



**Board of Trustees of the University of Oregon  
Finance and Facilities Committee Meeting  
June 3, 2014**

**Tuesday, June 3, 2014 – Public Meeting – Ford Alumni Center, Room 403**

**9:00am**

- 1.0 Convene
  - Call to Order and Welcome
  - Roll Call
- 2.0 Review & Approve May Finance & Facilities Committee Meeting Minutes
- 3.0 Discussion of Optional Retirement Plans
  - Background information – Retirement Plans
  - Summary of Proposed Board Actions
- 4.0 Proposed Policies on Tuition and Fees
- 5.0 Discussion of Proposed Repeal of Treasury Related Policies
- 6.0 Summary of Proposed Board Resolutions Related to Treasury Operations
- 7.0 Adjourn

**May 6, 2014****Finance & Facility Committee Members:**

Connie Ballmer	Present
Peter Bragdon	Absent
Andrew Colas	Present
Susan Gary	Absent
Joseph Gonyea III	Present
Michael Gottfredson	Absent
Ross Kari, Chair	Present

The University of Oregon Board of Trustees, Finance and Facilities Committee met in the Ford Alumni Center on the UO campus on May 6, 2014. Below is a summary of committee discussions, and actions.

Chair of the committee, Ross Kari called the meeting to order and took roll. He suggested that the meeting summaries include a list of trustee committee members that were present; and that the meeting summary from March 26th reflect that all members were present. The motion to accept these changes and approve the minutes was made by Trustee Connie Ballmer, seconded by Trustee Joseph Gonyea, and all present voted in favor. There was no public comment.

Kari outlined the two main topics for the meeting: treasury operations and related policy and procedures, and the Higher Education Coordinating Commission (HECC) capital project proposal.

**Treasury Operations and Policy**

Jamie Moffitt, Vice President for Finance and Facilities and CFO introduced Karen Levear, recently hired Director of Treasury Operations who presented an outline of treasury functions. Moffitt stressed four goals for this meeting: provide background on treasury operations, share specific information on the institution's assets and liabilities, walk through the policy to be proposed at full board meeting in June, and request feedback from committee members.

The first part of Levear's presentation touched on the functional responsibilities and challenges of treasury operations and how a central bank provides solutions to those challenges. She reviewed the university's cash management and investment practices and shared information about current cash and investment balances, as well as comparative data with other institutions. Levear explained that the UO central bank would assume all internal loans that previously the OUS bank granted to UO operating units. She described the existing types of debt that the university can expect to take on after July 1 and reviewed bond types and bond sales. Levear then described debt service for the UO, comparing it to similar institutions.

Moffitt prefaced the second portion of Levear's presentation emphasizing the need for the new Treasury Management policy to be in place before July 1 due to operational changes relative to governance.

Previously, central bank services were provided by the chancellor's office for all OUS universities. Moving forward, this significant responsibility will shift, with the UO managing these functions in-house. Levear outlined the guiding principles, the board's expectation of the university, and the board's responsibilities for the three main components of the treasury management policy: the central bank, cash and investment management and liability management. Central bank procedures were then discussed.

### **HECC Capital Project Proposal**

Moffitt provided a brief background of the HECC capital project proposal process. In the past, each campus put together a list of projects that was submitted and prioritized by OUS for the legislature. The OUS and state board will no longer play this role; instead these functions now fall to the HECC. The UO has until May 15<sup>th</sup> to submit our final capital project proposals list to the HECC. However, as the HECC had a budget meeting last Thursday, they did request that the UO submit a preliminary proposed project list. It was made clear to the HECC budget committee that this list had not yet been reviewed with the UO Board Finance & Facilities Committee and that the final version may include changes.

The prioritized capital project proposal list was developed with the help of the Space Advisory Group, and has been reviewed by ELT, ALT and the President and Provost. Over the last year, the Space Advisory Group put together a needs assessment based on input gathered through campus interviews with Deans and administrative leaders, as well as input from the Academic Infrastructure Committee. That report highlighted the need for an additional 1,300 classroom seats, lab space and space for added tenure track and associated faculty offices. Last January the Provost put out a request for capital project proposals to Deans, Vice-Presidents, and Vice-Provosts. He asked that departments consider both the institution's overall space needs assessment, as well as our strategic focus on access, excellence, and financial sustainability when proposing capital projects. Below is the current draft prioritized list of capital projects. This list was discussed and committee members were asked to provide any feedback on this list directly to the President and Provost as the final request needs to be submitted to the HECC by May 15<sup>th</sup>.

### **Prioritized List of Projects:**

- Minor Capital Projects (Deferred Maintenance) - \$20,000,000
- College and Careers Building - \$31,000,000
- Learning and Innovation Hub – School of Architecture and Allied Arts/Research Innovation Center - \$53,250,000
- Chapman Hall Renovation, Seismic Upgrade and Deferred Maintenance - \$10,500,000
- Health and Safety Renovation of Klamath Hall for 21<sup>st</sup> Century Chemistry - \$18,500,000
- Regional Library Collections Center and Knight Library Academic Commons - \$33,750,000
- Research Lab Building - \$90,750,000

## **RETIREMENT PLANS TRANSITION**

### **Summary of Required Board of Trustees Actions**

#### ***General Overview***

Under Senate Bill 270, , Oregon Laws 2013, chapter 768, as amended by Senate Bill 1525, Oregon Laws 2014, chapter 113, and House Bill 4018, Oregon Laws 2014, chapter 83, the Oregon University System (“OUS”) will consist of Eastern Oregon University (“EOU”), Western Oregon University (“WOU”), Southern Oregon University (“SOU”) and Oregon Institute of Technology (“OIT”) until July 1, 2015; and the following universities are established as independent public bodies: the University, Oregon State University (“OSU”), Portland State University (“PSU”).

Prior to July 1, 2014, OUS has sponsored and administered certain retirement plans for the benefit of OUS employees, including the OUS Optional Retirement Plan (the “ORP”), the OUS Tax-Deferred Investment 403(b) Plan (the “TDI”) and the OUS Supplemental Retirement Plan (also known as the Presidents’ Cash Balance Plan) (the “SRP” and, together with the ORP and the TDI, the “Plans”). As of July 1, 2014, sponsorship and administrative and fiduciary responsibility for the Plans will be transitioned to UO (the “Transition”).

#### ***Adopt Plans***

To accomplish the Transition, UO’s Board of Trustees (the “Board”) will formally approve UO’s adoption of the Plans. Prior to adoption by UO, each Plan will be amended and restated as of July 1, 2014 to reflect the Transition, including designating UO as the plan sponsor and the Chancellor’s Office, PSU, OSU, EOU, WOU, SOU and OIT as “Participating Employers.” Further, the ORP will be renamed the “Oregon Public Universities Optional Retirement Plan,” the TDI will be renamed the “Oregon Public Universities Tax-Deferred Investment 403(b) Plan” and the SRP will be renamed the “Oregon Public Universities Supplemental Retirement Plan.”

#### ***Execute Participation Agreements***

UO will execute Participation Agreements between UO and each Participating Employer, applicable to all three Plans. The Participation Agreements will set forth the terms by which UO will administer the Plans and the terms by which the Participating Employers (and their employees) will participate in the Plans. The Board will delegate to the President of UO, or his delegate, the authority to execute each Participation Agreement with respect to each Participating Employer. Each Participating Employer will, in turn, execute a Participation Agreement and adopt each Plan as a Participating Employer.

#### ***Assume Other Related Agreements***

To administer the Plans, UO will assume additional contracts with various vendors and service providers associated with the provision of investments and benefits under the Plans.

### ***Create Retirement Plans Committee and Appoint Members***

The Board will create a Retirement Plans Committee to assume fiduciary responsibilities for the ORP and TDI. The Retirement Plans Committee will be comprised of a Retirement Plans Administration Committee and an Investment Committee, to which the Board will delegate administrative and investment-related fiduciary responsibilities, respectively. The Board will appoint the members of these committees. Additional subcommittees may also be formed, including the ORP Administration Committee and the TDI Administration Committee, which will be subcommittees under the Retirement Plans Administration Committee.

### ***Document Trusts and Appoint Trustees***

UO will enter into an amended Optional Retirement Plan Trust Agreement, documenting the trust established under the ORP. The Board will appoint Kelly B. Wolf (UO), Alan T. Finn (PSU) and Michael J. Green (OSU) as trustees for the ORP.

The plan document for the amended SRP also creates a trust. The Board will appoint Michael J. Green (OSU) and Karen L. Leaver (UO) as trustees of the SRP trust. The Board will also appoint Tara Bailey as the plan administrator of the SRP.

### ***Delegate Signing and Appointment Authority***

The Board will delegate signing authority with respect to the Plans and related documentation to the President of UO (or his delegate). Similarly, the Board will delegate the authority to appoint fiduciaries, including but not limited to trustees, plan administrators, and Retirement Plans Committee members, to the President of UO (or his delegate).

## **Summary of Oregon Public Universities Optional Retirement Plan**

### ***General Description***

The Oregon State Board of Higher Education (the “OSBHE”) established the ORP, plan number 001, in 1996 under § 243.800 of the Oregon Revised Statutes. The ORP provides employees an alternative to the Oregon Public Employees Retirement System (“PERS”). The ORP provides tax-deferred retirement benefits to administrative and academic employees of OUS. The ORP is a governmental plan and a qualified defined contribution plan under § 401(a) of the Internal Revenue Code of 1986, as amended (the “Code”).

Eligible employees may irrevocably elect to participate in the ORP in lieu of participating in PERS within the first six months of employment. The ORP also accepts and segregates pre-tax rollovers and post-tax transfers of cash from eligible employees’ PERS accounts and other qualified plans.

Benefits under the ORP are funded through participant investments in one or more deferred annuities or alternative investment options provided by selected fund sponsors. The ORP’s assets are held and accounted for through a separate trust fund established pursuant to a trust agreement.

The ORP will be administered by the Retirement Plans Administration Committee (or a subcommittee thereof) appointed by the Board, which will be tasked with various fiduciary duties.

As of July 1, 2014, the ORP will be renamed the Oregon Public Universities Optional Retirement Plan and UO will assume sponsorship of the ORP. The ORP will continue to provide benefits to administrative and academic employees of UO and the Participating Employers.

### ***Employer Contributions***

PERS contribution rates vary based on an employee's date of hire. UO (or a Participating Employer, as applicable) contributes an amount equal to the percentage of an employee's compensation that would have been contributed on the employee's behalf under PERS for Tier One, Tier Two and Tier Three participants (each as described in the ORP) who were hired between 1996 and July 1, 2014. Employees hired on or after July 1, 2014 receive a fixed contribution rate equal to 8% of their compensation. In addition, Tier Four participants (described in the ORP) receive an employer matching contribution for up to 4% of pay for each month they elect to make salary reduction contributions to the TDI.

### ***Employee Contributions***

Tier One, Tier Two and Tier Three participants contribute the same compensation percentage to the ORP that they would have contributed as a PERS participant. However, employee contributions are "picked up" by UO (or a Participating Employer, as applicable) as non-elective salary reductions or additional employer contributions, depending on the contribution method that would have applied had the employee participated in PERS. An employee may not opt out of this arrangement or receive contributed amounts directly.

### ***Asset Allocation and Investment Options***

The ORP offers participants the opportunity to invest their accounts with one or more fund sponsors in the form of deferred annuities or participation units in other investment options. Participants may change fund sponsors for future contributions once per year. Participants may elect to transfer all or part of an account balance to another funding vehicle offered by the same fund sponsor subject to the fund sponsor's rules and procedures. Similarly, participants may transfer all or part of an account balance to a new fund sponsor subject to the rules and procedures of the fund sponsors involved in the transfer.

### ***Vesting and Forfeitures***

Employee contributions, post-tax transfers and rollovers are at all times 100% vested and non-forfeitable. Participants earn a vested, non-forfeitable right to employer contributions after five years of service. A participant also becomes 100% vested on death, disability or attaining age 50 if he is an employee of UO or a Participating Employer on such date. Non-vested participants forfeit the assets in accounts maintained for employer contributions on termination of employment.

### ***Payment of Benefits***

Participants are eligible to receive distributions from vested accounts after becoming disabled, retiring at age 55 or after 30 years of service, terminating employment or on termination of the ORP. Participants who terminate after December 31, 2014 may receive distributions at age 58, regardless of years of service. A participant may elect any form of payment offered by the fund sponsor with respect to the portion of his account held by that fund sponsor.

### **Summary of Oregon Public Universities Tax-Deferred Investment 403(b) Plan**

#### ***General Description***

OSBHE established the TDI, plan number 005, on November 14, 2008 under § 243.820 of the Oregon Revised Statutes to provide tax-deferred investment options to employees of OUS.

Beginning in 1966, OSBHE offered a tax-deferred investment arrangement to eligible employees through which participants could use pre-tax dollars to purchase tax-deferred annuities and, later, regulated investment company (mutual fund) shares through a custodial account arrangement by executing individual agreements with various participating vendors. Following the 2007 release of final regulations under § 403(b) of the Code, OUS established the TDI and consolidated the investment options available to participants through Fidelity Investments and two legacy vendors, TIAA-CREF and AIG VALIC. Accounts held with other vendors were merged into the TDI but were no longer authorized to receive contributions and the TDI became the exclusive means through which eligible employees could make tax-advantaged salary deferrals under Code § 403(b). Effective January 1, 2009, the OSBHE adopted a written plan document setting forth the TDI's terms, as required by the final regulations. The TDI is a tax-advantaged plan under Code § 403(b).

As of July 1, 2014, the TDI will be renamed the Oregon Public Universities Tax-Deferred Investment 403(b) Plan and UO will assume sponsorship of the TDI. The TDI will continue to provide benefits to employees of UO and other Participating Employers.

The TDI will be administered by the Retirement Plans Administration Committee (or a subcommittee thereof) appointed by the Board, which will be tasked with various fiduciary duties.

#### ***Employee Contributions***

UO (or a Participating Employer, as applicable) contributes an amount in lieu of cash compensation to a participant's designated TDI account as elected in the participant's salary reduction agreement. Such elective deferrals include pre-tax salary reduction contributions and after-tax Roth elective deferrals. Under certain circumstances, the TDI will accept rollover contributions from other eligible retirement plans. Subject to annual contribution limitations, participants may change the amount of their pre-tax and Roth elective deferrals once each month by executing a new salary reduction agreement.

### ***Asset Allocation and Investment Options***

Participants direct the investment of their contributions through the vendor selected by the participant on his salary reduction agreement. Elective deferrals are transferred to the selected vendor and used to purchase self-directed fixed and variable annuities or mutual fund shares through a custodial account arrangement. Participants may change the designated vendor for future elective deferrals one time per year by executing a new salary reduction agreement.

### ***Vesting and Forfeitures***

A participant's account balance is immediately fully vested and non-forfeitable.

### ***Payment of Benefits***

The timing and form of distributions are generally governed by the terms of a participant's investment agreement; however, a participant may not receive a distribution (without incurring a penalty) prior to attaining age 59½, terminating employment or death. Exceptions exist for hardship withdrawals, certain direct rollovers and distributions to reservists called to active duty. If the investment agreement controlling the account assets defers to the TDI concerning the form of payment, participants may elect to receive a full, partial or systematic (periodic) withdrawal.

## **Summary of Oregon Public Universities Supplemental Retirement Plan**

### ***General Description***

OSBHE established the SRP, plan number 002, effective January 1, 2009, to provide supplemental benefits to the then-current president of OSU and other university presidents specifically identified under the SRP. The SRP has been amended to extend benefits to the then-current president of UO on July 1, 2009, the then-current president of PSU on July 1, 2010, the then-current interim president of UO on January 1, 2012, the then-current president of SOU on January 1, 2012 and the then-current president of UO on August 1, 2012. The SRP is a governmental plan and a defined benefit cash balance plan under Code §§ 401(a) and 414(a)(13).

Under the SRP, the UO and Participating Employers allocate annual service credits (without interest credits), reflecting a predetermined cash amount, to participants. The SRP's assets are held in the Supplemental Retirement Plan Trust created under the plan document. Karen L. Levear and Michael J. Green currently serve as the trustees of the trust, and will be appointed by the Board to serve as such prospectively.

The SRP is amended annually to reflect the rules and rights applicable to each participant in any given year. Annual amendments are tailored to each individual participant and address eligibility to participate, the beginning and end of participation periods, cash credit amounts, vesting requirements and when benefits commence.

As of July 1, 2014, the SRP will be renamed the Oregon Public Universities Supplemental Retirement Plan and UO will assume sponsorship and administrative responsibility for the SRP. The Board will appoint Tara Bailey as the plan administrator for the SRP. The SRP will continue to provide benefits to eligible presidents of UO and the Participating Employers.

