

AGENDA

UNIVERSITY OF SOUTHERN INDIANA BOARD OF TRUSTEES

November 2, 1995

SECTION I - GENERAL AND ACADEMIC MATTERS

- A. Approval of Minutes of September 7, 1995, Meeting
- B. Establishment of Next Meeting Date, Time, Location
- C. President's Report

SECTION II - FINANCIAL MATTERS

- A. Report of the Finance and University Center Addition Construction Committees
- B. Approval of the VEBA Trust Investment Policy
- C. Approval of Policy for Transfer of Funds to VEBA Trust Accounts
- D. Approval of Procedure for Transferring Additional Funds to the VEBA Trust Accounts
- E. Approval of Resolution to Authorize the Finance Committee to Approve a Plan of Financing and to Authorize the Sale of Student Housing Bonds
- F. Appointment of a Committee to Formulate a Request for Proposal for Providing Campus Master Planning Services
- G. Report on Energy Management Contracting and Approval of Resolution to Authorize the Finance Committee to Issue a Request for Proposal to Qualified Performance Contractors
- H. Approval of Blue Cross/Blue Shield Group Health Insurance and Health Resources, Inc. Dental Insurance Premium Rates
- I. Approval of Welborn HMO Group Health Insurance and Health Resources, Inc. Dental Insurance Premium Rates
- J. Approval of the Flexible Benefit Plan Administrative Fee
- K. Approval of Budget Appropriations, Adjustments, and Transfers

SUPPLEMENTAL INFORMATION
UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

November 2, 1995

SECTION I - GENERAL AND ACADEMIC MATTERS

- A. APPROVAL OF MINUTES OF SEPTEMBER 7, 1995, MEETING**
- B. ESTABLISHMENT OF NEXT MEETING DATE, TIME, LOCATION**
- C. PRESIDENT'S REPORT**

SECTION II - FINANCIAL MATTERS

A. REPORT OF THE FINANCE AND UNIVERSITY CENTER ADDITION CONSTRUCTION COMMITTEES

The Finance Committee and the University Center Addition Construction Committee held a joint meeting on September 22, 1995. Mr. Combs will report on the action taken by the committees.

University Center Addition Construction Bids

On July 7, 1995, the Board of Trustees authorized the University Center Addition Construction Committee to award construction contracts for the University Center Addition Project. At its meeting on September 22, 1995, the committee awarded contracts as outlined in the Cost Summary - University Center Expansion Project (Exhibit II-A). The project includes \$4,613,056 for construction contracts and professional compensation and \$86,944 for contingencies.

VEBA Trust Policies

The Finance Committee approved VEBA Trust policies and procedures for recommendation to the Board of Trustees.

B. APPROVAL OF THE VEBA TRUST INVESTMENT POLICY

The Finance Committee, at its meeting on September 22, 1995, reviewed and approved for recommendation to the Board of Trustees the Investment Policy for VEBA Trust for the University of Southern Indiana (Exhibit II-B).

Approval of the Investment Policy is recommended.

C. APPROVAL OF POLICY FOR TRANSFER OF FUNDS TO VEBA TRUST ACCOUNTS

The Finance Committee, at its meeting on September 22, 1995, discussed options for the transfer of funds from the University to the VEBA Trust accounts established at Old National Bank of Evansville (ONB) and National Bank of Detroit Southwest (NBD). The committee voted to recommend to the Board of Trustees that funds received through employer/employee post-retirement contributions be transferred to the VEBA Trust accounts on a quarterly basis, with the first transfers deposited in the ONB sub account.

Approval of the policy for transfer of funds is recommended.

D. APPROVAL OF PROCEDURE FOR TRANSFERRING ADDITIONAL FUNDS TO THE VEBA TRUST ACCOUNTS

The Finance Committee, at its meeting on September 22, 1995, agreed to recommend to the Board of Trustees the following procedures when authorizing the transfer of additional funds to the VEBA Trust accounts.

- (1) The Vice President for Business Affairs and Treasurer will recommend to the Finance Committee the amount to be transferred and the sub account to receive the funds.
- (2) Upon the recommendation of the Finance Committee, the full Board of Trustees will grant final approval for the transfer of funds.

