

**MINUTES OF THE WINTER MEETING OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF PITTSBURGH**

February 28, 2020

The Winter Meeting of the Board of Trustees was held on Friday, February 28, 2020, at 11:00 a.m., in the Assembly Room of the William Pitt Union at the University of Pittsburgh. Alumni, Commonwealth, and Term Trustees in attendance were Jane Bilewicz Allred, John A. Barbour, Eva Tansky Blum (Chairperson), Douglas M. Browning, Gary T. Brownlee, Louis R. Cestello, Vaughn S. Clagette, Jay Costa Jr., Bradley J. Franc, Patrick Gallagher (Chancellor and Chief Executive Officer), Deborah J. Gillotti, Edward J. Grefenstette, Ira J. Gumberg, Dawne S. Hickton, Diane P. Holder, Sy Holzer, Patricia D. Horoho, Thomas O. Johnson II, S. Jeffrey Kondis, William K. Lieberman, Roberta A. Luxbacher, John A. Maher III, Larry J. Merlo, John H. Pelusi Jr., Thomas E. Richards (Chairperson-Elect), Keith E. Schaefer, Jack D. Smith, Thomas L. VanKirk, Peter C. Varischetti, and Michael G. Wells. Ex Officio and Special Trustees in attendance were Robert O. Agbede, SaLisa L. Berrien, Sundaa A. Bridgett-Jones, Tamara M. Haddad, Robert M. Hernandez, Marlee S. Myers, Herbert S. Shear, and Adam C. Walker. Emeritus Trustees in attendance were Suzanne W. Broadhurst, Catherine D. DeAngelis, J. Roger Glunt, and Alfred L. Moyé. University Officers in attendance included Ann E. Cudd, Kathy W. Humphrey, Arthur S. Levine, Rob A. Rutenbar, Narahari Sastry, Gregory A. Scott, and Geovette Washington. Staff in attendance included Kenyon Bonner, Kristin Davitt, Kimberly L. Honath, Heather Lyke, Ellen Moran, Amy E. Service, Paul Supowitz, and Kevin Washo. Also attending were Dr. Anantha Shekhar.

Remarks of the Chairperson. Eva Tansky Blum, Chairperson of the Board of Trustees, convened the meeting at which a quorum was present. In keeping with the Sunshine Act, the meeting was duly advertised as a public meeting.

Moment of Silence. At the request of Chairperson Blum, the Trustees observed a moment of silence in memory of Dr. Lucie S. Young Kelly, who passed away on November 20, 2019. Dr. Kelly served as an Alumni Trustee from 1984 until 1990. After earning her undergraduate and graduate degrees from the University, Dr. Kelly devoted her career to the fields of nursing and higher education, including establishing an interdisciplinary nursing and public health program at Columbia University. Dr. Kelly made a generous gift to the University to establish the *Lucie Young Kelly Leadership Award* in the School of Nursing. Among the many awards she received over the course of her lifetime, Dr. Kelly was honored by the University with receipt of the Bicentennial Medallion of Distinction, the School of Nursing Distinguished Alumna Award, the School of Education Distinguished Higher Education Alumna Award, and inducted as a Legacy Laureate.

Acknowledgments. Chairperson Blum recognized the following members of the University community received special honors:

- Board Secretary Kathy Humphrey received the *Martin Luther King Jr. Creating A Just Community Award* for her years of outstanding leadership in creating a more equitable and inclusive University community. The award was presented by Equipoise, an organization of the University's African American students, faculty, staff, and administrators.

- The Financial Times-Outstanding Directors Exchange named Trustee Robert M. Hernandez as one of four members of its *Class of 2020 Outstanding Directors*. Mr. Hernandez was recognized as a champion for board diversity and for the pivotal role he played in assisting ACE Limited in its transition to a public company and its acquisition of Chubb, which created the world's largest publicly traded property and casualty insurance company.
- Trustees Peter C. Varischetti and Adam C. Walker were named 2020 Awardees of Distinction at the 59th annual Varsity Letter Club Award Dinner in recognition of their professional accomplishments and their contributions to the community.
- Trustee James P. Covert will be enshrined in the Pro Football Hall of Fame in recognition of his incredible career with the Chicago Bears, including winning Super Bowl XX.

Approval of Minutes. The minutes of the September 27, 2019 Fall Meeting of the Board of Trustees were approved.