### ***Credit Allocations***

Each year, participants receive a service credit allocation reflecting a designated cash amount. Each Participating Employer will be responsible for contributing to the SRP trust amounts sufficient to fund the benefits provided to its respective president under the SRP. The SRP does not provide for interest credits.

### ***Vesting and Forfeitures***

A separate vesting schedule is provided for each service credit. Generally, each additional service credit amount vests annually provided that the participant was employed as the president (or interim president, as applicable) of UO or Participating Employer at all times during the preceding year, although different vesting schedules may also apply. Benefits also become 100% vested and non-forfeitable if the participant dies or becomes disabled while employed as the president of UO or a Participating Employer.

Forfeited amounts may not be used to increase the benefit available to any participant under the SRP and instead are used to pay the expenses of the SRP or reduce employer contributions.

### ***Payment of Benefits***

A participant's vested accrued benefit consists of the vested service credits allocated to his account. Terms applicable to the payment of benefits vary between participants, but generally, participants are eligible to begin receiving their vested accrued benefit when they are no longer employed as the president of UO or a Participating Employer and have attained age 62. Certain participants may be eligible to begin to receive payments on the 15<sup>th</sup> anniversary of the first day of the year in which the participant began to participate in the SRP.

Subject to conditions, participants may receive benefit payments in the form of an annuity, a lump sum, a direct rollover to an eligible retirement plan or a direct rollover and lump sum.

## RESOLUTIONS

### BOARD OF TRUSTEES OF THE UNIVERSITY OF OREGON

A Resolution of the Board of Trustees of the University of Oregon adopting the following resolutions at a meeting duly held for the purpose of taking such actions on June \_\_, 2014:

#### **Adoption of Plans**

**WHEREAS**, in connection with the effectiveness of Senate Bill 270, Oregon Laws 2013, chapter 768, as amended by Senate Bill 1525, Oregon Laws 2014, chapter 113, and House Bill 4018, Oregon Laws 2014, chapter 83, the Oregon University System (“OUS”) will consist of Eastern Oregon University (“EOU”), Western Oregon University (“WOU”), Southern Oregon University (“SOU”) and Oregon Institute of Technology (“OIT”) until July 1, 2015; and the following universities are established as independent public bodies: the University, Oregon State University (“OSU”), Portland State University (“PSU”).

**WHEREAS**, effective July 1, 2015, each of the seven universities will become a separate legal entity and OUS will cease to exist; and

**WHEREAS**, prior to July 1, 2014, OUS has sponsored and administered certain retirement plans (collectively, the “Plans”) for the benefit of OUS employees, including the Optional Retirement Plan (the “ORP”), the Tax Deferred Investment 403(b) Plan (the “TDI”) and the Supplemental Retirement Plan (also known as the Presidential Cash Balance Plan) (the “SRP”); and

**WHEREAS**, the ORP is a qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the “Code”), under which is established a trust (the “ORP Trust”), and in connection with which exists certain service provider and related agreements (the ORP plan document, Trust Agreement and related documentation the “ORP Documents”); and

**WHEREAS**, the TDI is a tax-advantaged plan under Section 403(b) of the Code, in connection with which exists certain service provider and related agreements (the TDI plan document and related documentation, the “TDI Documents”); and

**WHEREAS**, the SRP is a qualified plan under Section 401(a) of the Code, under which is established a trust (the “SRP Trust”), and in connection with which exists certain related agreements (the SRP plan document and related documentation the “SRP Documents”); and

**WHEREAS**, pursuant to that certain Shared Services Agreement (the “SSA”), to be effective as of July 1, 2014, the University and the other parties to the SSA will create a shared services model known as the University Shared Services Enterprise (“USSE”), whereby the parties will deliver and share in certain administrative services, including, to a certain extent as further described in the SSA, the administration of employee benefit plans such as the Plans; and

**WHEREAS**, pursuant to Section 5.4.1 of the SSA, the parties will agree that, as of July 1, 2014, the University will adopt and administer the Plans on behalf of OSU, PSU, EOU, WOU, SOU, OIT and the Chancellor’s Office (collectively, the “Participating Employers”) as

well as the University (all of which together are considered to be a single employer for purposes of Section 414 of the Code) pursuant to agreements between the University and each such Participating Employer (each, a “**Participation Agreement**”).

**NOW, THEREFORE, BE IT RESOLVED**, that the ORP, the TDI and the SRP be, and they hereby are, adopted and approved, in substantially the forms presented to the Board and attached hereto as Exhibits, A, B and C, respectively, and the President of the University, or his delegate, hereby is authorized and directed to execute and deliver the ORP Documents, TDI Documents and SRP Documents, as applicable, and any ancillary documents and agreements (including but not limited to the Participation Agreements), with such additional terms and conditions as the President or his delegate may approve, such approval to be conclusively evidenced by the execution and delivery of such documents by the President or his delegate.

**Appointment of Additional Fiduciaries and Trustees**

**WHEREAS**, sponsoring and maintaining the Plans will require the exercise of discretion and the fulfilment of fiduciary responsibilities for the benefit of Plan participants and their beneficiaries; and

**WHEREAS**, to discharge its duties under the ORP and TDI, the Board wishes to create and appoint a Retirement Plans Committee, which is comprised of the Investment Committee and the Retirement Plans Administration Committee; and

**WHEREAS**, pursuant to Section 8.9 of the ORP and the ORP Trust Agreement, the Board is required to appoint a trustee to serve as a fiduciary of the ORP and to hold and maintain the assets of the ORP for the exclusive benefit of ORP participants and their beneficiaries; and

**WHEREAS**, pursuant to Section 9.1 of the SRP, the Board is required to appoint a trustee to serve as a fiduciary of the SRP and to hold and maintain the assets of the SRP for the exclusive benefit of SRP participants and their beneficiaries; and

**WHEREAS**, pursuant to Section 8.1 of the SRP, the Board is required to appoint a plan administrator to serve as a fiduciary of the SRP, to provide administrative oversight of the SRP for the exclusive benefit of SRP participants and their beneficiaries.

**NOW, THEREFORE, BE IT RESOLVED**, that the Retirement Plans Committee be and hereby is, formed, to be comprised of the Retirement Plans Administration Committee, as the plan administrator for the ORP and the TDI, and the Investment Committee as the investment committee for the ORP and the TDI, as applicable, each to handle such administrative and investment matters arising with respect to the ORP and the TDI pursuant to the Retirement Plans Committee Charter in substantially the form attached hereto as Exhibit D.

**FURTHER RESOLVED**, that the following individuals be, and hereby are, initially appointed as members of the Retirement Plans Committee, with Donna Chastain (OSU), John Craven (USSE), Kerry Gilbreth (PSU), Ernie Pressman (UO), Vicky Seger (OIT) and Denise Yunker (UO) serving as members of the Retirement Plans Administration Committee and Richard Bailey (OIT), Larry Dann (UO), Roger Graham (OSU), Michael J. Green (OSU), Karen

L. Levear (UO), Gary Malone (UO) and Milan Sigitich serving as members of the Investment Committee.

**FURTHER RESOLVED**, that Kelly B. Wolf (UO), Alan Finn (PSU) and Michael J. Green (OSU) be, and hereby are, appointed as trustees of the ORP.

**FURTHER RESOLVED**, that Michael J. Green (OSU) and Karen L. Levear (UO) be, and hereby are, appointed as trustees of the SRP.

**FURTHER RESOLVED**, that Tara Bailey be, and hereby is, appointed as plan administrator of the SRP.

**FURTHER RESOLVED**, that the President of the University, or his delegate, be and are hereby authorized and empowered to prepare such documents, to execute such amendments, to make such filings and to take any additional actions he or she, in his or her discretion, deems necessary or advisable to effect the purposes and intents of the foregoing resolutions.

**FURTHER RESOLVED**, that the President of the University, or his delegate, be and are hereby authorized and empowered to appoint such additional and/or successor fiduciaries, including but not limited to trustees, Committee members, and plan administrators, and to take any additional actions he or she, in his or her discretion, deems necessary or advisable to effect the purposes and intents of the foregoing resolutions.

**FINALLY RESOLVED**, that any actions previously taken by the officers or employees of the University that would have been authorized by the foregoing resolutions, if taken after their adoption, are hereby ratified and confirmed.

Moved by \_\_\_\_\_

Seconded by \_\_\_\_\_

Trustee	Yes	No
Connie Ballmer		
Peter Bragdon		
Rudy Chapa		
Andrew Colas		
Ann Curry		
Sam Dotters-Katz		
Allyn Ford		
Susan Gary		
Joseph Gonyea III		
Ross Kari		
Chuck Lillis		
Ginevra Ralph		
Mary Wilcox		

Kurt Willcox		
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Dated this \_\_\_\_ day of \_\_\_\_\_, 2014.

**DRAFT**  
**RESOLUTIONS OF THE OREGON STATE BOARD OF HIGHER EDUCATION**

**THE UNDERSIGNED**, being all of the members of the Oregon State Board of Higher Education (the “**Board**”), a public agency organized and existing under the laws of the State of Oregon and overseeing the activities of the Oregon University System (“**OUS**”), hereby consent to the adoption of the following resolutions at a meeting duly held for the purpose of taking such action on June \_\_, 2014:

**Transfer of Plan Sponsorship; Participating Employer**

**WHEREAS**, in connection with the effectiveness of Senate Bill 270, on July 1, 2014, OUS will be reorganized in that three Universities (Oregon State University, Portland State University and University of Oregon) will establish separate governing boards of trustees, and four Universities (Eastern Oregon University, Western Oregon University, Southern Oregon University and Oregon Institute of Technology) will remain governed by OUS, at last until July 1, 2015 (the “**Reorganization**”); and

**WHEREAS**, prior to the Reorganization, OUS has sponsored and administered certain retirement plans (collectively, the “**Plans**”) for the benefit of OUS employees, including the Optional Retirement Plan (the “**ORP**”), the Tax Deferred Investment 403(b) Plan (the “**TDI**”) and the Supplemental Retirement Plan (also known as the Presidential Cash Balance Plan) (the “**SRP**”); and

**WHEREAS**, the ORP is a qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the “**Code**”), under which is established a trust (the “**ORP Trust**”), and in connection with which exists certain service provider and related agreements (the ORP plan document, Trust Agreement and related documentation collectively referred to as the “**ORP Documents**”); and

**WHEREAS**, the TDI is a tax-advantaged plan under Section 403(b) of the Code, in connection with which exists certain service provider and related agreements (the TDI plan document and related documentation collectively referred to as the “**TDI Documents**”); and

**WHEREAS**, the SRP is a qualified plan under Section 401(a) of the Code, under which is established a trust (the “**SRP Trust**”), and in connection with which exists certain related agreements (the SRP plan document and related documentation collectively referred to as the “**SRP Documents**”); and

**WHEREAS**, in conjunction with the reorganization, OUS will cease to be the sponsor of the Plans, and will transfer the role of plan sponsor to the University of Oregon; and

**WHEREAS**, pursuant to that certain Shared Services Agreement (the “**SSA**”), to be effective as of July 1, 2014, OUS and the other parties to the SSA will create a shared services model known as the University Shared Services Enterprise, whereby the parties will deliver and share in certain administrative services, including the administration of employee benefit plans such as the Plans; and

**WHEREAS**, pursuant to Section 5.4.1 of the SSA, the parties will agree that, as of July 1, 2014, the University of Oregon will adopt and administer the Plans on behalf of itself, as well as Oregon State University, Portland State University, Eastern Oregon University, Western Oregon University, Southern Oregon University, Oregon Institute of Technology and the Chancellor's Office of OUS (collectively referred to as the "**Participating Employers**," all of which together are considered to be a single employer for purposes of Section 414 of the Code), pursuant to agreements between University of Oregon and each such Participating Employer (each, a "**Participation Agreement**").

**NOW, THEREFORE, BE IT RESOLVED**, that the sponsorship of the ORP, the TDI and the SRP is hereby transferred to the University of Oregon, which will assume the role of plan sponsor and oversee the administration of the Plans, and the Board hereby delegates to the Chancellor's Office the authority and direction to execute and transfer sponsorship of the ORP Documents, TDI Documents and SRP Documents, as applicable, and any ancillary documents and agreements, to the University of Oregon, with such additional terms and conditions as the Chancellor's Office may approve, such approval to be conclusively evidenced by the execution and delivery of such documents by any of the executive officers of the Chancellor's Office.

**FURTHER RESOLVED**, that the Participation Agreement is hereby adopted and approved, in substantially the form presented to the Board and attached hereto as Exhibit A, and the executive officers of the Chancellor's Office are hereby authorized and directed to execute and deliver a Participation Agreement on behalf of the Chancellor's Office, Eastern Oregon University, Southern Oregon University, Western Oregon University and Oregon Institute of Technology, and any ancillary documents and agreements, with such additional terms and conditions as the officers may approve, such approval to be conclusively evidenced by the execution and delivery of such documents by the officers.

[Signature page follows.]

**SIGNATURE PAGE –**  
**RESOLUTIONS OF THE OREGON STATE BOARD OF HIGHER EDUCATION**

**THIS UNANIMOUS CONSENT** was executed in multiple originals, dated as of the  
\_\_\_\_ day of June, 2014.

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**University of Oregon  
Retirement Plans Committee Charter**

**Adopted and Effective as of July 1, 2014**

**1) Purpose**

The University of Oregon (“UO”) sponsors the Tax-Deferred Investment 403(b) Plan (the “TDI”) and the Optional Retirement Plan (the “ORP”, and, together with the TDI, the “Plans”). To assist UO in the efficient management of the Plans, in accordance with the TDI and ORP plan documents, the Board of Trustees of UO (the “Board”) has established and delegated certain responsibilities to the Retirement Plans Committee (the “Committee”). The Board, as a fiduciary of the Plans, retains responsibility for oversight of the Committee’s administration of the Plans and investment of Plan assets.

**2) Committee Composition**

The Committee shall be comprised of two standing subcommittees, the Investment Committee and the Retirement Plans Administration Committee. The Retirement Plans Administration Committee, in turn, is comprised of the ORP Administration Committee and the TDI Administration Committee. The subcommittees are charged with specific functions related to selection and monitoring of investments and administration and operations of the Plans. Together, the members of these committees constitute the Committee.

The Committee shall consist of an odd number of persons on each of the Investment Committee and Retirement Plans Administration Committee, with no fewer than ten persons appointed by the Board (or its delegate) who shall serve at the pleasure of the Board. The Investment Committee shall consist of seven members, and the Retirement Plans Administration Committee shall consist of no fewer than three members.

- The Investment Committee shall consist of members broadly representative of faculty, administrative staff, and classified employees, including one UO employee, four faculty, one classified employee, and one administrative employee.
- The Retirement Plans Administration Committee shall consist of three or more members, including two UO employees and one or more campus retirement plan administrator. Members of the Retirement Plans Administration Committee will, by such appointment, also serve as members of the ORP Administration Committee, with responsibility for ORP administration and the TDI Administration Committee, with responsibility for TDI administration.

New Committee members shall be appointed by the Board, or its duly appointed delegate, from time to time, as other members are removed or resign. Investment Committee appointments shall generally be three years’ duration.

Committee nominees shall be required to agree to and pass a criminal background check, pursuant to OAR 580, Division 23 Criminal Background Checks or similar UO policy, to finalize their appointments to the Committee.

In connection with becoming a Committee member, each individual shall be responsible for having read and understood each Plan document, the Investment Policy Statement, and all other material instruments governing the Plans. In addition, each Committee member shall be responsible for understanding the Committee's role, rights, obligations, and authority under the Plans and federal and state laws.

- A) **Officers.** The Chair of the Investment Committee or the Chair of the Retirement Plans Administration Committee may serve as Chair of the full Committee. The Investment Committee and the Retirement Plans Administration Committee shall include a Chair and a Secretary. The Chairs are voting members of the committees to which they are appointed. The Secretary may be a staff member who is not a member of the Committee. Such individuals shall be appointed by the Board or its duly appointed delegate. The Chair-Elect or Co-Chair shall serve as Chair when the Chair is unavailable or unable to act. The Secretary(ies) shall be responsible for the taking, maintenance, and distribution of Committee minutes.
- B) **Execution.** An instrument of the Committee must be signed by at least one member of the Investment Committee and one member of the Retirement Plans Administration Committee in order to be effective. No member under the supervision or control of a signer may be the second signer under this section.
- C) **Service of Process.** Service of process on the Committee or any of the Plans may be made as provided in the Oregon Rules of Civil Procedure.
- D) **Payment.** No Committee member shall receive any compensation or fee for Committee service. UO shall, however, reimburse Committee members for any necessary expenditures incurred in the discharge of their duties as Committee members.
- E) **Indemnification.** UO shall be responsible for obtaining appropriate fiduciary liability insurance for the Committee and its members and the Committee members shall cooperate with UO in providing any information necessary for obtaining such insurance coverage. In addition, UO agrees to indemnify and hold the Committee and any subcommittee formed by the Committee harmless against liability incurred in the administration of the Plans, to the full extent permitted by law. This section shall not provide indemnification for gross negligence, willful misconduct, embezzlement or diversion of Plan funds for the benefit of the Committee (or any member thereof), or for acts outside the scope and duties of the Committee.
- F) **Subcommittees.** The Committee may form ad hoc subcommittees and/or advisory committees to review and research particular matters and make recommendations to the Committee for decision.