Approval of the procedure for transferring additional funds to the VEBA Trust accounts is recommended.

E. APPROVAL OF RESOLUTION TO AUTHORIZE THE FINANCE COMMITTEE TO APPROVE A PLAN OF FINANCING AND TO AUTHORIZE THE SALE OF STUDENT HOUSING BONDS

Approval of the following resolution is recommended.

WHEREAS, the Board of Trustees wishes to proceed with a plan for financing the construction of three student housing buildings, and

WHEREAS, the next scheduled meeting of the Board of Trustees is not until January, 1996,

NOW, THEREFORE, BE IT RESOLVED that the Chairman of the Board of Trustees is authorized to appoint the Finance Committee to review and approve a financing plan, and

FURTHER RESOLVED that the Finance Committee is authorized to proceed with the proposed funding which includes the issuance of one or more series of bonds in a maximum aggregate principal amount of \$2,700,000 for such project, plus (i) any amounts required to fund or otherwise provide for a reserve fund for such bonds, and to pay costs of issuance of the bonds and such other expenses as may be necessary and incidental to such financing and (ii) underwriters' and/or incidental discount within the limits prescribed by law, and to report on the financing plan and funding at the next scheduled meeting of the Board of Trustees.

F. APPOINTMENT OF A COMMITTEE TO FORMULATE A REQUEST FOR PROPOSAL FOR PROVIDING CAMPUS MASTER PLANNING SERVICES

The original Campus Master Plan was prepared in the late 1960s and revisited in 1988. This plan has served the University extremely well during the formative years of the campus; however, it did not fully anticipate the rapid enrollment growth of the campus or the changing nature of the campus from commuter to residential status. The original 300 acres for the campus site was donated by Southern Indiana Higher Education, Inc. (S.I.H.E.). S.I.H.E. has retained approximately 1,100 acres of land south of the campus in anticipation of the future needs of the campus and/or other development projects which may complement the campus. In looking ahead to the turn of the century and beyond, it is essential that the University organize its plans for future growth and development.

Approval of the following resolution is recommended.

WHEREAS, the Board of Trustees of the University of Southern Indiana wishes to update the original Campus Master Plan to recognize the rapid enrollment growth and effect of a residential student population, and

WHEREAS, the Board of Trustees wishes to coordinate its long-range campus development plans with the plans of Southern Indiana Higher Education, Inc. for development of its property south of the campus,

NOW, THEREFORE, BE IT RESOLVED that the Chairman of the Board of Trustees is authorized to appoint a committee to develop a Request for Proposal to provide campus master planning services and to develop a proposed list of firms which provide master planning services to receive an invitation to submit a proposal, and

FURTHER RESOLVED that the Committee shall report its actions at the next scheduled meeting of the Board of Trustees.

G. REPORT ON ENERGY MANAGEMENT CONTRACTING AND APPROVAL OF RESOLUTION TO AUTHORIZE THE FINANCE COMMITTEE TO ISSUE A REQUEST FOR PROPOSAL TO QUALIFIED PERFORMANCE CONTRACTORS

In the 1995 legislative session, Senate Bill No. 351 modified IC 20-12-5.5-7, authorizing universities to enter into energy management performance contracts with qualified providers. These performance contracts require that capital expenditures for energy management projects be self-funded from contractor-guaranteed energy savings over a maximum period of ten (10) years. Performance contracts are turnkey projects where responsibility for design, installation, project management, financing and maintenance is assumed by the performance contractor. The scope of performance contracts is typically defined by the

amount of energy and operational savings the performance contractor can identify. Performance contracts are a cost-effective tool for universities to:

- a. reduce energy consumption
- b. reduce operating costs
- c. improve facility comfort and productivity
- d. repair and modernize equipment
- e. solve obsolescence issues caused by governmental regulations
- f. provide funding without increasing existing budgets or bond issues

Approval of the following resolution is recommended.