Report of the Property and Facilities Committee. John A. Barbour, Chairperson of the Property and Facilities Committee, provided an overview of discussions held and actions taken at meetings held on November 18, 2019 and February 27, 2020:

Projects: Mr. Barbour stated that the Committee approved six capital projects that, when taken together, will generate approximately 574 construction and support jobs. He highlighted two of the projects, both of which are related to the construction of the planned Recreation and Wellness Center: (i) the coordinated, phased demolition of the Learning Research and Development Center and the O'Hara Parking Garage, which sit within the construction footprint of the Center; and (ii) the relocation of existing utilities and infrastructure, as well as the reconfiguration of University Drive. The vicinity around the Recreation and Wellness Center will be the hub of a planned transformation that will provide opportunities to expand the campus environment and foster greater campus connectivity through innovative development and planning that will include: (i) the construction of a parking garage; (ii) a residence hall; and (iii) the Arena and Sports Performance Complex.

The Property and Facilities Committee also discussed the University's leasing strategy and portfolio, including information relating to how the University plans, manages, evaluates, and optimizes its comprehensive lease portfolio and the types and amount of space owned and leased by the University. Among the considerations included in the University leasing strategy is how its use of space impacts the larger community and how the rapidly evolving higher education environment will affect real estate portfolios in the future.

Background Statement and Resolution Electing Anantha Shekhar, Senior Vice Chancellor for the Health Sciences and John and Gertrude Petersen Dean of the School of Medicine, an Officer of the University. Board Chairperson Blum called upon Chancellor Patrick Gallagher to introduce the Background Statement and Resolution Electing Anantha Shekhar as Senior Vice Chancellor for the Health Sciences and John and Gertrude Petersen Dean of the School of Medicine. Chancellor Gallagher advised the Board that, following a national search, Anantha Shekhar accepted his invitation to join the University. Dr. Shekhar is an internationally recognized educator, researcher, and entrepreneur. He currently serves as Executive Associate Dean for Research Affairs at the Indiana University School of Medicine, as a Distinguished Professor and Associate Vice President for University Clinical Affairs and Research at Indiana University, and as Executive Vice President of Academic Affairs for Clinical Research at Indiana University

Health. Dr. Shekhar is also the founding Director of the Indiana Clinical and Translational Sciences Institute – the only statewide institute of its kind in the country. Dr. Shekhar’s professional career is more completely described in the Background Statement included as pages 8 through 9 of these minutes.

Upon motion duly made and seconded, the Board of Trustees approved the Resolution Electing Anantha Shekhar, Senior Vice Chancellor for the Health Sciences and John and Gertrude Petersen Dean of the School of Medicine, an Officer of the University. A copy of the Resolution is included as pages 10 through 12 of these minutes.

Report of the Chancellor. Chancellor Gallagher began his remarks by discussing the rapidly spreading novel coronavirus (a/k/a the Covid-19 virus). At the time of the meeting, the University was focused on providing information on the virus to members of the University community. In addition, steps were being taken to ensure the safe return of students and faculty pursuing studies or research in affected countries. He encouraged everyone attending the meeting to visit the University’s emergency planning website for updates on the University’s response to the virus.*

Chancellor Gallagher reminded the Trustees that February 28th marks the day that the University was established in 1787. To mark the occasion, Chancellor Gallagher stated that his report would focus on actions that the University can take to address the unique challenges facing the world today. He observed that the long-term viability of the institution is intertwined with the sustainability of society, particularly the concern regarding the increasing pace and intensity of global climate change and its potential for unprecedented detrimental impacts. Chancellor Gallagher stated that the University is broadly united in the conviction that, as an institution, it has the ability and the responsibility to play a key role in shaping a sustainable global society.

Socially Responsible Investment Committee. Chancellor Gallagher reminded the Trustees that in 2018, he convened the Socially Responsible Investment Committee (the “SRI Committee”), which was comprised of faculty, staff, and students. The SRI Committee was asked to review and assess:

- The approaches that other universities and nonprofits have taken in determining whether or not they will pursue socially responsible investing strategies;
- The relative merits and trade-offs of different approaches, including commercial SRI funds; and
- The factors to consider when developing an effective socially responsible investment strategy.