**G) Termination.** A member's service to the Committee may end upon request of the Board or with 60 days' notice of intent to resign from the Committee.

**3) Meetings & Documentation**

**A) Frequency.** The Committee will meet at least two times each year with the authority to convene additional meetings as circumstances require. The Investment Committee and Retirement Plans Administration Committee may meet on an as-needed basis when full Committee participation is not required, as determined by the Investment Committee and Retirement Plans Administration Committee Chairs.

- Committee meetings limited to regular administration of the Plans are not public meetings.
- Recommendations and reports shall be made to the Board's delegate.

**B) Process.** The Committee may invite various service providers, staff members, consultants, or other guests as desired. Meeting agendas will be prepared and provided in advance of the meeting to Committee members. The order of business at each Committee meeting shall be as follows, unless circumstances dictate otherwise:

- Approval of the minutes of the previous meeting.
- Unfinished business.
- New business.
- Adjournment.

**C) Documentation.** The Investment Committee and Retirement Plans Administration Committee shall prepare minutes reflecting each of their meetings, and shall prepare documents and records of Committee activities. The minutes shall set forth all decisions made, including the reasoning behind the decisions and the steps taken to implement such decisions. In addition, the minutes shall include information concerning any outside consultants who were consulted and whether such consultants or advisors were present at the meeting and any reports or recommendations the Committee received from outside advisors or consultants. Such minutes shall be reviewed, approved, and maintained by the Committee.

**4) Reporting Responsibility**

As a fiduciary of the Plans, the Committee is responsible for preparing a report, not less frequently than annually, summarizing its activities. Each such report shall be delivered to the Board as soon as practicable after it is prepared.

**5) Committee Actions**

**A) Quorum.** A quorum will be a simple majority of Committee members for all meetings. A majority vote of the members participating at the meeting is

required for Committee action. The Chair may make appropriate arrangements to resolve voting deadlocks. Members may participate in meetings in person, by voice or video phone or other electronic means.

- B) Action without a Meeting.** Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting if the written consent to such action by a majority of the Committee members is provided. Such written consent may be provided in one document or in multiple copies of the same document.
- C) No Self-Dealing.** No member shall act upon any question pertaining solely to himself; the other member or members shall alone make any determination required by the Plan(s) in respect thereof.

## **6) Responsibilities**

The Committee is a fiduciary of the Plans, with specific fiduciary functions set forth in this Charter and by the governing plan documents.

Specific responsibilities of the Committee, through discrete and combined action of the Investment Committee and Retirement Plans Administration Committees, include:

- A) Retirement Plans Administration and Investment Committees Combined**
  - To review at least annually budgeted and actual expenses incurred by or on behalf of any Plan trust and paid by UO or by the trust to any plan service provider, investment manager, trustee, etc.
  - Act in conjunction with the trustees of the ORP to appoint and terminate custodians, investment managers, investment consultants, actuaries, accountants, legal counsel, plan record-keepers, administrators, insurance companies, and any and all service providers to the Plans.
  - To arrange for and review Plan audits, as the Committee deems necessary.
  - Assess from time to time the effectiveness of each of the Plans in delivering benefits to participants and beneficiaries at a reasonable cost to UO. The Committee is expected to periodically report to the Board on its recommendations for Plan changes, including changes which would accomplish the following:
    - improve a Plan's suitability for its intended purposes and the needs of participants,
    - more effectively deliver benefits to participants and beneficiaries, or
    - improve the cost-effectiveness of benefits provided.
- B) Retirement Plans Administration Committee**

- To administer and oversee all plan operations and management. The Retirement Plans Administration Committee will be the Plan Administrator for each of the Plans, responsible to direct the contracted record keeper(s), custodian(s), and directed trustee(s), as applicable.
- To create (and as appropriate, merge, terminate, or otherwise modify) trusts, custodial arrangements, separate accounts, and other vehicles for investment of Plan assets.
- To provide periodic stewardship reports to the Board's delegate and UO management regarding the operation and administration of the ORP and TDI.
- To cause the ORP and TDI plan documents to be maintained and updated in conformance with applicable laws and regulations and to ensure that the Plans are operated in compliance with all applicable laws and regulations.

**C) Investment Committee**

- Drafting and maintaining an Investment Policy Statement for the Plans, as appropriate, including establishing asset allocation, diversification, selection and monitoring of the performance of investment managers or investment vehicles.
- To fulfill the responsibilities assigned by the Investment Policy Statement and the Plan documents of the ORP and TDI.
- To select default investment options, as needed, under the ORP and the TDI.

**Finance and Facilities Committee  
Board of Trustees of the University of Oregon**

**Seconded Motion Regarding Policies on Tuition and Other Matters  
for Referral to the Board of Trustees**

Whereas, Sections 2, 2a, 2b, 3, 5, 8 to 18, 164, 165, 169 and 170 of Senate Bill 270 and the amendments to statutes and session laws by sections 24, 25, 28 to 37, 40 to 162 and 176 to 178 of Senate Bill 270 and the repeal of statutes by section 163 of Senate Bill 270 become operative on July 1, 2014.

Whereas, Section 172 of Senate Bill 270 provides that the State Board of Higher Education (State Board) and the Board of Trustees of the University of Oregon (Board of Trustees) may take any action before the operative date that is necessary for the State Board and the Board of Trustees to exercise on and after the operative date all of the duties, functions and powers conferred on the State Board and the Board of Trustees by Senate Bill 270.

Whereas, Section 10(1) of Senate Bill 270 provides that, except as set forth in Section 10, the Board of Trustees may authorize, establish, collect, manage, use in any manner and expend all revenue derived from tuition and mandatory enrollment fees.

Whereas, Section 11(1)(a) of Senate Bill 270 provides that the Board of Trustees may acquire, receive, hold, keep, pledge, control, convey, manage, use, lend, expend and invest all moneys, appropriations, gifts, bequests, stock and revenue from any source.

Whereas, Section 11(1)(m) of Senate Bill 270 provides that the Board of Trustees may establish policies for the organization, administration and development of the university which, to the extent set forth in those policies, shall have the force of law and may be enforced through university procedures that include an opportunity for appeal and in any court of competent jurisdiction.

Whereas, Section 11(1)(t) of Senate Bill 270 provides that the Board of Trustees may delegate and provide for the further delegation of any and all powers and duties, subject to the limitations expressly set forth in law.

Whereas, Section 11(3) of Senate Bill 270 provides that the Board of Trustees may perform any other acts that in the judgment of the Board of Trustees are required, necessary or appropriate to accomplish the rights and responsibilities granted to the Board and the University by law.

Whereas, the Board of Trustees Policy on Board Committees authorizes the Finance and Facilities Committee to refer matters as a seconded motion to the Board of Trustees for adoption.

Now, therefore, the Finance and Facilities Committee refers this motion to the Board of Trustees as a seconded motion:

1. The "Policies on Tuition, Mandatory Enrollment Fees and Other Charges, Fines and Fees" attached hereto as Exhibit A are adopted. This Motion is hereby incorporated into such policies by this reference.
2. The Policies shall be effective July 1, 2014, and shall repeal, supersede and replace all State Board and Oregon University System rules and policies related to subject matters addressed in the Policies, except as determined by the President.
3. The Policies shall have the force of law and may be enforced through university procedures that include an opportunity for appeal and in any court of competent jurisdiction.
4. The Policies shall be in effect until superseded in accordance with applicable law, action of the Board of Trustees, or Presidential action authorized by the Board of Trustees.
5. The President of the University of Oregon is directed to and shall act for the Board of Trustees and take all actions necessary in the President's judgment to implement and enforce the Policies.
6. The President may delegate and provide for the further delegation of the implementation and enforcement of the Policies.

### Record of Vote Follows ###

Moved by \_\_\_\_\_

Seconded by \_\_\_\_\_

Trustee	Yes	No
Connie Ballmer		
Peter Bragdon		
Andrew Colas		
Susan Gary		
Joseph Gonyea III		
Michael Gottfredson		
Ross Kari		

Dated this 3rd day of June, 2014.



UNIVERSITY OF OREGON

# **BOARD OF TRUTEES OF THE UNIVERSITY OF OREGON**

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**POLICIES ON TUITION, MANDATORY  
ENROLLMENT FEES AND OTHER CHARGES,  
FINES, AND FEES**

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**2014-15 ACADEMIC YEAR**

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**2015 SUMMER SESSION**



# Authority

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## State Board of Higher Education

ORS 351.063 grants authority to the State Board of Higher Education (State Board) to establish enrollment fees for each public university that is part of the Oregon University System (OUS). Enrollment fees include tuition for education and services and any other charges found by the State Board of Higher Education to be necessary to carry out the educational program of the Oregon University System. Tuition and the Health Service Fee are established under this statute.

Under ORS 351.070, the State Board may prescribe incidental fees, for a public university that is part of OUS, for programs under the supervision or control of the board found by the board, upon its own motion or upon recommendation of the recognized student government, to be advantageous to the cultural or physical development of students. The Incidental Fee is established under this statute.

Under ORS 351.170(1), the State Board may establish rates, charges and fees for use of buildings, structures and projects under its control for a public university that is part of OUS. The rates and charges must be sufficient, in the judgment of the State Board and with other available revenues, as defined in ORS 351.160, to pay the operating costs and any indebtedness for the buildings, structures and projects. The Recreation Center Fee and the Recreation Center Bond Fee are established under this statute.

Under ORS 351.170(2), the State Board "shall charge and collect from each regular student a building fee at a rate not to exceed \$45.00 for each regular term." The Building Fee is established under this statute for a public university that is part of OUS.

Based on recommendations from the public universities and the Chancellor, the State Board annually sets fees for enrollment at OUS institutions, including:

- Tuition
- Building Fees
- Health Service Fees
- Incidental Fees
- Student Recreation Center Fees
- Student Union Fees
- Other Mandatory Enrollment Fees
- Other Special Fees as determined by the Board

Under Senate Bill 270 (2013), the fees for enrollment adopted by the State Board at its June 2014 meeting will continue to apply to the University of Oregon until repealed by the Board of Trustees of the University of Oregon.

The State Board has delegated the authority to each president of an OUS institution to establish certain fees, fines, and charges for services and materials, including:

- Laboratory and Course fees

- Fees for workshops
- Instruction fees for Continuing Education, Extended Programs, and Distance Education
- Residence Hall Room and Board Rates
- Charges for auxiliary services, e.g. food services, student centers, and parking
- Fines for violation of campus regulations
- Charges for facilities use
- Charges for other materials and services

As authorized by the Board of Trustees of the University of Oregon, the President of the University of Oregon intends to adopt all fees, fines and charges on or shortly after July 1, 2014, in compliance with Senate Bill 270.

## **Board of Trustees of the University of Oregon**

Effective July 1, 2014, the University of Oregon is no longer governed by or under the control of the State Board and is no longer part of OUS. Under ORS 352.102, which is operative July 1, 2014, the Board of Trustees (Trustees or Board) may authorize, establish, eliminate, collect, manage, use in any manner and expend all revenue derived from tuition and mandatory enrollment fees. After July 1, 2014, the Trustees will be required to establish a process for determining tuition and mandatory enrollment fees. The process must provide for participation of enrolled students and the recognized student government of the university.

In determining tuition and mandatory enrollment fees for undergraduate students who are enrolled in a degree program and are qualified to pay resident tuition, the Trustees may not increase the total of tuition and mandatory enrollment fees by more than five percent annually unless the Board first receives approval from the Higher Education Coordinating Commission or the Legislative Assembly.

The Trustees will adopt definitions of "tuition" and "mandatory enrollment fees," and a process for determining tuition and mandatory enrollment fees that provides for the participation of enrolled students and the Associated Students of the University of Oregon (ASUO).

Under ORS 352.105, which is operative July 1, 2014, the Board will also collect mandatory incidental fees upon the request of the ASUO under a process established by the ASUO in consultation with the Trustees. Mandatory incidental fees collected by the Board will be allocated by the recognized student government. The mandatory incidental fee proposed by the ASUO, uses of the fee or decision to modify an existing fee may be refused by the Board of Trustees or the university President if one determines that:

- The recognized student government assessed or allocated the mandatory incidental fees in violation of applicable local, state or federal law;
- The allocation conflicts with a preexisting contractual financial commitment;
- The total mandatory incidental fees budget is an increase of more than five percent over the level of the previous year; or
- The fee request is not advantageous to the cultural or physical development of students.

Under ORS 352.107(1)(d), which is operative July 1, 2014, the Board may establish, collect and use charges, fines and fees for services, facilities, operations and programs. This provision does not cover tuition and mandatory enrollment fees or incidental fees, but it covers every other charge, fine or fee that could be established.

2014-15 Academic Year and 2015 Summer Session. For this transition period, the State Board of Higher Education, the Chancellor, and the institutional presidents have determined that establishing tuition, building fees, health service fees, incidental fees, student recreation center fees, student union fees, and other mandatory enrollment fees should be completed under existing statutes governing the State Board and pursuant to the existing processes, procedures, and policies established by the State Board. The State Board has asked that each of the three boards of trustees (Oregon State University, Portland State University, and the University of Oregon) approve proposed enrollment fees that the president of the relevant university would then submit to the State Board via the Chancellor.

The University of Oregon will follow the relevant Oregon University System policies for the 2013-14 Academic Year and 2014 Summer Session regarding tuition, building fees, health service fees, incidental fees, student recreation center fees, student union fees, and other mandatory enrollment fees with only technical corrections for the 2014-15 Academic Year and 2015 Summer Session, except to the extent provided in this policy. The President of the University of Oregon will establish, collect and use charges, fines and fees for services, facilities, operations and programs, other than tuition and mandatory enrollment fees, for the period from July 1, 2014, to June 30, 2015, substantially in accordance with existing practice. This too will result in little if any disruption and allow the President, and the Board as appropriate, to consider changes to current practice in due course.

## **Tuition and Fee Policies for 2014-15**

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### **Tuition**

Tuition for students enrolled in a program is established based on such factors as state-appropriated funds per full-time equivalent student, the financial needs of the University, market comparators, student classification (including but not limited to undergraduate, graduate and doctoral), residency, credit hours taken, degree program, and other factors. In determining tuition for undergraduate students who are enrolled in a degree program and are qualified to pay resident tuition:

- (1) The Board of Trustees may not increase the total of tuition and mandatory enrollment fees by more than five percent annually unless the board first receives approval from:
  - a) The Higher Education Coordinating Commission; or
  - b) The Legislative Assembly.
- (2) The Board of Trustees shall attempt to limit annual increases in tuition and mandatory enrollment fees for undergraduate students who are enrolled in a degree program and have established residency in Oregon to a percentage that is not greater than the percentage increase in the Higher Education Price Index, as compiled by the Commonfund Institute.

The Board of Trustees may not delegate authority to determine tuition for undergraduate students who are enrolled in a degree program and are qualified to pay resident tuition. Revenues derived from tuition may be managed and used in any manner.

Non-admitted part-time students enrolling for a combination of undergraduate and graduate courses are assessed tuition using the rates for each respective classification and fees based on the undergraduate fee tables for total enrolled credits.

Tuition may be established for any University program and may vary by regular academic year, summer session, continuing education programs, and other programs.

- **Academic Year:** Charges assessed to students during the academic year are comprised of Tuition, Mandatory Enrollment Fees, and all other student fees. Enrollments during the academic year are usually referred to as “in-load” enrollments.
- **Summer Session:** For summer session programs, tuition is typically assessed on a per-credit hour basis or aligned to the preceding academic year’s structure. The University may choose to make a residency determination for summer term. Tuition rates in the summer session may differ from the academic year.
- **Continuing Education:** For continuing education programs, tuition is typically assessed regardless of residency or course load. Generally, rates must be set no lower than necessary to cover direct plus indirect costs.

## Fees

### **Mandatory Enrollment Fees**

A fee is a mandatory enrollment fee if it is required to be paid, as a condition of enrollment in the University, by every student enrolled in the University. In determining mandatory enrollment fees for undergraduate students who are enrolled in a degree program and are qualified to pay resident tuition:

- (1) The Board of Trustees may not increase the total of tuition and mandatory enrollment fees by more than five percent annually unless the board first receives approval from:
  - a) The Higher Education Coordinating Commission; or
  - b) The Legislative Assembly.
- (2) The Board of Trustees shall attempt to limit annual increases in tuition and mandatory enrollment fees for undergraduate students who are enrolled in a degree program and have established residency in Oregon to a percentage that is not greater than the percentage increase in the Higher Education Price Index, as compiled by the Commonfund Institute.