WHEREAS, the University is currently studying the advantages of performance contracting and is preparing a draft Request for Proposal intended to be sent to qualified performance contractors, and

WHEREAS, this request for proposal will be completed before the next scheduled meeting of the Board of Trustees,

NOW, THEREFORE, BE IT RESOLVED that the Chairman of the Board of Trustees is authorized to appoint the Finance Committee to review and approve or reject the issuance of a Request for Proposal.

FURTHER RESOLVED that the Finance Committee shall review any proposals received from the issuance of a Request for Proposal and shall provide a report of activities, including any recommendations for contracting with a qualified provider, at the next scheduled meeting of the Board of Trustees.

H. APPROVAL OF BLUE CROSS/BLUE SHIELD GROUP HEALTH INSURANCE AND HEALTH RESOURCES, INC. DENTAL INSURANCE PREMIUM RATES

The following Blue Cross/Blue Shield health insurance monthly premium rates have been quoted for a twelve-month period beginning January 1, 1996. In conjunction with receiving a quote from Blue Cross/Blue Shield, the University's health plan and historical premium structure were reviewed by Alexander & Alexander, an employee benefits consulting firm. As a result of this review, sixteen other vendors were solicited for bids to provide a comparable medical indemnity plan for USI. Only one quote was received for a plan identical to the current indemnity plan, and it was 18 percent higher than the 1996 quote from Blue Cross/Blue Shield.

The medical premium rates from Blue Cross/Blue Shield for 1996 reflect an 8 percent increase. The rate increase is the result of projected utilization of benefits and a 16 percent medical trend factor. The current premium rates have been in effect for the past three years. There are no changes recommended to the existing benefit plan.

The twelve-month renewal rates effective January 1, 1996, for Health Resources, Inc. dental insurance reflect a 2.5 percent rate increase for 1996. The renewal rate is the result of increased utilization by USI employees and dependents and a 6.5 percent increase in dentists' fees, due to OSHA's infectious control mandates which went into effect in 1995.

The 1996 insurance rates include a contribution for funding the liability for post-retirement benefits.

Blue Cross/Blue Shield and Health Resources, Inc. provide the primary health/dental insurance for 346 employees, dependents, and retirees. The University contribution for medical and dental coverage and for funding the liability for post-retirement benefits for single, family, and retiree coverage is 75 percent of the total premium.

Approval to renew the master policies with Blue Cross/Blue Shield and Health Resources, Inc. with the following rate schedule is recommended.

1996 MONTHLY PREMIUM RATES

	<u>BC/BS MEDICAL PREMIUM</u>	<u>HRI DENTAL PREMIUM</u>	<u>POST- RETIREMENT CONTRIBUTION</u>	<u>1996 TOTAL MONTHLY PREMIUM</u>	<u>1995 TOTAL MONTHLY PREMIUM</u>
Single	\$170.08	\$15.88	\$ 8.50	\$194.46	<i>\$181.42</i>
Family	434.78	40.56	22.00	497.34	<i>464.17</i>
Over 65 (Retired)	154.19	15.88	8.50	178.57	<i>166.71</i>

I. APPROVAL OF WELBORN HMO GROUP HEALTH INSURANCE AND HEALTH RESOURCES, INC. DENTAL INSURANCE PREMIUM RATES

The University of Southern Indiana has offered Welborn HMO/Health Resources, Inc. as an alternative health/dental benefit program since October 1988. Welborn HMO is administered locally and currently provides services to approximately 35,000 members in the local area.

The quoted premium rates effective for a twelve-month period beginning January 1, 1996, reflect a 4.3 percent decrease for single coverage, a 4.1 percent decrease for family coverage, and a 5 percent increase for retiree coverage. There are no changes recommended to the existing benefit plan. Renewal rates for Welborn HMO are based on plan utilization experience and age, gender, plan design, and industry trend factors.

The twelve-month renewal rates effective January 1, 1996, for Health Resources, Inc. dental insurance reflect a 2.5 percent rate increase for 1996. The renewal rate is the result of increased utilization by USI employees and dependents and a 6.5 percent increase in dentists' fees, due to OSHA's infectious control mandates which went into effect in 1995.

The 1996 insurance rates include a contribution for funding the liability for post-retirement benefits.