The SRI Committee submitted its report to the Chancellor on April 24, 2019. In August, Chancellor Gallagher asked the Senior Vice Chancellor and Chief Financial Officer to pursue the following three strategies:

* Subsequent to this meeting, during the week of March 16, 2020, the University began taking steps to reduce its operating presence by closing a number of University buildings and facilities by March 20, transitioning to online learning effective March 23, and evacuating all students studying abroad except for those choosing to stay with family members in the affected countries.

- Developing clear, actionable Environmental, Social and Governance criteria for endowment fund managers to use in evaluating investment options;
- Establishing a clear and transparent process for researching, analyzing, and presenting potential investment exclusions to the Board of Trustees for their consideration; and
- Expanding and leveraging the University's ambitious long-term Sustainability Plan.

Chancellor Gallagher noted that the SRI Committee report also addressed the potential risk the University may face if it did not adequately address the issues of sustainability, environment, and climate change concerns. Therefore, the Chancellor's response to the report also included a goal of expanding the University's activities beyond its existing Sustainability Plan. This goal recognized the fact that the University's response to the global challenges associated with climate change and sustainability are not limited to investment strategies. Rather, the potential range of actions is as broad as the University's mission, including all aspects of its operations, as well as the actions of the individuals that make up the University community.

Carbon Neutrality. Chancellor Gallagher observed that the University took early action to confront climate change by adopting its Sustainability Plan in 2018. Since that time, the University has significantly reduced its carbon footprint, as measured by greenhouse gas emissions, and is on target to reduce emissions by 50% of its 2008 baseline level by 2030. The University will achieve net zero greenhouse gas emissions at the Pittsburgh campus by pursuing energy efficiency, dramatically expanding its commitment to renewable energy sources, and offsetting emissions that are produced through activities that sequester and/or remove carbon from the atmosphere. These efforts will extend to the University's regional campuses, which are becoming significantly more sustainable through a commitment to renewable energy and rigorous construction standards.

Chancellor Gallagher stated that the University has prioritized its ability to produce and procure renewable energy. In 2019, 22% of the University's energy consumption came from renewable sources. That number will grow significantly upon completion of a low-impact hydropower facility being built on the Allegheny River at the Highland Park Dam. The University will purchase 100% of the power generated by that facility, which will provide 25% of its electricity needs by 2023. The University is also in the process of transforming its fleet of vehicles to run on more efficient, cleaner burning fuels and investigating commuter options for members of the University community. In addition, the University will use landscaping and reforestation efforts to reduce and sequester carbon and will also offset the emissions it does produce through innovative, collaborative partnership with institutions and communities across the region.

In support of these efforts, Chancellor Gallagher advised the Board that later in the meeting, he would introduce a Resolution in Support of the University's Carbon Neutrality Commitment, which sets a goal of achieving carbon neutrality by 2037, the same year in which the University will celebrate its 250th anniversary.

Consolidated Endowment Fund and Socially Responsible Investing Screening Process. The Chancellor reminded the Board members that the University's endowment is its greatest financial asset. However, the purpose of the endowment is often misunderstood. He stressed that the endowment is not a savings account; rather, it performs a vital function to support the University's charitable, non-profit mission. Chancellor Gallagher emphasized that the University's stated intent is to distribute as much income from the endowment as possible consistent with the goal of preserving the fund forever. Over time, despite the risk and volatility in financial markets, the returns from the endowment must:

- Perform above and beyond average inflation – otherwise the endowment loses value and penalizes future students; and
- Generate additional returns to support the University's mission.

This twin goal of supporting the University's mission and preserving the fund in perpetuity results in a delicate balance as the University seeks to realize higher returns on its investments.

Chancellor Gallagher continued by noting that another key feature of the endowment is that the use of the corpus, or income generated by investments, is restricted by either donors or the University, and funds must be spent according to those restrictions. More than 50% of the fund is restricted to supporting financial aid for students. Moreover, the endowment is intended to support students currently enrolled at the University and to ensure that future generations of students will be able to access financial aid and support. The endowment also carries with it a promise that the University will act as a faithful steward of donors' intentions and financial commitment.

Chancellor Gallagher stated that the preservation of the endowment is the Board's primary fiduciary responsibilities. Decisions relating to the endowment's investment goals and the University's investment strategy rest solely with the Board. The Board has established that maximizing the returns on the endowment assets is the primary objective of the University and that the University's investment managers may only consider financial performance in their roles. Furthermore, any decision to limit or divest from any class of assets is a decision to be made by the Board.