The Board of Trustees may not delegate authority to determine mandatory enrollment fees for undergraduate students who are enrolled in a degree program and are qualified to pay resident tuition. For Academic Year 2014-15, mandatory enrollment fees are the Building, Health Service, Incidental, Recreation Center and Student Union Fees. Students enrolled less than full-time are subject to these fees at a rate appropriate to the specific number of credit hours taken each term. The University has the option of assessing mandatory enrollment fees during the summer session at rates comparable to those assessed in the academic year.

- **Building Fee:** The Building Fee for Academic Year 2014-15 is \$45 per student per term or \$68 per semester. The Building Fee for summer session is approximately 75% percent of the academic year rate. A pro rata fee is assessed on part-time students.
- **Incidental Fee:** Incidental fee recommendations for Academic Year 2014-15 were made by student committees to the President of the University in accordance with OAR 580-010-0090. Once approved by the President, a recommendation is submitted to the Chancellor, who submits a recommendation to the State Board. Students enrolled in off-campus programs (OIMB and Portland only) are assessed 50% of the Incidental fee.
- **Health Services Fee:** This fee is used to support student health services. During summer sessions, student health services may be provided at reduced levels or not at all. The recommended summer session rates reflect lower service levels. Students enrolled in the Portland programs use the Portland State University Student Health Center, and pay the same Health Service Fee as PSU students.
- **Recreation Center Fees; Student Union Fee:** The Recreation Center Fee and the Student Union Fee are used to fund the construction, debt service, maintenance, and operation costs of the student centers as the mandatory Building Fee assessed per term is not adequate to fund or operate projects of this scale.

### ***Student Residency***

A resident student is one who fulfills requirements established by the Inter-Institutional Residency Compact between and among the seven public universities in Oregon. Graduate students who become Graduate Teaching, Research Assistants, or Administrative are converted to resident status for enrollment fee purposes.

### ***All Other Fees***

This category includes all charges, fines and fees that are neither tuition nor mandatory enrollment fees. The Board of Trustees, the President, or designee may establish these fees and use them for services, facilities, operations and programs.

- **The Matriculation Fee:** The Matriculation fee is a one-time fee charged to newly admitted students upon enrollment. This fee is a one-time assessment and was developed to reduce the large number of enrollment-related fees for student orientation, course scheduling (drop/add

fees), transcripts, degree applications, and re-enrollment. The fees are also used to support academic programming for freshman interest groups and learning communities.

- ***Undergraduate International Student Fee:*** The university sets the international student services fee to provide a set of services and activities to support international students. The fee supports services related to academic support; enrollment services; increased immigration compliance and reporting as required by the federal government (such as SEVIS II); personal and cultural counseling and advising; and accelerated planning and delivery of new programs.
- ***Laboratory and Course Fees:*** Laboratory and course fees must be published. Generally, laboratory and course fees are limited to fees for equipment, materials, or ancillary services consumed by the student as a part of course instruction where the equipment or material is not readily available for purchase through a private source.
- ***Other Charges, Fees and Fines for Services, Facilities, Operations and Programs:*** The level of charges, fines and fees should be at least sufficient to ensure recovery associated direct and indirect costs. Some charges, fines and fees may be established at a level to deter conduct that is contrary to University policies and standards or applicable law. Charges, fees and fines are for purposes such as the following: auxiliary services such as housing, food services, and parking; use of facilities; athletics and other tickets and events; and violation of policies and standards, such as late fines for library books and parking fines.
- ***Application Fee:*** The President or designee determines application fees. The University may assess greater application fees for admission to selected programs or schools. The relevant application fee must be received before the application will be evaluated. Application fees are not refundable.

***Application Fee Deferral Program:*** The President or designee may, upon request, defer the application fee for first-time freshmen or transfer students who, at the time of application, are either eligible for or participate in any of the following:

- Free or reduced school lunch program;
- TRIO-type college preparatory programs (e.g., Upward Bound, Talent Search, EOC, HEP);
- State of Oregon or U.S. public assistance; College Board fee waiver; or
- Foster Youth Tuition and Fee Waiver

Prospective students who reside outside the United States at the time of their application may be eligible for an application fee deferral on a substantially similar basis as other students. The Office of Admissions administers the application fee deferral program.

To request an application for Application Fee deferral, go to the following web address located at: <http://brp.uoregon.edu/special-fees-fines-book>. The student must complete the deferral form and have it signed by a school official (high school counselor), special program official, or university official, and submit it at the time of application. Application fees deferred under this provision become payable upon the student's enrollment and receipt of financial aid funds. If a student does not complete the application process or does not enroll, the Application Fee is canceled. Students residing outside the United States at the time of their application must prove to the satisfaction of institutional officials that they would meet comparable eligibility guidelines in their country of residence.

## **Post-baccalaureate, Non-graduate Student Classification**

A holder of an accredited baccalaureate degree who has not been admitted to a graduate degree program and who submits an official application for admission to pursue a second baccalaureate degree or enroll in course work not to be used for graduate credit is called a *post baccalaureate, non-graduate student* and is assessed tuition at undergraduate rates.

Fees and policies applicable under the part-time fee policy apply when a student classified as a post baccalaureate, non-graduate enrolls part-time.

Baccalaureate degree holders who are admitted to post baccalaureate, non-graduate status are ineligible for graduate credits taken while in this status. However, in individual cases, the University may allow the reservation of not more than six of graduate credits per term to apply in the institution's graduate programs. Graduate credits reserved in combination as an undergraduate and post baccalaureate, non-graduate may not exceed 15 credits. Baccalaureate degree holders who are not admitted to post baccalaureate, non-graduate status will be assessed graduate tuition rates.

Students who are admitted to an advanced degree program may convert to post baccalaureate, non-graduate student status only upon approval of the Provost or designee but only if the graduate degree has been awarded, the student has not been disqualified from the advanced degree program for academic or conduct reasons, or a request is approved by the dean of the Graduate School for voluntary relinquishment of graduate status.

Students who are admitted to a 45-hour standard norm certificate program are not eligible for the post baccalaureate, non-graduate student status. Graduate tuition rates are applicable whether or not students in the program seek graduate credit.

## **Reduced Tuition Policies**

The University's commitment to the 40-40-20 goal described in ORS.009 is achieved through an array of reduced tuition programs and policies. These programs and policies promote the university's goals of providing accessibility to high-quality higher education.

## ***Student Financial Aid Programs***

The combined aid for a student may not exceed the cost of attendance for that student, except as approved by the President or designee. The University's student financial aid offerings are comprised of programs similar to others offered across the country (often referred to as "fee waivers" or "tuition discounts") enhanced by initiatives specific to the University or the state of Oregon. As an enrollment management tool, programmatic student aid allows an institution to target specific campus enrollment goals including recruitment of needy or meritorious students, international students, athletes, and other student populations. The following are summaries of University student financial assistance programs:

## **Diversity Programs**

- **University of Oregon Diversity Initiatives**
  - *Criteria:* These initiatives are open to all admitted students, resident or nonresident, undergraduate, graduate, or law. The programs may consider different factors in making awards and may offer financial aid programs that support the university's commitment to diversity and supports its educational mission.
  - *Awards:* The university may make partial or full scholarships based on need or to expand the number of students who receive at least some funding support. Awards are specific to the University of Oregon, and students may not take a scholarship with them if they move to another institution.

## **International Cultural Service Programs**

- **International Fee Remission Program**
  - *Criteria:* This program is for admitted undergraduate or graduate students with international student status.
  - *Awards:* Awards may vary in amount but cannot exceed the total nonresident undergraduate or graduate tuition and mandatory enrollment fees. The university has the option to remit all or a portion of these fees.
- **Cultural Service Program**
  - *Criteria:* This program is for admitted undergraduate or graduate students with international student status who: are competitively selected on the basis of academically meritorious achievement; and fulfill the community service requirements of the program while receiving the award.
  - *Awards:* Awards may vary in amount but cannot exceed the total nonresident undergraduate or graduate tuition and mandatory enrollment fees. Remission of mandatory enrollment fees is at the university's option.

## **International Exchanges**

- **International OUS Exchange Program**
  - *Criteria:* This program is for students who are attending Oregon University System institutions as a part of a University of Oregon-approved exchange program.

- *Awards:* Awards may consist of remission of all or some of the Enrollment Fees, depending upon the reciprocal agreement under which the student is enrolled.
- **International University of Oregon Exchange Program**
  - *Criteria:* This program is for students who are attending the University of Oregon as a part of a University of Oregon-approved exchange program.
  - *Awards:* Awards may consist of remission of all or some of the Enrollment Fees, depending upon the reciprocal agreement under which the student is enrolled.

### ***Contract and Grant***

- **Contract and Grant: Academic Year**
  - *Criteria:* This provision is for students who participate in specific courses or programs during the academic year funded by grant or contract with an outside agency or firm.
  - *Awards:* Awards are generally for remission of tuition only, depending upon agreement with the granting agency.
- **Contract and Grant: Summer Session**
  - *Criteria:* This provision is for students who participate in specific courses or programs during the summer session funded by grant or contract with an outside agency or firm.
  - *Awards:* Awards are generally for remission of tuition only, depending upon agreement with the granting agency.

### ***University of Oregon Tuition Waiver***

- *Criteria:* The University of Oregon Tuition Waiver is a need-based tuition grant program available to qualified Oregon resident students.
- *Awards:* These supplemental tuition grants may not exceed the total Tuition assessed for the regular academic year.

### ***VOYAGER Fee Remission***

The Voyager Tuition Assistance Program (Voyager) was implemented in the Fall of 2005 in response to a direct gubernatorial request and is intended for National Guard and Reservists who have been in an area of hostility since 9/11.

- *Criteria:* The VOYAGER fee remissions are for Oregon residents who are members of the National Guard or Reserves and were deployed in an area of military combat since September 11, 2001. This fee remission is for full-time students pursuing their initial bachelor's degree. Students must submit a Free Application for Federal Student Aid annually and continue to maintain satisfactory academic progress to maintain eligibility.
- *Awards:* Award is the difference between the National Guard and Reserves tuition benefit of \$4,500 and total enrollment fees. Students are responsible for securing the National Guard or Reserves tuition benefit. Duration of the VOYAGER award is four years excepting those five-year degree programs as documented in the University of Oregon catalog. Students are not eligible for the award once they earn fifteen credits above the minimum number of credits required by the degree.

### ***Veteran's Dependent Tuition Waiver***

- *Criteria:* The Veteran's Dependent tuition waiver is for qualified students accepted into a baccalaureate or master's degree program. A qualified student is a child (includes adopted child or stepchild), spouse or an unremarried surviving spouse of a service member or a child of a Purple Heart recipient.
  - The service member is one who:
    - Died on active duty;
    - Has a 100% total and permanent service-connected disability rating as certified by the United States Department of Veterans Affairs; or
    - Died as a result of a military service-connected disability.
  - The Purple Heart recipient is a person, alive or deceased, who:
    - Was relieved or discharged from service in the Armed Forces of the United States with either an honorable discharge or a general discharge under honorable conditions; and
    - Was awarded the Purple Heart in 2001 or thereafter for wounds received in combat.
- An eligible child must be 23 years of age or younger at the time the child applies for the waiver. A child who is older than 23 years of age is eligible for a waiver for a master's degree program if the child:
  - Applied for and received a waiver for a baccalaureate degree when the child was 23 years of age or younger; and
  - Applied for a master's program waiver within 12 months of receiving a baccalaureate degree.

The qualifying new, transfer, or community college co-enrolled student must meet Oregon residency requirements.

- *Awards:* The award may be granted for credit hours for courses that are offered at the University of Oregon. The award does not cover other mandatory enrollment and course specific fees. The maximum waiver granted under this remission program shall be:
  - The total number of attempted credit hours equal to four years of full-time attendance for a baccalaureate degree; and
  - The total number of attempted credit hours equal to two years of full-time attendance for a master's degree.
- Notwithstanding sections 1 and 2 of this paragraph, a waiver may not exceed the total number of credit hours the qualified student needs to graduate with a baccalaureate or a master's degree. Transferred credit hours accepted for a degree program may or may not count toward the total credit hours needed for degree completion.
  - The amount of tuition waived may be reduced by the amount of any federal aid scholarships or grants, awards from the Oregon Opportunity Grant program established under ORS 348.205, or any other aid from the eligible post-secondary institution, received by the qualified student.
  - The amount of tuition waived may not be reduced by the amount of any Survivors' and Dependents' Educational Assistance under 38 U.S.C. Chapter 35 paid to a qualified student.
  - Awards to children of Purple Heart recipients apply only to students admitted as new but not continuing for Fall 2013 or thereafter.
  - Please, visit the University of Oregon webpage at <http://brp.uoregon.edu/special-fees-fines-book> for additional program information and application process.

### ***Nonresident Veteran Fee Remission***

As required by law, the university participates to the fullest extent allowed in the federal educational assistance programs under the Supplemental Appropriations Act of 2008 (e.g., Post 9/11 G.I. Bill and its component Yellow Ribbon Program), so as to reduce the overall tuition rate for students eligible under this policy.

- *Criteria:* The Nonresident Veteran Fee Remission is a tuition and fee reduction for qualified students who are not Oregon residents and who are attending classes as an admitted undergraduate or graduate student at the university if the student:
  - Served in the Armed Forces of the United States;
  - Was relieved or discharged from that service with either an honorable discharge or a general discharge under honorable conditions as shown on an original or certified copy of the student's DD-214; and
  - Provides proof that the student has established a physical presence in Oregon within 12 months of being enrolled at one of the public universities.

- *Award:* Qualified undergraduate students admitted for enrollment for an academic term prior to Fall 2013 are charged tuition and fees no greater than the resident rate, plus 50 percent of the difference between the resident tuition and fee total and the nonresident tuition and fee total with the following listed qualifications; students admitted as new but not continuing undergraduate students for the Fall 2013 term or later are charged tuition and fees no greater than the resident rate with the following listed qualifications:
  - A student who served in the Armed Forces of the United States *and* who receives federal tuition benefits in excess of the tuition and fees charged under this policy shall pay tuition and fees equal to the federal tuition benefits received.
  - Distance education and self-support courses as identified by the university are excluded from this discount.
  - If a nonresident student is otherwise eligible for tuition benefits under this discount and receiving federal vocational rehabilitation education benefits, that student shall pay full nonresident tuition and fees charged by the University of Oregon.

Qualified graduate students admitted for enrollment for an academic term prior to Fall 2014 are charged tuition and fees no greater than non-resident tuition and fee total with the listed qualifications; students admitted as new but not continuing graduate students for the Fall 2014 term or later are charged tuition and fees no greater than the resident rate with the following listed qualifications:

- A student who served in the Armed Forces of the United States *and* who receives federal tuition benefits in excess of the tuition and fees charged under this policy shall pay tuition and fees equal to the federal tuition benefits received.
- Distance education and self-support courses as identified by the university are excluded from this discount.
- If a nonresident student is otherwise eligible for tuition benefits under this discount and receiving federal vocational rehabilitation education benefits, that student shall pay full nonresident tuition and fees charged by the University of Oregon.

### ***Foster Youth Tuition Waiver***

The Foster Youth Tuition and Fee Waiver originated with the passage of HB 3471 in the 2011 Regular Session of the Oregon Legislative Assembly and is intended to “increase access to higher education for current and former foster children by providing a Tuition and Fee Waiver” to minimize the amount of tuition absorbed by the student. It was further amended by HB 2095 in the 2013 Regular Session to align the definition of “former foster youth” with the federal standard.

- *Criteria :* The Foster Youth Tuition and Fee Waiver is open to qualified current and former foster children enrolled as undergraduate students within the university for the purposes of

pursuing an initial undergraduate degree (as evidenced by admission into an undergraduate degree program). This program waives tuition and fees for current and former foster youth who enroll prior to reaching 25 years of age until the student receives “the equivalent of four years of undergraduate education.”