Welborn HMO and Health Resources, Inc. provide the primary health/dental insurance coverage for 179 employees, dependents, and retirees. The University contribution for medical and dental coverage for funding the liability for post-retirement benefits is equal to 75 percent of the total premium.

Approval to renew the master policies with Welborn HMO and Health Resources, Inc. with the following rate schedule is recommended.

1996 MONTHLY PREMIUM RATES

	<u>WELBORN MEDICAL PREMIUM</u>	<u>HRI DENTAL PREMIUM</u>	<u>POST- RETIREMENT CONTRIBUTION</u>	<u>1996 TOTAL MONTHLY PREMIUM</u>	<u>1995 TOTAL MONTHLY PREMIUM</u>
Single	\$155.00	\$15.88	\$ 8.50	\$179.38	<i>\$185.94</i>
Family	402.00	40.56	22.00	464.56	<i>480.60</i>
Over 65 (Retired)	147.35	15.88	8.50	171.73	<i>164.20</i>

J. APPROVAL OF THE FLEXIBLE BENEFIT PLAN ADMINISTRATIVE FEE

The Section 125 Flexible Benefit Plan, which was implemented in 1990 and expanded in 1992, allows enrolled employees to pay medical insurance premiums, dependent care expenses, and uninsured medical expenses with pre-tax dollars. Participation in the program has been steady since its introduction. Approximately 25 percent of the eligible employees participate in the uninsured medical expense reimbursement plan, and 99 percent of employees with medical insurance are enrolled in the premium-only portion of the plan.

During the 1994 plan year, the University's net savings were \$35,958 due to the University's reduced FICA tax (Social Security and MQFE).

Geo. S. Olive & Co., Inc. administers the plan for the University. The per-participant administrative fee of \$4.50 per month has been in effect since January 1, 1992. Due to increased operating expenses and utilization of the plan by USI employees, Geo. S. Olive has quoted an administrative fee of \$5.25 per participant per month for a twelve-month period beginning January 1, 1996.

Approval to renew the administrative arrangement with Geo. S. Olive & Co. for the flexible benefit plan with the quoted per participant rate is recommended.

K. APPROVAL OF BUDGET APPROPRIATIONS, ADJUSTMENTS, AND TRANSFERS

1. Additional Appropriations

From:	Unappropriated Auxiliary Funds		
To:	3-30600	Athletic Operations Supplies and Expense	107
To:	3-30609	Cross Country - Men Supplies and Expense	3,013
To:	3-30613	Sports Medicine Supplies and Expense	226
From:	Unappropriated Restricted Funds		
To:	4-45086	1995-96 Economic Education Supplies and Expense	2,340
To:	4-46327	Student/Faculty Research - Professor Barnett Supplies and Expense	900

COST SUMMARY
University Center Expansion Project
University of Southern Indiana

Exhibit II-A
 11-2-95

	ORIGINAL BID	NEGOTIATED REDUCTIONS	REVISED PROJECT WITH ALTERNATES 4 & 5
General Construction Deig Bros.	\$2,786,244	\$76,374	\$2,709,870
Roof Work U.S. Industries	128,300	5,300	123,000
Fire Protection Plumbing HVAC Work Arc Mechanical	862,000	7,685	854,315
Temperature Control Johnson Controls	105,916	14,259	91,657
Electrical Work Premier Electric	453,000	171,865	281,135
Test & Balance Flotech	6,890	0	6,890
Tunnel Piping & Elec.	133,900	1,000	132,900
Dimming & Lighting Estimate		(130,000)	130,000
Professional Compensation	292,644	9,355	283,289
Total Contracts & Prof. Compensation	\$4,768,894	\$155,838	\$4,613,056
Contingency			\$86,944
TOTAL PROJECT			\$4,700,000

INVESTMENT POLICY FOR VEBA TRUST FOR THE UNIVERSITY OF SOUTHERN INDIANA

I. Investment Philosophy and Objective

The University of Southern Indiana established a Voluntary Employees' Benefit Association (VEBA) for employees and retirees which will hold separate accounts for the purpose of providing medical, dental, and/or life insurance benefits for retired employees of USI and medical/dental benefits for their eligible dependents and for the purpose of providing medical, dental, and/or life insurance benefits, and other forms of permitted welfare benefits for employees of USI and medical/dental benefits for their eligible dependents and COBRA participants.

