability.

Treasurer Sullivan said that since the legislation was passed, Purdue had worked with Indiana University and the Indiana Public Retirement System (INPRS) to determine a fair method to calculate the cost of the supplemental contribution. The payment was to be made in full by June 30, 2016, but Treasurer Sullivan said a 10% down payment was negotiated while the parties worked to calculate the final cost. Ms. Eva Nodine, director of benefits, then informed the Committee that the final calculation of Purdue’s supplemental contribution was estimated at $22,426,683. The 10% down payment of $2,242,668 would be paid by June 30, with the remaining balance to be paid by August 31, 2016. Trustee Thompson asked what interest Indiana University had in the discussions, to which Treasurer Sullivan responded that it would use the same agreement as Purdue.

Trustee Thompson then sought and received clarification from Treasurer Sullivan and Ms. Nodine that the recommendation being made to the Committee was to approve the 10% down payment and endorse the negotiations with INPRS. Trustee Beck remarked that the team had
worked well to protect the pensions of former employees, and Trustee Thompson commented that it was a good idea to have teamed up with Indiana University to address the issue faced by both universities. Upon proper motion duly seconded, the Finance Committee voted unanimously to endorse the negotiations and recommend full Board approval of the down payment. A supporting document was filed with the minutes.

III. APPROVAL OF CONTRACT IN EXCESS OF $2,000,000: MINNESOTA LIFE CONTRACT RENEWAL

Mr. Trent Klingerman, vice president for human resources, informed the Committee that since 2009, Minnesota Life, now Securian Financial Group, had been the university’s vendor for term life insurance and basic accidental death and dismemberment insurance to all employees, including retirees. He explained that although there had been no premium increases since 2009, Purdue’s loss ratio had been significantly higher than Securian’s tolerable loss ratio. Therefore, Securian would impose a premium rate increase in conjunction with Purdue’s contract renewal. Mr. Klingerman then outlined three-year and five-year renewal proposals and discussed his recommendation for approval of the five-year renewal proposal, which would fix all life insurance premium rates at 8.8% through June 30, 2021.

Trustee Thompson expressed his belief that this was a good recommendation. He discussed how most insurance companies usually did not renew a contract with a sustained loss ratio like Purdue had experienced, and it was often difficult to get new coverage. Upon proper motion duly seconded, the Finance Committee voted unanimously to recommend full Board approval to renew the contract with Securian Financial Group for a five-year period. A supporting document was filed with the minutes.

IV. APPROVAL OF FY 2017 CONCEPTUAL BUDGET

Trustee Thompson reminded the Committee that fiscal year 2017 was the second year of the biennial budget period; thus, student fees and state appropriations had been approved previously as part of the 2015 legislative and budget process. He said the Committee was very pleased that the conceptual budget represented the fourth consecutive year that tuition and fee rates had remained flat on the West Lafayette campus while ensuring strategic allocations and salary increases for faculty and staff. Trustee Thompson remarked that what had been accomplished was admirable.

Ms. Melissa Johnson, director of financial planning and analysis, made a presentation to the Committee to provide an overview of the FY 2017 conceptual budget. She explained that the overview would focus on general funds, which represented nearly half of Purdue’s total budget, and she indicated that the “all funds” budget would be presented to the Committee in October 2016. Ms. Johnson discussed key budget points for the West Lafayette campus, including a 2.5% merit increase salary policy. She outlined the revenue sources that comprised the $1,068,677,156 total revenues, and she also outlined the expenditure allocations for the West Lafayette campus. Ms. Johnson then discussed and outlined the key inputs, total revenues, and expenditure allocations for the regional campuses.

President Daniels wished to compliment Ms. Johnson and her team. He said that many people continued to be mystified as to how Purdue was able to give raises, grow the faculty, and make strategic investments without raising tuition, for which he said the answer was increased enrollment, retention of existing students, and identification of small, incremental savings in almost every unit on campus. Treasurer Sullivan also wished to recognize Melissa Johnson
and her team, as well as Assistant Treasurer Almond, Chancellor Carwein and her team, and Chancellor Keon and his team. Trustee Thompson expressed appreciation for the major strides that had been made in response to the Board’s request for more transparency, which enables the Committee and the Board to be good stewards of the university’s finances.

Upon proper motion duly seconded, the Finance Committee voted unanimously to recommend full Board approval of the FY 2017 conceptual budget. A supporting document and a copy of Ms. Johnson’s presentation were filed with the minutes.

V. ADJOURNMENT

By consent, the meeting adjourned at 9:22 a.m.