- To qualify for the program, the student must:
  - Have spent at least 180 days in substitute care after age 14, was not dismissed from care prior to reaching 16 years of age and either left foster care (had ward ship terminated) or completed high school/GED within the previous 3 years; and
  - Be admitted to an undergraduate degree program and enroll prior to reaching 25 years of age; and
  - Submit a completed FAFSA (Free Application for Federal Student Aid) for each academic year he/she is eligible for the program; and
  - For years after the first academic year at an institution of higher education, have completed a minimum of 30 volunteer service hours in the previous academic year performing community service activities such as mentoring foster youth or assisting in the provision of peer support service activities, according to policies developed by the institution of higher education at which the current or former foster child is enrolled.
- *Awards:*
  1. A qualified student for The Foster Youth Tuition and Fee Waiver is entitled to waiver of tuition and fees as noted below:
    - a. Tuition for academic credit courses (at base or differential rates depending upon program to which student is admitted) but not for noncredit courses.
    - b. Mandatory enrollment fees: building, incidental, health service, recreation center, or other mandatory fees that may be added from time to time.
    - c. Fees required for instruction related services such as lab or course fees that are assessed upon registration for a particular course.
    - d. The waiver excludes all other charges, fees and fines for such as residence hall room and board, dining services, parking fees and fines, library fines, etc. In addition, text books and other course materials not assessed as part of a course fee are also excluded. Fees considered as “pass through” fees, paid to an outside provider, are exempt from the Tuition and Fee Waiver.
  2. Eligible students may receive the Foster Youth Tuition and Fee Waiver for up to 12 terms of full-time study or the equivalent. Attendance at less than full-time will be prorated accordingly.
  3. If a student meets all other criteria for eligibility, but does not require the Foster Youth Tuition and Fee Waiver, the student shall remain eligible until the student receives the equivalent of 4 years of undergraduate education.
  4. As noted previously, to be considered eligible for this program, the student must complete and submit a FAFSA for each academic year they are eligible for the program. Awards made under The Foster Youth Tuition and Fee Waiver shall be applied after the following:

- a. Any federal Pell or Supplemental Educational Opportunity Grants (SEOG)
  - b. Oregon Opportunity Grant established under ORS 384.205
  - c. Any other gift, grant or scholarship received from the institution of higher education which may be applied to the tuition and fees covered under this program.
5. For purposes of this program, non-tuition scholarships from sources outside of the university, which pass through either OSAC or the institution, are not included in the calculation of the tuition and fee waiver award amount.

*Definition of Terms:* For purposes of this waiver, the following terms are defined as follows:  
A "former foster child" is defined as an individual who, for a total of six or more months while between 14 and 21 years of age, was:

- A ward of the court pursuant to ORS 419B.100(1)(b) to (e) and in the legal custody of the Oregon Department of Human Services (or one of the nine federally recognized Tribes in Oregon) for out-of-home placement and not dismissed from care before reaching 16 years of age; or
- An Indian child subject to the Indian Child Welfare Act (25 U.S.C. 1901 et seq.), under the jurisdiction of a tribal court for out-of-home placement and not dismissed from care before reaching 16 years of age.

The "equivalent of 4 years of undergraduate education" and "equivalent of 4 academic years" is defined as up to 12 terms of full time study or the equivalent. Attendance at less than full-time will be prorated, accordingly.

Please, visit the University of Oregon webpage at <http://brp.uoregon.edu/special-fees-fines-book> for additional program information and application process.

### ***Western Undergraduate Exchange***

Tuition for students admitted under the Western Undergraduate Exchange (WUE) program is assessed at 150% of the prevailing resident undergraduate tuition rate.

The WUE program allows first-time enrolling, nonresident undergraduate students from participating states to pay 150% of resident tuition when enrolled in selected programs. Students participating in this program must maintain enrollment in these designated programs to retain qualification. The time spent as a WUE student cannot apply toward residency status. Students previously or currently enrolled in the university are not eligible for this program. The university is not obligated to notify prospective, admitted, or enrolled students who are eligible for this program. Institutions that implement this program must report WUE enrollment as directed, and validate WUE students quarter to quarter. Consistent with the policy of nonresident students covering the full cost of instruction, institutions participating in the WUE should carefully consider whether high demand programs should be eligible for the reduced rates.

## **Tuition Equity**

The 2013 Oregon Legislature passed the OUS-supported Tuition Equity Act. The Tuition Equity Act, as outlined in House Bill 2787 (2013), became law on April 2, 2013, and exempts the following students from paying nonresident tuition and fees for enrollment in Oregon's public universities:

1. Students who are not citizens or lawful permanent residents of the United States provided the student:
  - a. During each of the three years immediately prior to receiving a high school diploma or leaving school before receiving a high school diploma, attended an elementary or a secondary school in Oregon;
  - b. During each of the five years immediately prior to receiving a high school diploma or leaving school before receiving a high school diploma, attended an elementary or a secondary school in any state or territory of the United States, the District of Columbia or the Commonwealth of Puerto Rico;
  - c. No more than three years before initially enrolling in an Oregon public university, received a high school diploma from a high school in this state or received the equivalent of a high school diploma (such as a GED); and
  - d. Shows intention to become a citizen or a lawful permanent resident of the United States by submitting to the public university the student attends or plans to attend:
  - e. An official copy of the student's application to register with a federal immigration program or federal deportation deferral program or a statement of intent that the student will seek to obtain citizenship as permitted under federal law; and
  - f. An affidavit stating that the student has applied for a federal individual taxpayer identification number or other official federal identification document.
2. Students who are financially dependent upon a person who is not a citizen or a lawful permanent resident of the United States if the student:
  - a. During each of the three years immediately prior to receiving a high school diploma or leaving school before receiving a high school diploma, attended an elementary or a secondary school in this state and resided in this state with the person upon whom the student is dependent;
  - b. During each of the five years immediately prior to receiving a high school diploma or leaving school before receiving a high school diploma, attended an elementary or a secondary school in any state or territory of the United States, the District of Columbia or the Commonwealth of Puerto Rico and resided with the person upon whom the student is dependent;
  - c. No more than three years before initially enrolling in an Oregon public university, received a high school diploma from a secondary school in this state or received the equivalent of a high school diploma.
3. For a student who is not already a citizen or lawful permanent resident of the United States, shows intention to become a citizen or a lawful permanent resident of the United States by submitting to the public university the student attends or plans to attend:

- a. An official copy of the student's application to register with a federal immigration program or federal deportation deferral program or a statement of intent that the student will seek to obtain citizenship as permitted under federal law; and
- b. An affidavit stating that the student has applied for a federal individual taxpayer identification number or other official federal identification document.

A student will continue to qualify for exemption from nonresident tuition and fees (e.g., be able to pay in-state tuition rates) under subsection (1) or (2) above for five years after initial enrollment.

A student who is a citizen or a lawful permanent resident of the United States and who has resided outside of Oregon for more than three years while serving in the Armed Forces of the United States, but who otherwise meets the requirements of subsection (1) or (2) above, shall qualify for exemption from nonresident tuition and fees for enrollment in a public university listed in ORS 352.002 without having to reestablish residency in Oregon.

Please, visit the University of Oregon webpage at <http://brp.uoregon.edu/special-fees-fines-book> for additional program information and application process.

### ***University of Oregon Scholarship Programs***

- o *Criteria:* The University of Oregon scholarship programs are merit based tuition discounts that support the mission and goals of the university. These scholarships assist in the recruitment and retention of students.
- o *Awards:* Scholarship amounts and eligibility criteria may vary across programs, and across academic years. These programs will be reviewed periodically to ensure that they continue to support the university's enrollment goals. Both resident and nonresident undergraduates will be eligible to receive funds under this program, with award amounts differing due to the difference in tuition for these groups of students.

### ***Reduced Tuition Benefit for Academic and Classified Employees***

The academic term rate for employees is 30% of resident undergraduate tuition assessed at the teaching institution, rounded to the nearest dollar. For campuses where a differential tuition structure is in effect, the staff fee rate will be charged at the "regular" (not differential) resident undergraduate tuition rate for employees enrolled in either undergraduate or graduate programs.

Charges for mandatory enrollment fees do not apply; nor are employees entitled to health services or incidental fee services through this program. No Application Fee will be required for employees and no breakage or other deposit is required when registering for classes. Other fees such as lab or course fees are assessed at the full rate and no discount is provided.

Staff fees are not applicable to certain courses. For a complete reference list of excluded programs, please go to <http://www.ous.edu/dept/hr/benefits/stafffee.php>. Excluded programs are determined at the discretion of the institution's president and the notice of exclusion must be filed with the institution's Registrars' office prior to the first day of registration for a term.

1. On approval of the president or designee of the teaching institution and with the concurrence of the employee's immediate supervisor, the staff fee is available to employees appointed at half-time (.5 FTE) or more (not including temporary classified employees or other student employees).
2. To qualify for this fee, the staff member must meet the criteria no later than the first day of classes of the term of enrollment. The maximum number of credits to which the staff fee may be applied is 12 credits per quarter or per semester. See exception for retired employees and employees on leave, Section (d) of OAR580-022-0030. For more information please go to: <http://brp.uoregon.edu/special-fees-fines-book>.
3. Employees enrolled for more than 12 credits in one term will pay for each additional credit at the campus designated per credit tuition rate applicable to resident undergraduate or graduate students, depending upon the employee's degree status.
4. For purposes of this rule, the term "employee" may include persons with full-time courtesy appointments who provide a benefit to the institution in the form of teaching, research, or counseling, under the direction of the institution and using the facilities of the institution.
5. Retired employees and employees on leave are eligible for staff fee privileges. Subject to the approval of the president or designee of the teaching institution, the maximum credit limitation may be waived for retired employees and for employees on leave. See exception under Senior Citizen Tuition.
6. Employees who use the staff fee for courses away from their home institution are subject to staff fee policies and procedures of the instructing institution. There is no fee plateau at any campus for employees, family and dependents, or retired staff.
7. Employees may be permitted to take noncredit courses at one-third of the fee assessed to other registrants. Teaching units are not required to extend staff fees for noncredit courses, self-sustaining workshops, or self-support credit courses.
8. Employees on furlough or lay-off status may be eligible for staff fees in accordance with provisions of a collective bargaining agreement.
9. No tuition shall be assessed to courses enrolled in by employees with a grading option of 'audit'. Attendance under such condition must be with the instructor's consent and on a space-available basis. Institutions are required to maintain a record of the courses audited. Courses approved for audit by the instructor confer no credit to the student, are not charged staff fee rates or regular tuition, and may be used in addition to staff fee privileges during a term. However, any applicable course, lab or material fees associated with auditing for-credit classes will be assessed by the institution and is the responsibility of the employee. This provision cannot be subdivided in conjunction with the Employee Family Member and Domestic Partner Transfer provisions.
10. The benefit may be used at any Oregon University System institution.
11. Effective July 1, 2014, University of Oregon unclassified employees who are using this tuition discount for the undergraduate education of a dependent child will be entitled to a second, concurrent tuition discount for a dependent child to attend undergraduate programs at the University of Oregon. The terms, conditions, eligibility requirements, and discount available applicable to this additional tuition discount will be the same as the terms, conditions, eligibility requirements and discount available under the OUS tuition discount program.

## **Reduced Tuition Benefit for Family Members and Domestic Partners of Employees**

To improve the recruitment and retention of high quality faculty and staff, the staff fee policy is extended to qualified family members, eligible dependents, as well as domestic partners and their eligible dependents on a limited basis.

The academic term rate for family members is 30% of resident undergraduate tuition assessed at the teaching institution, rounded to the nearest dollar. For campuses where a differential tuition structure is in effect, the staff fee rate will be charged at the "regular" (not differential) resident undergraduate tuition rate for both undergraduate and graduate student employees.

Qualified family members including spouse, domestic partners, and dependents receiving the transferred benefit are responsible for all mandatory enrollment fees in addition to laboratory/course fees, late fees, and registration fees, if applicable. Breakage and/or other mandatory application deposits are required of the participating family member to register for classes.

Staff fees are not applicable to certain courses. For a complete reference list of excluded programs, please go to <http://www.ous.edu/dept/hr/benefits/stafffee.php>. Excluded programs are determined at the discretion of the institution's president and the notice of exclusion must be filed with the institution's Registrars' office prior to the first day of registration for a term.

1. The staff fee provisions may be transferred to a qualified family member or domestic partner of employees appointed at half-time (.5 FTE) or more (not including temporary classified employees, graduate assistants, or other student employees). Employee eligibility is verified through Human Resource System records. To qualify for this fee, the family member, domestic partner, or eligible dependent must meet the criteria no later than two weeks prior to the first day of classes of the term of enrollment.
2. For purposes of this policy, the eligible family members include spouse, domestic partner, dependent children and dependent children of domestic partners in accordance with IRS Code 152 and Section One of the Public Employees Benefit Board.
3. The maximum number of transferrable credits is 12 credits per quarter or per semester. Only one staff member, spouse, domestic partner or dependent may use the staff fee benefit per term or semester. The benefit may not be subdivided among family members during a term.
4. The qualified family member or domestic partner enrolled for more than twelve (12) credits in one term must pay for *additional credits* at the per credit tuition rate applicable to resident undergraduate or graduate students, depending upon the family member's or domestic partner's degree status. All applicable credits will be charged at the relevant resident tuition rate.
5. The Presidents of the university may exclude certain programs from the policy.
6. The transfer of staff fee benefits is not available for retired employees.
7. Qualified family members or domestic partners of employees who use the staff fee for courses away from the employee's employing institution are subject to staff fee policies and procedures of the instructing institution. There is no fee plateau at any campus for employees, retired staff, domestic partners, or eligible dependents.
8. Qualified family members or domestic partners of employees may be permitted to take noncredit courses at approximately one-third of the fee assessed to other registrants. Teaching units are not required to extend staff fees for noncredit courses, self-sustaining workshops, or self-supported credit courses.

9. Eligibility of employees on furlough or lay-off status is subject to applicable collective bargaining agreements.
10. No tuition shall be assessed to courses enrolled in by employees with a grading option of 'audit'. Attendance under such condition must be with the instructor's consent and on a space-available basis. Institutions are required to maintain a record of the courses audited. Courses approved for audit by the instructor confer no credit to the student, are not charged staff fee rates or regular tuition, and may be used in addition to staff fee privileges during a term. Any applicable course, lab or material fees associated with auditing for-credit classes will be assessed by the institution and is the responsibility of the family member. This provision cannot be subdivided in conjunction with the Employee Family Member and Domestic Partner Transfer provisions.
11. The benefit may be utilized at any Oregon University System institution.

### ***Graduate Assistants***

Graduate students appointed by the University of Oregon as Graduate Teaching Fellows (GTFs), including as graduate teaching assistants and graduate research assistants, are paid at established institutional salary rates and are exempt from the payment of tuition at the University of Oregon up to the first 16 credits per term subject to institutional policy. Appointment as a GTF may not be for less than .20 FTE for the term of appointment.

The tuition will be assessed to the employing account or department within the university, not to exceed the graduate resident, full-time student tuition per term. When a GTF is authorized to exceed 16 credits per term, the university shall charge the GTF the resident overload tuition for the excess credits. GTFs appointed at .20 FTE and above are exempt from payment of tuition and of fees for self-support courses that are required for the completion of the degree for up to 16 credit hours taken in any quarter to which the appointment applies.

Students with academic year GTF appointments may be eligible for a summer tuition waiver if they meet the criteria outlined on the Graduate School website. GTFs are assessed mandatory enrollment fees, a portion of which is subsidized by the institution.

### ***Resident Oregon Senior Citizen Program***

The Senior Citizen Program is designed for persons not seeking credit or working toward a degree. If credit is sought, charges for special materials or fees, if any, will be assessed according to applicable tuition schedules and records will be maintained. Self-support classes are excluded from this benefit and Incidental Fee services are not available. Oregon resident senior citizens, age 65 or older, may attend classes on a space-available basis.

### ***Auditors***

Students enrolled in a combination of credit and audit courses or audit only will be assessed for the total credits under the credit tuition and fee schedule appropriate to their classification and residency.

## ***University/School Partnership Co-Pay Program***

School districts having contracts with the university to supervise educator professionals preparing for Oregon licensure may exercise these provisions.

### *Earning the Co-Pay*

For each permissible activity provided under contract with a cooperating district, a district earns a co-pay privilege to register any licensed educational professional employed by the district at the university co-pay fee rate. The rate should be one-third of the tuition charged for the course. Institutions with current contractual obligations may elect to defer compliance of the rate until expiration of the existing contract.

A "co-pay privilege" allows one individual to register for up to 8 quarter credit hours in the term it is used. The total reduced fee credits awarded for practica and student teaching may not exceed 11 in a year, per each university student provided services by the district.

Supervised full-time student teaching: Co-pay privileges of 5 credit hours may be awarded for supervision of the final full-time student teaching per quarter. Student teaching is the culminating, full-time supervised teaching experience provided for students completing a program approved by the Teacher Standards and Practices Commission, leading to Initial Licensure in one or more of four authorizations: Early Childhood, Elementary, Middle, and High School; and specialty endorsements.

Experiential preparatory practica or part-time student teaching: Co-pay privileges of 3 credit hours may be awarded for supervision of students in experiential preparatory practica or part-time student teaching per academic quarter. These are practica assigned to or required of the student prior to or concurrent with student teaching and block practica and/or other miscellaneous practica offered by colleges and divisions of education for students completing a program approved by the Teacher Standards and Practices Commission, leading to Initial Licensure in one or more of four authorizations: Early Childhood, Elementary, Middle, and High School; and specialty endorsements.