The report of the SRI Committee outlined successful approaches employed by other institutions that seek to support a board's role in making these types of evaluations and offer a model for the University to consider. These methods include: (i) identifying and evaluating areas of potential concern to determine if the potential for an adverse impact on the institution exists; (ii) a process to be used to study the issues; and (iii) allow for broad, balanced input from the institutional community, with findings supported by research, analysis, and expert input.

Chancellor Gallagher stated that he believes that establishing a Socially Responsible Investing Screening Process would assist the Board in its oversight of the endowment. He directed the attention of the Trustees to the draft Socially Responsible Investing Screening Process, noting that it provides for:

- A process for identifying areas of concern of the University community;
- An evaluative process within the University to decide whether the issue rises to the threshold for potential consideration by Board;
- If the issue meets that threshold, the process would require a consultative process between the Board Chair and the Chancellor to determine whether the issue poses a significant enough risk to trigger the study phase of the process;
- The process then provides that the Board Chair shall invite the Chancellor to establish a committee charged with examining the issue, collecting input, and providing the supporting information, perspectives, and analysis in the form of a report to support the Board's potential consideration of the issue; and
- The group's report would then be transmitted to the Board by the Chancellor so that the Board may determine how to address the topic.

Chancellor Gallagher stressed that the goal of this process is to support and augment the Board's responsibilities; however, he added that the process would not impose any specific deadlines or actions on the part of the Board. The Chancellor stated that if the Board of Trustees approves the Resolution Adopting a Socially Responsible Investing Screening Process the first issue to which it would be applied would be the area of investment holdings in fossil fuels and fossil fuel-related areas – an area that already appears to meet the reasonable threshold criteria for consideration.

Environmental, Social and Governance Policy. Chancellor Gallagher stated that the next action the University would take would be to ensure that its endowment investment managers have flexibility when considering the social impact of investments. This would be done by implementing a formal Environmental, Social and Governance (“ESG”) policy and associated practices so that those criteria are integrated into investment due diligence process and decision-making. While maximizing endowment returns would remain the top priority, adopting an ESG Policy would provide fund managers with a method to conduct a more complete evaluation of the benefits and risks of any given investment opportunity, including the social and environmental impact of those decisions. The ESG Policy will be an internal document that will be reviewed by Investment Committee.

Resolution in Support of the University of Pittsburgh's Carbon Neutrality Commitment. Chancellor Gallagher introduced the Resolution in Support of the University's Carbon Neutrality Commitment.

Upon motion duly made and seconded, the Board of Trustees approved the Resolution in Support of the University of Pittsburgh's Carbon Neutrality Commitment. A copy of the Resolution is included as pages 13 through 14 of these minutes.

Resolution Adopting a Socially Responsible Investing Screening Process. Chancellor Gallagher introduced the Resolution Adopting a Socially Responsible Investing Screening Process. Prior to a vote taking place on the Resolution, Trustee John H. Pelusi Jr. requested that the last paragraph of the Resolution be amended to state that before the Board takes action on a matter relating to socially responsible investing that issue must first be reviewed by the appropriate Board committees,

Upon motion duly made and seconded, the Board of Trustees approved the amended Resolution Adopting a Socially Responsible Investing Screening Process. A copy of the Resolution incorporating and highlighting this amendment is included as pages 15 through 16 of these minutes.

New Business. Chairperson Blum reminded those in attendance that the University would be holding two Commencement Ceremonies: (i) on Thursday, April 23, 2020, a ceremony will be held for students who have earned their masters, doctoral, or professional degrees; and (ii) on Sunday, April 26, 2020, the University will recognize undergraduate students receiving their bachelor's degrees.[†] Chairperson Blum concluded her remarks by reminding the Board members that the Annual Meeting of the Board would be held on Friday, June 26, 2020.

Adjournment. There being no new business to come before the Trustees, Chairperson Blum adjourned the meeting.

Attachments. Copies of the following documents are filed with the official minutes of this meeting:

- PowerPoint presentation used during the meeting.



Kathy W. Humphrey, Secretary of the Board of Trustees and Senior Vice Chancellor for Community Engagement

[†] Subsequent to this meeting, the University postponed the 2020 Commencement ceremonies and held a virtual celebration of the Class of 2020 on Sunday, April 26, 2020.