II. Investment Officer - Authority

The University will not directly and internally manage any portion of the VEBA Trust. The University will retain one or more Trustees for the VEBA Trust to manage the assets of the fund. This will provide greater diversification of investment policy, judgment, investment opportunity, and risk exposure and will create a positive influence on performance through long-term monitoring of each Trustee of the VEBA Trust.

The Trustees for the VEBA Trust, subject to the approval of the University Board of Trustees, shall be selected from strongly established and financially sound organizations which have a proven and demonstrable record in managing funds with characteristics similar to those of the VEBA Trust. Selection will depend upon factors established by the Finance Committee of the University Board of Trustees. These factors will include the competitive structure of the VEBA Trustees' custodial fee and management fee schedules.

The determination of the amounts to be invested in the VEBA Trust shall be the responsibility of the Vice President for Business Affairs and Treasurer and subject to the approval of the University Board of Trustees. The responsibility for investing the funds shall rest with the Trustees for the VEBA Trust subject to limitations of this policy and consistent with procedures approved by the Vice President for Business Affairs and Treasurer.

III. Definition of Portfolio

This policy applies to funds held by the Voluntary Employees' Benefit Trust (VEBA) Trustees established to provide medical/dental, life, and other welfare benefits for retirees and eligible dependents, employees and eligible dependents, and COBRA participants.

IV. Authorized Investments

A. The following investments shall be authorized subject to the limits indicated.

1. U.S. Treasury Notes, Bills, and Bonds

- a. Limitations per issue: None
- b. Maximum Maturity: 30 years

2. U.S. Government Agencies

- a. Limitation per issue: None
- b. Maximum Maturity: 30 years

(Approval from the Vice President for Business Affairs and Treasurer is required to invest with a maturity which exceeds 10 years.)

3. Indiana Institutions

a. Certificate of Deposit

- 1) Investments limited to those banks, savings banks, and savings and loan institutions that provide deposit insurance for University funds under Indiana Statute by the Public Deposit Insurance Fund in addition to the amounts insured by agencies of the United States Government (FDIC/SAIF).
- 2) Maximum maturity: 5 years

b. Repurchase Agreements

- 1) Collateral: U.S. Treasury and Agency securities with the University having a perfected interest in the securities. Securities market value must equal or exceed the principal plus anticipated interest earnings.
- 2) Maximum maturity: 1 year

c. Cash Equivalent Funds

4. Non-Indiana Institutions

a. Certificate of Deposit

- 1) Investments limited to those banks, savings banks, and savings and loan institutions that are insured by agencies of the U.S. Government

(FDIC/SAIF) to the maximum statutory amount (\$100,000).

- 2) Maximum investment per issuer: \$100,000 (principal and interest)
- 3) Maximum maturity: 1 year

5. Money Market Mutual Funds

- a. Participation should be limited to those funds which invest in only U.S. Treasury and/or Federal Agency securities and whose assets exceed \$250,000,000 or funds managed by Indiana banks which provide insurance for University funds under Indiana Statute by the Public Deposit Insurance Fund.
- b. Maximum investment in Money Market Mutual Funds shall not exceed 15 percent of the investment portfolio.

V. Placement of Investments

Maturities of investments are to be arranged to meet the cash flow needs for disbursements from the VEBA Trust. The Vice President for Business Affairs and Treasurer will provide direction to the Trustees of the VEBA Trust concerning the schedule for anticipated disbursements.

VI. Premiums or Discounts

Securities may be purchased at either a premium or a discount.

VII. Gains/Losses

Securities may be sold for more or less than book value if such action would be consistent with the VEBA Trustee's investment goals.

VIII. Reporting

The Trustees for the VEBA Trust shall maintain subsidiary records of each investment made for the VEBA Trust. Quarterly reports shall be submitted to the Vice President for Business Affairs and Treasurer. An annual Treasurer's Report summarizing investment transactions shall be submitted to the University Board of Trustees.