### *Redeeming Reduced Fee Credits*

Earned co-pay privileges must be used by a licensed educator professional employed by the school district within five successive academic quarters (including summer session) following the quarter in which the supervision is provided, after which time the co-pay privilege is void.

The co-pay fee is applicable only up to 8 credit hours in any academic quarter for any one licensed educator professional, including summer session, even though the district may have earned two or more enrollment privileges, or if the licensed educator professional using the privilege enrolls for fewer than 8 credits.

Unused portions of an enrollment privilege may not be carried to another term or used by another teacher.

A co-pay privilege may be used during any academic term (including summer session) at the university to the extent that it has a teacher preparation program. The university may enter into "partnerships of trade" with any sister institution if they are willing to accept vouchers from other institutions.

The university may set limits on courses available for those redeeming vouchers/co-pays (for example, courses in summer session, distance education, continuing licensure, continuing/extended education). Each institution will indicate on the voucher the existence of restrictions.

The co-pay privilege may also be redeemed by an administrator, counselor, or other licensed educator professional in a cooperating district.

#### *Other Provisions*

If a licensed educator professional using a co-pay privilege registers for 8 hours or fewer and desires the in-residence services provided by the Health Service and Incidental Fee, the licensed educator professional may elect those services by paying the appropriate fee for the number of hours enrolled. If the licensed educator professional using the co-pay privilege registers for more than 8 credit hours, the first 8 hours may be taken at the institution's co-pay rate. Hours in excess of 8 shall be at the appropriate credit hour rate (graduate or undergraduate, resident or nonresident) and the institution shall charge all enrollment fees applicable to the total number of hours for which the licensed educator professional is registering.

Each institution may, at its discretion, extend to the eligible district licensed educator professional other privileges such as use of the institution library, access to campus parking, and admission to campus events at faculty and staff rates, provided that such extended privileges do not exceed the benefits made available to the faculty and staff of the institution.

#### *Other Remission Programs*

The university may create individual fee remission programs to address enrollment management and financial aid program needs. The President will report to the Board of Trustees on the creation of each program.

- *Awards:* Awards may vary in amount but cannot exceed the total cost of education.

### **Fee Policies Specific to Summer Session**

Tuition rates may be assessed based on undergraduate and graduate course designation or student classification.

Course level designations are generally defined as follows:

- Course numbers assigned 499 and below are assigned undergraduate fee rates.
- Course numbers assigned 500 and higher are assigned graduate fee rates.

Semester rates for students attending the University of Oregon Law programs are modified for the Summer Session program.

Tuition may be assessed on a per-credit hour basis or aligned to the preceding academic year structure. Staff, qualifying family/dependents, and graduate assistant fee privileges may be authorized during the Summer Session at the option of the university. If authorized, fees and study privileges shall conform to policies set forth in this Fee Book. Staff members or qualifying family/dependents who seek to use the staff fee privilege for courses away from their home institution are subject to corresponding fee policies of the instructing institution.

The Building Fee is assessed at \$34.00 per student as a mandatory charge to all students attending Summer Session classes. The Incidental Fee is based on recommendations and incidental fee guidelines of the university. The Summer Incidental Fee cannot exceed the per-term amount charged during the previous academic year.

The Health Service Fee is authorized based on institutional recommendations for the level of service to be provided during the summer. Summer fee rates cannot exceed the per term amount charged during the prior academic year. Institutions may choose to extend health services to students not enrolled for Summer Session, under the following conditions:

- A student had been enrolled in the prior academic year term and is expected to enroll in the subsequent academic year term; and
- The student pays the Summer Session Health Services Fee.

A student enrolled in a combination of credit and audit courses will be assessed for the total hours under the tuition and fee schedule appropriate to that individual's course or student level. If enrolled for audit courses only, the student will pay the same required fees as assessed for similar hours of for-credit classes.

The summer refund policy for course load reduction or withdrawal differs from the academic year policy; the policy can be found at

<http://brp.uoregon.edu/sites/brp/files/brp/fees/Fee%20Refund%20Schedule.pdf>.

## **Refunds, Waivers, and Accounts Receivable Policies**

### ***Refund Policies***

Refund policies for course load reduction or withdrawal are subject to university policy and procedure. Refunds may be granted to students in accordance with the refund schedule at

<http://brp.uoregon.edu/sites/brp/files/brp/fees/Fee%20Refund%20Schedule.pdf>.

### ***Military Duty Refund Policy***

Any student with orders to report for active military duty may withdraw at any time during the term and receive a full refund. If sufficient course work has been accomplished and the instructor feels justified in granting credit for the course work completed, credit may be granted and no refund will be given.

### ***Waiver of Certain Student Fees***

Certain student fee charges may be waived when regulations of federal agencies or contract agreements preclude the assessment of those fees. Please contact the University of Oregon's Office of Business Affairs to determine which fee charges are eligible, if any, for this waiver.

### ***Institution Authority to Adjust Charges***

The President or designee may make tuition refunds and waive fines or charges that result from circumstances beyond the student's control or are for the best interest of the institution.

### ***Revolving Charge Agreement***

The University of Oregon has adopted a policy establishing a Revolving Charge Agreement which supersedes State Board rules. Transactions covered by the Plan may include (by way of description and not limitation) tuition, fees, housing charges and other obligations primarily involving students, including and fines and penalties, incurred by anyone.

The policy shall:

- Describe the interest to be charged, as well as service charges, collection and other fees and costs, if any, and penalties that would apply should an account become delinquent;
- Provide for an agreement to be signed by the obligor

### ***Interest on Overdue Accounts***

The University of Oregon charges simple interest on the total due amount not paid within the grace period. The annual rate is 9 percent. Periodic rate of interest is .75 percent per month, or fraction thereof, of the unpaid total due balance remaining on the account as of the tenth of the month.

## **Treasury Related Policies to be Rescinded**

Information Item: Pursuant to the Motion adopted by the Board of Trustees on March 28, 2014, directing the President to act for the Board of Trustees and take all actions necessary in the President's judgment for the Board of Trustees to exercise, on and after the operative date, all of the duties, functions and powers conferred on the university by law, the President has proposed to repeal, as to the University of Oregon, the following State Board of Higher Education/Oregon University System and University policies<sup>1</sup>:

- Board Investment Policy, OUS Pooled Endowment Fund.
- Board Rededication of Physical Facilities
- Board Debt
- Board Interest Rate Risk Management
- Board Internal Bank
- FPM 05.271 Interfund Loans
- FPM 35.001 Roles & Responsibilities - Debt Financing
- FPM 45.001 Endowment Management
- FPM 105.001 Treasury Roles & Responsibilities
- FPM 105.100 Treasury Management Operations
- IMD 6.004 Cash Funds
- IMD 6.105 Assignment of Responsibility
- IMD 6.110 Voting Stock Ownership
- IMD 6.115 Custody of Board Securities
- IMD 6.125 Delegation of Investment Authority
- IMD 6.130 Reports on Investments
- IMD 6.140 Endowment Fund Investments
- IMD 6.141 Accounting
- 06.00.01 Debt Policy

The repeal will be effective July 1, 2014.

Reason for Proposed Action: The University has determined that repeal, as to the University, is necessary in order for the University to exercise, on and after the operative date of Senate Bill 270, Oregon Laws 2013, chapter 768, as amended by Senate Bill 1525, Oregon Laws 2014, chapter 113, and House Bill 4018, Oregon Laws 2014, chapter 83, all of the duties, functions and powers conferred on the University by law. The policies are intended to be replaced by the Treasury Management Policy and a variety of Resolutions of the Board of Trustees.

Submission of Public Comment: The University has requested public comment on the proposed repeal of the policies, and a public hearing will be held on June 17th.

Various University constituencies have been informed of the proposed action.

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<sup>1</sup> "Board" refers to the State Board of Higher Education Policies. "FPM" refers to the OUS Fiscal Policy Manual. "IMD" refers to the State Board of Higher Education Internal Management Directives. Along with the University policy statement, these are collectively referred to herein as "policies."

## **Treasury Related Policies to be Rescinded**

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## INVESTMENT POLICY, OUS POOLED ENDOWMENT FUND

(Adopted by the Oregon State Board of Higher Education, Meeting #651, April 19, 1996, pp. 110-116. Amendments made at Meeting #685, October 21, 1999, pp. 280-306; Meeting #690, June 16, 2000, p. 53; Meeting #697, June 8, 2001, pp. 34-35; Meeting #699, October 19, 2001, pp. 60-61; Meeting #709, October 18, 2002, pp. 96.)

### OREGON UNIVERSITY SYSTEM POOLED ENDOWMENT FUND

#### Investment Objectives and Policy Guidelines

##### I. INTRODUCTION

This statement governs the investment of the Pooled Endowment Fund (the "Fund") of the Oregon State Board of Higher Education (the "Board") of the Oregon University System ("OUS").

This statement is set forth in order that the Board, the Investment Committee, its investment advisor and its investment managers and others entitled to such information may be made aware of the Policy of the Fund with regard to the investment of its assets. This statement of investment policy is set forth in order that:

1. There will be a clear understanding by the Board, Investment Committee, and staff, of the investment goals and objectives of the portfolio.
2. The Board and management have a basis for evaluation of the investment managers.
3. The investment managers be given guidance and limitations on investing the funds.

It is intended that these objectives be sufficiently specific to be meaningful but flexible enough to be practical. It is expected that the policy and objectives will be amended from time to time to reflect the changing needs of the endowment; however, all modifications will be in writing and approved by the Board.

##### II. OREGON UNIVERSITY SYSTEM POOLED ENDOWMENT FUND

The Oregon University System Pooled Endowment Fund (Fund) is a permanent fund and is expected to operate in perpetuity, so these funds will be invested long-term. It is important to follow coordinated policies regarding spending and investments to protect the principal of the funds and produce reasonable total return.

### **III. RESPONSIBILITY OF THE BOARD**

The responsibility of the Board is to define and to recommend to the OIC broad investment guidelines, selection of investment managers, and determination or approval of asset allocation.

### **IV. INVESTMENT COMMITTEE RESPONSIBILITY**

The Investment Committee serves as advisory to the Board and will have the responsibility and authority to oversee the investments of the Fund. The Investment Committee will recommend to the Board a specific asset mix reflecting judgments as to the investment environment as well as the specific needs of the Fund. Other advisory responsibilities of the Investment Committee will include:

- Recommending professional investment managers.
- Negotiating and/or monitoring Fund investment expenses.
- Monitoring the investments on an ongoing basis.
- Assuring proper custody of the investments.
- Reporting to the Board on a quarterly basis the Fund's investment results, its composition, and other information the Board may request.
- Recommend to the Board the goal for maintaining purchasing power.
- Recommend distribution per unit to the Board.
- To assist in this process, the Board may retain a registered investment advisor/consultant. The duties of this investment advisor/consultant are described in Section X.

### **V. SPENDING POLICY**

The amount of endowment return available for spending (distribution) is based on a percentage of the average unit market value of the 20 quarters preceding the current fiscal year. The distribution per unit (under Exhibit A) is determined by the Board as recommended by the Investment Committee. The distribution amount per unit is multiplied by the current number of units and any additional units added during the current year as new endowment money comes into the Fund. This shall be exclusive of investment management fees.

### **VI. INVESTMENT POLICY GUIDELINES**

The Board does not expect the Investment Committee to be reactive to short-term investment developments, recognizing that the needs for payout are long-term and that investment competence must be measured over a meaningful period of time. While the quantitative assessment of managerial competence will be measured over a complete market cycle, the Board anticipates that the Investment Committee will make interim qualitative judgments. Specific qualitative factors which will be reviewed by the Investment Committee on an ongoing

basis include any fundamental changes in the manager's investment philosophy, any changes in the manager's organizational structure, financial condition and personnel, and any change, relative to their peers, in the manager's fee structure.

A. Asset Allocation

The most important component of an investment strategy is the asset mix, or the resource allocation among the various classes of securities available to the Fund. The Investment Committee will be responsible for target and actual asset allocation for the investments that will best meet the needs of the Fund, taking into consideration the appropriate level of portfolio volatility.

The risk/return profile shall be maintained by describing a long-term "target" strategic asset allocation and is set forth in Schedule I of this Policy.

B. Investment Time Horizon

In making investment strategy decisions for the Fund, the focus shall be on a long-term investment time horizon that encompasses a complete business cycle (usually three to five years). Interim evaluation will be required if a significant change in fees, manager personnel, strategy or manager ownership occurs.

C. Statement of Derivatives Policy

A derivative is defined as a contract or security whose value is based on the performance of an underlying financial asset, index, or other investment. An investment manager shall not use derivatives to increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities. Moreover, an investment manager will not use derivatives to acquire exposure to changes in the value of assets indices that, by themselves, would not be purchased for the portfolio. Under no circumstances will an investment manager undertake an investment that is non-covered or leveraged to the extent that it would cause portfolio duration to exceed limits specified above. The investment manager will report on the use of derivatives on a quarterly basis to the administrative manager.

VII. PRUDENCE, RESPONSIBILITIES, AND CONTROLS

A. Prudence

All participants in the investment process shall act responsibly. The standard of prudence to be applied by the Board, Investment Committee, OUS staff responsible for the management of investments, and external service providers shall be the "prudent investor" rule, which states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence

exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

B. Ethics and Conflicts of Interest

Board members, Investment Committee members, OUS staff responsible for the management of investments, managers and advisors involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. These parties are required to reveal all relationships that could create or appear to create a conflict of interest in their unbiased involvement in the investment process.

VIII. INVESTMENT OBJECTIVES

The investment objective of the Fund is to seek consistency of investment return with emphasis on capital appreciation over long periods of time, since the Fund will operate in perpetuity. In keeping with the performance goals included in the Policy, achievement of this objective shall be done in a manner that maintains the purchasing power of the principal. The Investment Committee shall set the goal for maintaining the purchasing power of the principal value of the assets (under Exhibit A).

IX. MANAGER(S) RESPONSIBILITIES

A. Legal Compliance

The investment manager(s) is responsible for strict compliance with the provisions of the prudent investor rule as it pertains to their duties and responsibilities as fiduciaries.

B. Evaluation Timetable

The manager(s) will be expected to provide to the OIC, State Treasurer's Office, Board, Investment Committee and their investment advisor/consultant on a timely basis each quarter such data as is required for proper monitoring. In addition, the manager(s) will provide to the investment advisor/consultant transaction registers and portfolio valuations, including cost and market data on a monthly basis.

C. Authority of Investment Manager(s) in the Managed Accounts

Subject to the terms and conditions of this Policy, manager(s) shall have full discretionary authority to direct investment, exchange, and liquidation of the assets of the managed accounts. The Investment Committee expects that the investment manager(s) will recommend changes to this Policy when the manager(s) views any part of this Policy to be at variance with overall market, economic conditions, and relevant investment policies.

The Investment Committee directs all managers to vote proxies and to vote them in the best interest of the Fund. The managers will report to the Investment Committee and their investment advisor/consultant at least annually as to how proxies were voted.

Each investment manager is required to meet with the Investment Committee and their investment advisor/consultant at least annually to review:

- The investment forecast for the following year.
- The effect of that outlook on the attainment of the Fund objectives.
- The manager's actual results for the preceding forecast period compared to the previously established return goal for the reporting period.
- The Investment Policy, Guidelines, and Objectives of the Fund. If it is felt by the investment manager that the Policy is too restrictive or should be amended in any way, written notification must be communicated immediately.

#### X. INVESTMENT ADVISOR/CONSULTANT RESPONSIBILITIES

Investment results will be monitored by an independent consulting organization, under contract by the Board, on a regular basis and reported to the Investment Committee as soon as practicable after each calendar quarter. A representative of the investment advisor/consultant shall meet with the Investment Committee to review for each manager (i) its past performance, (ii) compliance with the Investment Policy, Guidelines and Objectives of the Fund, including but not limited to asset allocation, actual return, and comparative return in relation to applicable index (indices) and to a universe of comparable funds, (iii) risk profile, (iv) ability of manager to fulfill the stated objectives of the funds, and (v) any other material matter. A representative of the investment advisor/consultant shall also report investment results, or other information, to the Board, OIC and others, as requested by the Investment Committee. Any noncompliance with the Investment Policy, Guidelines and Objectives of the Fund or other section of this statement discovered by the investment advisor/consultant will be reported to the Investment Committee immediately.

#### XI. INVESTMENT GUIDELINES

- A. The Fund shall maintain minimal cash, consistent with short-term requirements. Short-term cash will be invested in the Oregon State Treasurer's Short-Term Investment Pool.
- B. Fixed-income securities, for purposes of these guidelines, shall mean mortgage-backed securities, U.S. government securities, investment-grade corporate bonds, and other fixed income securities, such as certificates of deposit and commercial paper. The objective of this component of the Fund is to preserve capital in keeping with prudent levels of risk, through a combination of income and capital appreciation. Realization of income will be subordinate to safety, liquidity, and marketability (securities should be

readily marketable). This component of the Fund shall adhere to the following categories:

1. Average credit quality shall be A or better.
2. With the exception of U.S. Government and Agency issues, no more than 10 percent of the bond portfolio at market will be invested in the securities of a single issuer or 5 percent of the individual issue.
3. There shall be a maximum limitation on below investment grade bonds of 15 percent of the bond portfolio.
4. There shall be a maximum limitation on non-U.S. bonds of 20 percent of the bond portfolio.

Fixed-income managers have full discretion over the allocation between long-term, intermediate, or cash equivalent investments.

- C. Equity securities are to be made primarily in well-established, quality companies. The objective specific to this component of the Fund is to maximize long-term total return through a combination of income and capital appreciation. The restrictions pertinent to this portion of the Fund are as follows:

*Large-Cap Equity Requirements:*

Not more than ten percent of the companies invested in should have market capitalizations less than \$1 billion (subject to the large-cap equity limitations of Schedule I). Portfolios should be comprised of at least 30 security issues.

*Small/Mid Cap Equity Requirements:*

Investments in small and mid cap companies with market capitalization similar to the Russell 2500 index (subject to the small/mid cap equity limitations of Schedule I). Portfolios should be comprised of at least 30 security issues.

*International Equity Requirements:*

Investments in the equity securities of companies located outside the United States are permitted (subject to the international equity limitations of Schedule I). Portfolios should be comprised of at least 30 security issues.

- D. Diversification

1. Not more than 5 percent of the market value of any investment fund will be invested in any single issue, property, or security. This restriction does not apply to U.S. Government-issued securities.

2. No investment in any single issue, security, or property shall be greater than 5 percent of the total value of the issue, security, or property.

Performance expectations for each of the asset classes is described in Exhibit A.

## XII. OTHER INVESTMENTS

The Board and the Investment Committee recognize that the addition of other investment classes may reduce total fund volatility.

The Board and the Investment Committee may, with the concurrence of the OIC, place up to ten percent of the aggregate Fund assets in venture capital, real estate, distressed securities, and oil and gas partnerships. This allocation is to provide for portfolio diversification.

## XIII. OTHER GUIDELINES AND REQUIREMENTS

Custodial responsibility for all securities is to be determined by the Board or its designee(s).

## XIV. CONCLUSION

Implementation of this Policy, including investment manager selection, shall be the responsibility of the Investment Committee, subject to the necessary approvals of the Board and the OIC.

This Policy shall be reviewed by the Board at least every two years.

**SCHEDULE I**  
**ALLOCATION OF ASSETS**

The following represents target asset allocations and the ranges by asset category.

Allocation of asset by class:

<u>Class</u>	<u>Target Allocation</u>	<u>Ranges</u>	<u>Policy Benchmark</u>
Equity Category	70%	60%-80%	
Fixed Income Category	25%	20%-30%	Lehman Aggregate
Cash	5%	0%-10%	90 Day T-Bill
Alternative Assets	0%	0%-10%	

The allocation of equity assets shall be as follows:

<u>Class</u>	<u>Target Allocation</u>	<u>Ranges</u>	<u>Policy Benchmark</u>
	<u>% of Equity</u>		
Large-Cap Equity	65%	55%-75%	S & P 500
Small/Mid Cap Equity	20%	15%-25%	Russell 2500
International Equity	15%	10%-20%	MSCI EAFE

The Target Allocation Policy benchmark is 59.5% Russell 3000 Index, 10.5% MSCI EAFE Index, 25.0% Lehman Aggregate and 5.0% 90 Day T-Bills.

## **EXHIBIT A**

### **Performance Monitoring Return Expectations**

#### **Spending Policy**

The distribution rate for the Fund is 4.5 percent of the five-year moving average unit market value for FY 2000-01 and will decrease to 4.0 percent of the five-year moving average unit market value for FY 2001-02 and thereafter.

#### **Total Fund**

The total fund will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the return of the Policy benchmark (Schedule I) by 0.50 percent (after fees) over a market cycle;
2. Exceed the level of inflation by 5.0 percent or more as measured by the Consumer Price Index (CPI) over a market cycle; and
3. Exceed the median fund in a universe of other endowments over a market cycle. A market cycle is defined as an investment period lasting three to five years.

#### **U.S. Equities—Large Capitalization**

Equity accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the return of the S&P 500 Index by 0.25 percent (after fees) over a market cycle; and
2. Rank at or above the median of a nationally recognized universe of equity managers possessing a similar style.

#### **U.S. Equities—Small/Mid Capitalization**

Small/Mid capitalization accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the return of the Russell 2500 (after fees) by 1.0 percent over a market cycle; and

2. Rank in the 40th percentile of a nationally recognized universe of small cap managers possessing a similar style.

### **International Equities**

International equity accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the Return of the EAFE Index by 1.0 percent (after fees) over a market cycle; and
2. Rank in the 40th percentile of a nationally recognized universe of equity managers possessing a similar style.

### **Fixed Income**

Fixed income accounts will be evaluated quarterly. Specific performance objectives include, but may not be limited to, the following:

1. Exceed the Return of the Lehman Aggregate Index 0.5 percent (after fees) over a market cycle; and
2. Rank in the 40<sup>th</sup> percentile of a nationally recognized universe of fixed income managers possessing a similar style.

## **REDEDICATION OF PHYSICAL FACILITIES**

(Adopted by the Oregon State Board of Higher Education, Meeting #406, September 26, 1972, pp. 657-661.)

The following guidelines were approved for establishing the amounts of adjustments to the appropriate bond sinking fund reserves upon the rededication of buildings and facilities from one type of use to another:

1. For buildings and facilities 30 years of age or older, no adjustment would be required upon rededication.
2. For buildings and facilities less than 30 years of age that are no longer needed for the original or modified purpose prior to the proposed rededication:
  - a. If purchased for cash, the adjustment shall be equal to the capitalized value less depreciation calculated at the rate of two percent per year for the first ten years and at the rate of four percent per year thereafter; provided, however, that for buildings and facilities other than student residence halls and food service units, for which the debt service requirements are consolidated on a Systemwide basis, the amount of the adjustment shall not be less than the balance of any bonded indebtedness incurred for that building or facility.
  - b. If leased temporarily or sold on contract, the rental or annual payment shall be equal to the annual debt service requirement applicable to that building or facility for a period of time equal to the difference between the age of the building and 30 years. (For example, if the building is already 20 years old, the annual payment would be made for ten years.)
3. For other desired rededications of buildings and facilities that are less than 30 years old:
  - a. If purchased for cash, the adjustment shall be determined from the current market value of the building or facility.
  - b. If leased temporarily or sold on contract, the rental or annual payment shall be based upon current commercial rates for comparable space.

(Note: Exceptions to guidelines 1, 2, and 3 above may be necessary or desirable under those circumstances where gift and/or grant funds were used to finance the building or facility, or a portion thereof, subject to certain conditions or obligations, or where major rehabilitation or remodeling of the building or facility has been undertaken.)

4. Land rededication:

- a. If the property was purchased prior to July 1, 1963, no adjustment would be required. (Prior to July 1, 1963, all land purchases were financed from General Fund appropriations or other state fund resources. By Board action on June 12, 1962, the land acquisition policies were revised, effective July 1, 1963, to require that land needed for future sites of dormitories or buildings and facilities of other self-sustaining auxiliary enterprises would be financed from auxiliary activity earnings, building fees, or from proceeds from bond issues secured by such revenues, with the understanding that if the properties were rededicated for general institutional purposes, the restricted funds would be reimbursed for the value of the land.)
- b. If the property was purchased after July 1, 1963, full reimbursement would be provided plus interest at the rate prevailing at the time of original purchase.

## **DEBT**

(Adopted by the Board, Meeting #836, March 1, 2010.)

### I. Overview

In support of their respective missions, Oregon University System (System) institutions each maintain a long-term strategic plan. These strategic plans establish university-wide priorities as well as university-wide and divisional programmatic objectives. Each System university develops a capital plan to support these priorities and objectives.

The System's use of debt plays a critical role in ensuring adequate and cost-effective funding for the System institutions capital plans. By linking the objectives of its Debt Policy to its universities strategic objectives, the System ultimately increases the likelihood of achieving its mission.

### II. Scope

The Debt Policy covers all forms of debt including long-term, short-term, fixed-rate, and variable-rate debt. It also covers other forms of financing including both on-balance sheet and other forms of financing that effectively operate as capital debt instruments even when not classified as such for financial statement purposes, such as certain operating leases and other structured products used with the intent of funding capital projects.

The use of derivatives is considered when managing the debt portfolio and structuring transactions. Conditions guiding the use of derivatives are addressed in a separate Interest Rate Risk Management Policy.

### III. Objectives

The objectives of this policy are to:

- a) Outline the System's philosophy on debt
- b) Establish a control framework for approving and managing debt
- c) Define reporting guidelines
- d) Establish debt management guidelines

The Debt Policy formalizes the link between the System universities Strategic Plans and the issuance of debt. Debt is a limited resource that must be managed strategically in order to best support System priorities.

The policy establishes a control framework to ensure that appropriate discipline is in place regarding capital rationing, reporting requirements, debt portfolio composition, debt servicing, and debt authorization. It establishes guidelines to ensure that existing and proposed debt

issues are consistent with financial resources to maintain an optimal amount of leverage, a strong financial profile, and a strategically optimal credit rating.

Under this policy, debt is being managed to achieve the following goals:

- a) Maintaining access to financial markets: capital, money, and bank markets.
- b) Managing the System's credit rating (if applicable) to meet its strategic objectives while maintaining the highest possible creditworthiness that provides the most favorable cost of capital and borrowing terms;
- c) Optimizing the System's debt mix (i.e. short-term and long-term, fixed-rate and floating-rate, traditional and synthetic) for the System's debt portfolio;
- d) Managing the structure and maturity profile of debt to meet liquidity objectives and to make funds available to support future capital projects and strategic initiatives;
- e) Coordinating debt management decisions with asset management decisions to optimize overall funding and portfolio management strategies;
- f) Coordinating debt management decisions to maximize overall access to resources, including consideration of strategic opportunity costs, potential lost revenue, and interest and inflation rate tradeoffs.

System universities may use debt to accomplish critical priorities by prudently using debt financing to accelerate the initiation or completion of certain projects. As part of its review of each project, the university and the System will evaluate all funding sources to determine the optimal funding structure to achieve the most beneficial cost of capital.

#### **IV. Oversight**

The Vice Chancellor for Finance and Administration is responsible for implementing this policy and for all debt financing activities of the System. This policy is approved by the Board. The approved policy provides the framework under which debt management decisions are made.

The exposure limits listed in the policy are monitored on a regular basis by the Vice Chancellor for Finance and Administration. The Vice Chancellor for Finance and Administration reports regularly to the Chancellor, the Board, and the Internal Bank Oversight Committee on the System's debt position and plans.

#### **PRINCIPLES/GUIDELINES/PROCEDURES**

#### **V. Debt Affordability and Capacity**

##### **Project Viability:**

All projects using self-generated revenues to repay the debt will be carefully reviewed to ensure that they are financially viable based on reasonable and prudent estimates of the revenues and expenses associated with each project or combination of similar projects. When determining whether a project meets the self-supporting requirements, the Board may take

into consideration the total available unobligated revenues of the university, or the System as a whole. This review process will include an analysis of the total cost of the project, including site preparation, environmental assessment/remediation, architectural and engineering costs, and construction, renovation or purchase costs. A financial pro-forma will be prepared by the university that estimates the revenues and expenses associated with the operations, maintenance and debt service of the project over the life of the bonds. Projected operating revenues will provide coverage of operating expenses, maintenance, and debt service. Sources and uses of funds should be identified as part of this analysis. The financial pro-forma will be reviewed by the Director of Treasury Operations prior to recommendation of projects to the Board.

**Institutional Concerns:**

Institutional financial viability will also be considered as part of the debt approval process. The institution must demonstrate that there is sufficient enrollment or research demand or other compelling needs or strategic opportunities to justify the investment in the project and to generate the resources for debt repayment. Three years of trend data will be considered as part of this analysis in order to demonstrate institutional financial viability over a series of years.

The following financial statement ratios will be considered in order to determine institutional financial viability as part of this analysis:

- Primary reserve ratio — unrestricted net assets / operating expenses
- Current ratio — current assets / current liabilities
- Debt burden ratio — annual debt service (principal + interest) / total operating expenses, with a guideline maximum debt burden ratio of 7 percent, as established by the Board

In addition to presenting the actual ratios computed for the prior three fiscal years, the university will be responsible for calculating pro-forma ratios to incorporate additional debt allocated during the current fiscal year as well as for other future proposed projects and to analyze this information together to determine financial viability.

The ratios and limits are intended to help the System universities maintain a competitive financial profile, funding for facilities needs and reserves, and compliance with System debt service to budget guidelines.

The Debt Policy is shared with external credit analysts and other parties in order to provide them with background on the System's philosophy on debt and management's assessment of debt capacity and affordability.

**VI. Real Property Financed by Third Parties**

In computing financial ratios, universities need to identify and incorporate information related to real property financed by third parties when by written agreement the university is obligated

to provide payments toward the property financing or to take over the financial obligation at a specified future date. Examples include agreements with an affiliated foundation and long-term capital leases. In determining whether long-term leases should be included when computing financial ratios, the institution must distinguish between capital and operating leases. Capital leases are considered debt, and must therefore be included in the ratios. Operating leases are not considered debt, and are therefore excluded from the ratio calculations.

Third-party financings may not include annual appropriation pledges of the State's general fund, and long-term leases must comply with DAS administrative rules. In addition, third-party financings may not use the State's credit or view the State as the underlying guarantor.

## VII. Financing Sources

There are numerous types of financing structures and funding sources available, each with specific benefits, risks, and costs. All potential funding sources are reviewed by management within the context of the Debt Policy and the overall portfolio to ensure that any financial product or structure is consistent with the university's and System's objectives. Regardless of what financing structure(s) is utilized, due-diligence review must be performed for each transaction, including (i) quantification of potential risks and benefits, and (ii) analysis of the impact on System creditworthiness and institution debt affordability and capacity.

### *Tax-Exempt Debt*

Tax-exempt debt is a significant component of the System's capitalization due in part to its substantial cost benefits; therefore, tax-exempt debt is managed as a portfolio of obligations designed to meet long-term financial objectives rather than as a series of discrete financings tied to specific projects. The System manages the debt portfolio to maximize its utilization of tax-exempt debt relative to taxable debt whenever possible, keeping in mind potential issues related to the restrictions on the use of facilities financed with tax-exempt debt and the potential future uses of the facility(cies) being financed by the debt. In all circumstances, however, individual projects continue to be identified and tracked to ensure compliance with all tax and reimbursement regulations.

For tax-exempt debt, the System will consider maximizing the external maturity of any tax-exempt bond issue, subject to prevailing market conditions and opportunities and other considerations, including the useful life of financed facilities, future debt capacity of the System, applicable regulations, and the State Treasurer's statewide debt portfolio management goals and policies.

### *Taxable Debt*

In instances where certain of the System's capital projects do not qualify for tax-exempt debt, the use of taxable debt may be considered. The taxable debt market offers certain advantages in terms of liquidity, marketing efficiency, and flexibility in the use of proceeds; such advantages will be considered when evaluating the costs and benefits of a taxable debt issuance.

### *Build America Bond Program*

The American Recovery and Reinvestment Act (ARRA) of 2009 included provisions authorizing state governments to issue taxable bonds and receive an interest rate rebate in the amount of 35 percent of the interest paid from the Federal government (Build America Bond Program or BAB). This program opens up the taxable debt market to the System, which may prove to reduce borrowing costs. Bonds issued under this program must be treated in the same manner as tax-exempt debt with respect to the use of the bond proceeds (must be used for exempt purposes and follow the same private use rules as tax-exempt bond proceeds) and with respect to arbitrage rules. Accordingly, the System will manage debt issued under the BAB program as a part of the tax-exempt debt portfolio.

### *Commercial Paper*

Commercial paper provides interim financing for projects in anticipation of philanthropy, planned issuance of long-term debt or from other sources of funds. The use of commercial paper also provides greater flexibility on the timing and structuring of individual bond transactions. This flexibility may also make commercial paper appropriate for financing equipment and as a tool to help manage the System's short-term liquidity position. The amount of commercial paper is limited by the Debt Policy ratios, the System's variable-rate debt allocation limit, and the System's available liquidity support.

### *System-issued vs. Other State-issued Debt*

In determining the most cost effective means of issuing debt, the System evaluates the merits of issuing debt "directly" (e.g., under Articles XI-G or XI-F(1) of the Oregon Constitution) vs. "issuing" debt through or a State-issuing entity (e.g., The Oregon Lottery, Certificates of Participation, or the State Energy Loan Program.)

When "issuing" debt through a State-issuing entity, the Legislature may appropriate funds to the System to repay the debt, or may appropriate funds to the State-issuing entity to repay the debt. Debt issued through a State-issuing entity will not be managed as a part of the debt portfolio, but will be managed discretely. Debt issued through a State-issuing entity is normally only available if authorized by the Legislature and is not available as an option unless so authorized.

System issued debt under Article XI-G of the Oregon Constitution is repaid by Legislative appropriation to OUS and is not managed as a part of the debt portfolio, but will be managed discretely.

In the case of debt that will be repaid by System-generated revenues, the System performs a cost benefit analysis between this financing option and others available and takes into consideration the comparative funding costs and the flexibility in market timing of each alternative. The System also takes into consideration the future administrative flexibility and financial options of each issue, such as the ability to call and/or refund issues at a later date, as

well as the administrative flexibility to structure and manage the debt in a manner that the System believes to be appropriate.

#### *Derivative Products*

Derivative products may enable more opportunistic and flexible management of the debt portfolio. Derivative products, including interest rate swaps and locks, may be employed primarily to manage or hedge the System's interest rate exposure. The System, in consultation with the State Treasurer and in compliance with the State's Interest Rate Swap Policy, utilizes a framework to evaluate potential derivative instruments by considering (i) its current variable-rate debt allocation, (ii) existing market and interest rate conditions, (iii) the impact on future financing flexibility, and (iv) the compensation for assuming risks or the costs for eliminating certain risks and exposure. Risks include, but are not limited to, tax risk, interest rate risk, liquidity risk, counterparty credit risk, basis risk, and any other potential risks either imposed or removed through the execution of any transaction.

The System analyzes and quantifies the cost/benefit of any derivative instrument relative to achieving desirable long-term capital structure objectives. Under no circumstances will a derivative transaction be utilized that is not understood fully by management or that imposes inappropriate risk on the System. In addition, management discloses the impact of any derivative product on the System's financial statements per GASB (Governmental Accounting Standards Board) requirements and includes their effects in calculating the Debt Policy ratios.

#### *Other Financing Sources*

Given limited debt capacity and substantial capital needs, opportunities for alternative and non-traditional transaction structures may be considered, including off-balance sheet financings. The System recognizes these types of transactions often can be more expensive than traditional debt structures; therefore, the benefits of any potential transaction must outweigh any potential costs.

All structures can be considered only when the economic benefit and the likely impact on the System's debt capacity and credit have been determined. Specifically, for any third-party or developer-based financing, management ensures the full credit impact of the structure is evaluated and quantified.

### **VIII. Compliance with IRS Regulations**

When tax-exempt governmental-purpose bonds are issued, the System must comply with all applicable IRS regulations including, but not limited to, regulations relating to the use of bond proceeds, the use of bond-financed facilities, and arbitrage in order to maintain the bonds' tax-exempt status.

## **IX. Portfolio Management of Debt**

For purposes of this section, the System's debt portfolio is defined as debt issued under Article XI-F(1) of the Oregon Constitution (XI-F debt). The System considers its debt portfolio holistically, that is, it optimizes the portfolio of debt for the entire System rather than on a project-by-project basis while taking into account the System's cash and investment portfolio. Therefore, management makes decisions regarding project prioritization, debt portfolio optimization, and financing structures within the context of the overall needs and circumstances of the universities of the System.

### *Variable-Rate Debt*

Exposure to variable interest rates within the System's debt portfolio may be desirable in order to:

- a) take advantage of repayment/restructuring flexibility;
- b) benefit from historically lower average interest costs;
- c) reduce financial interest rate risk by providing a "match" between debt service requirements and the projected cash flows from the System's assets; and
- d) diversify its pool of potential investors and gain additional access to the capital markets.

Management monitors overall interest rate exposure, analyzes and quantifies potential risks, including interest rate, liquidity and rollover risks, and coordinates appropriate fixed/variable allocation strategies. The portfolio allocation to variable-rate debt may be managed or adjusted through (i) the issuance or redemption of debt in the conventional debt market (e.g., new issues and refundings) and (ii) the use of interest rate derivative products including swaps.

The amount of variable-rate debt outstanding (adjusted for any derivatives) shall not exceed 20 percent of the System's outstanding XI-F debt. This limit is based on the System's desire to: (i) limit annual variances in its interest payments, (ii) provide sufficient structuring flexibility to management, (iii) keep the System's variable-rate allocation within acceptable external parameters, and (iv) utilize variable-rate debt (including derivatives) to optimize debt portfolio allocation and minimize costs.

$$\frac{\text{VARIABLE-RATE DEBT (INCLUDING SYNTHETIC)}}{\text{TOTAL XI-F DEBT OUTSTANDING}} \leq 20\%$$

### *Refinancing Outstanding Debt*

The System monitors its debt portfolio on a continual basis to assure portfolio management objectives are being met and to identify opportunities to lower its cost of funding, primarily through refinancing outstanding debt.

The System monitors the prices and yields of its outstanding debt and attempts to identify potential refunding candidates by examining refunding rates and calculating the net present

value of any refunding savings after taking into account all transaction costs. The System may choose to pursue refundings for economic and/or legal reasons. The System currently adheres to the State of Oregon's refunding thresholds. Net Present Value (NPV) savings of 3 percent or otherwise as permitted by the State Treasurer.

#### *Liquidity Requirements*

The System's portfolio of variable-rate debt and commercial paper require liquidity support in the event of variable rate demand bonds being put back to the System or the Commercial Paper maturing without new investors. Generally, the System can purchase liquidity support externally from a bank in the form of a standby bond purchase agreement or line of credit. In addition, the System can also use its own capital or the capital available to the State Treasurer (if approved) in lieu of or to supplement external facilities. Alternatively, it can utilize variable-rate structures that do not require liquidity support (e.g., resetting variable rate term loans).

Just as the System manages its debt on a portfolio basis, it also manages its liquidity needs by considering its entire asset and debt portfolio, rather than managing liquidity solely on an issue-specific basis. This approach permits Systemwide evaluation of desired liquidity exposure, provides administrative flexibility, and reduces total liquidity costs.

A balanced approach is used to provide liquidity support to enhance credit for variable-rate debt, through a combination of external bank liquidity, self-liquidity, and other financial tools. Using a variety of approaches limits dependence on an individual type or source of credit; it also increases access to different types of investors. The System must balance liquidity requirements with its investment objectives and its cost and renewal risk of third-party liquidity providers and internal capacity.

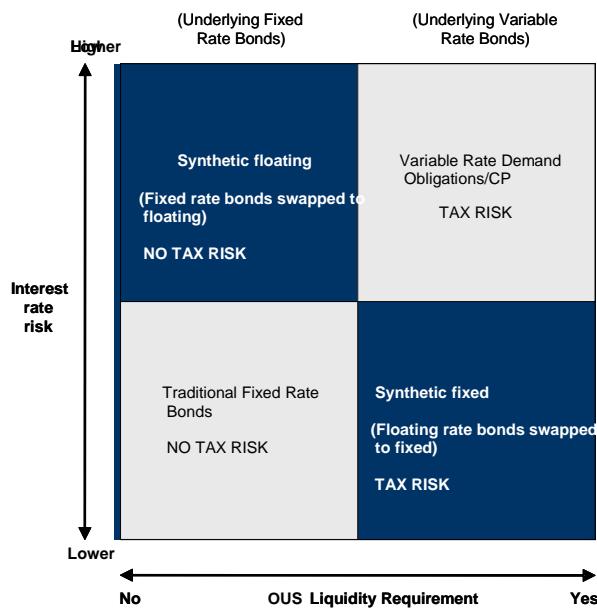
Further, a portfolio-approach to liquidity can enhance investment flexibility, reduce administrative requirements, lower total interest costs, and reduce the need for external bank liquidity.

#### *Overall Exposure*

The System may be exposed to interest rate, third-party credit, tax (the risk that the tax code may change in future periods and impact the cost or financial result of certain debt instruments), and other potential risks in areas other than direct System debt (e.g., off-balance sheet transactions, counterparty exposure in the investment portfolio, etc.) and, therefore, exposure will be measured and monitored on a comprehensive Systemwide basis.

The chart below attempts to visually display the interplay of risks that may be present depending on the types of debt instruments employed. For instance, when using variable rate debt, interest rate risk increases for obvious reasons. For less obvious reasons, if the System utilizes third-party liquidity to support its variable rate debt, the risk of the credit-worthiness of the liquidity provider comes into play. Additionally, income tax risk is interjected when variable rate bonds are remarketed as the tax laws may change and impact the cost of carrying the variable rate debt. If the System were to convert that variable rate debt to fixed via an interest

rate swap agreement, the interest rate risks would be mitigated, but the risk of the creditworthiness of the third-party liquidity provider would not.



## X. Central Loan Program Management

For purposes of this policy section, the central loan program pertains only to proceeds of XI-F debt or internal liquidity.

Each institution is responsible for the repayment of all funds borrowed from the central loan program, plus interest and any fees established in the System's internal lending policies, regardless of the internal or external source of funds.

Loan structures with standard financial terms are offered to institutional borrowers. The System may provide for flexible financing terms in order to accommodate individual institutional needs if it is determined to be in the university's and System's best interest. The Vice Chancellor for Finance and Administration will clearly articulate the policies and procedures for the assumption and repayment of debt to all borrowers. The Director of Treasury Operations is the System's loan officer for institutional borrowers.

### *De-linking External and Internal Debt Structures*

The System has adopted a central loan program under which it provides funding for projects across all institutions under the guidance of the Vice Chancellor for Finance and Administration. In this regard, the System has established a pool of financing resources, including debt, for a central source of capital.

The benefits of this program include:

- a) Enabling the structuring of transactions in the best economic interests of the System that might not be possible on a project-specific basis,
- b) providing continual access to capital for borrowers,
- c) permitting the System to fund capital needs on a portfolio basis rather than on a project-specific basis,
- d) funding specific projects with predictable financial terms,
- e) achieving a consistently low average internal borrowing costs while minimizing volatility in interest rates,
- f) permitting prepayment of internal loans without penalty, and
- g) achieving equity among borrowers through a blended rate.

The diagram below outlines the relationship between the System's internal borrowers, the central loan program, and the external debt market for debt that is repaid via system-generated revenues:

The central loan program can access funds from a variety of sources to originate loans to institutions. The System manages its funding sources on a portfolio basis, and therefore payments from institutions are not tied directly to a particular source of funds. (Note: due to federal tax and reimbursement requirements, actual bond debt service for certain projects still must be tracked.)

#### *Blended Interest Rate*

The System charges a blended interest rate to its institutions based on its cost of funding. In some instances, at the discretion of the Vice Chancellor for Finance and Administration, the type and useful life of the project being financed may affect the appropriate term and interest rate of any loan.

This blended interest rate may change periodically to reflect changes in the System's average aggregate expected long-term cost of borrowing. The blended interest rate may also include a reserve for interest rate stabilization purposes.

In addition to charging borrowers interest, the central loan program collects amounts to pay for costs of administering the debt portfolio. These costs are clearly articulated to institutions, and are passed on to borrowers in the form of a rate surcharge and an upfront fee for loan origination. These charges may be reviewed and adjusted from time-to-time.

#### XI. Approval Process

The System, through the Oregon State Treasury, issues debt under Articles XI-F(1) and XI-G of the Oregon Constitution. The System may also enter into other financing agreements (e.g., capital leases) with external entities for amounts in excess of \$100,000 with the approval of the State Treasurer and the Director of the Oregon Department of Administrative Services (DAS). Should the System be granted authority in the future to establish a revenue bond program, it is anticipated that such debt would be issued through the Oregon State Treasury as well.

All debt issued by the System must be authorized through a board resolution (or the Finance and Administration Committee as authorized by the board). When the System issues debt under Article XI-F(1) of the Oregon Constitution, the board's authorizing resolution must include its finding, based on the analysis of debt affordability and capacity delineated in section IV above, that the XI-F(1) debt financed projects are both self-liquidating and self-supporting.

The Board delegates the authority to approve the pricing of System-issued debt to the Vice Chancellor for Finance and Administration.

Other State-issued debt is approved as follows:

- DAS issues Certificates of Participation on behalf of the System.
- The Oregon Lottery issues Lottery bonds on behalf of the System.
- The Oregon Department of Energy loans money to System institutions for energy savings projects.

When the System participates in debt programs that are administered by other State agencies, such bonds are issued by the State Treasurer who also possesses the authority to price such bonds.

#### XII. Policy Conflicts

The provisions of this policy will supersede conflicting policy provisions in other Internal Management Directives, board policies, and/or other fiscal policies.

## INTEREST RATE RISK MANAGEMENT

(Adopted by the Board at Meeting #843, March 1, 2010)

### I. Overview

The Oregon University System (System) maintains a Debt Policy which sets forth guidelines on the authorization and management of debt. The System manages its debt issued under Article XI-F(1) of the Oregon Constitution (XI-F debt) on a consolidated, portfolio basis and makes debt management decisions to achieve the lowest cost of debt capital and maximize its portfolio objectives. The nature of managing debt as a portfolio implies that there may be a mismatch of the specific terms on either side of the balance sheet. These mismatches may include maturity, payment schedule, interest rate, etc. These mismatches cause interest rate risk that may affect cash flow or the value of the underlying debt and corresponding loan. The use of derivatives can play a key role in managing the interest rate risk associated with the System's debt portfolio and other managed portfolios.

In certain circumstances, derivatives are an effective way for the System to adjust its mix of fixed- and floating-rate debt and manage interest rate exposures. Derivatives may also be an effective way to manage liquidity risks. The System's philosophy is to use derivatives strategically to achieve asset and liability portfolio objectives and hedge existing exposures. Derivatives will not be used to create leverage or to speculate on the movement of interest rates.

### II. Scope

The Interest Rate Risk Management Policy applies to any derivatives used for the purpose of hedging interest rate exposures. This policy does not apply to derivatives used by the State Treasurer's office in its management of the System's endowment and assets of any System university-related foundations.

Additionally, any decisions made regarding the use of derivatives must take into consideration the resulting impact under the System's Debt Policy.

### III. Objectives

This policy is intended to:

- (i) Outline the System's philosophy on derivatives
- (ii) Provide guidelines on the use of derivatives
- (iii) Identify approved derivative instruments
- (iv) Establish a control framework related to the use of derivatives

The System views derivatives as a tool to achieve its asset and liability management objectives. As a result, it is the System's philosophy to use derivatives strategically in support of this cause. It is also the System's philosophy to not use derivatives to create leverage or speculate on interest rate movements. The System recognizes that the prudent and selective use of derivatives may help it to lower its cost of debt capital and manage its interest rate exposure.

This policy provides guidelines on the use of derivatives including the circumstances under which they may be used and the factors that are considered in deciding whether to use them. Derivatives may be used to achieve the following objectives:

- (i) Reduce the cost for debt financing when compared to conventional debt structures
- (ii) Manage interest rate volatility
- (iii) Manage fixed- and variable-rate debt mix
- (iv) Help match the cash flows from assets with those from liabilities
- (v) Hedge future debt issues or synthetically advance refund bonds

The policy also outlines a control framework to ensure that an appropriate discipline is in place regarding the use of derivatives. Controls exist to address both operational risks and exposure risks.

#### **IV. Oversight**

The Vice Chancellor for Finance and Administration (VCFA) is responsible for coordination with Oregon State Treasury in implementing this policy and for all interest rate risk management activities of the System. The policy and any subsequent, material changes to the policy are approved by the Board's Finance and Administration Committee (F&A Committee).

The VCFA provides oversight and monitors all derivative transactions. The Director of Treasury Operations reports on all derivative transaction, at least quarterly, to the Internal Bank Oversight Committee (Oversight Committee) and at least annually to the Chancellor and the F&A Committee on the System's outstanding derivatives.

#### **V. Derivative Use Guidelines**

The System may use derivatives to achieve a lower cost of debt funding, manage its exposure to interest rate volatility, and/or match the timing and nature of cash flows associated with its assets and liabilities. The System may accomplish this by hedging the interest rate volatility of projected debt issuances or by using derivatives to adjust its exposure to variable interest rates.

To determine its portfolio exposure, the System looks at the composition of its outstanding assets and liabilities (adjusted for any hedges) and the change in this composition over a predetermined planning horizon. Taking into account the potential for future uncertainty, the

System determines what, if any, action should be taken to keep its portfolio exposures at desirable levels over this period.

In determining when to hedge, the System monitors its interest rate exposure, the capital markets, and its future funding and liquidity requirements. Special attention is paid to the relative level of interest rates, the shape of the yield curve, and signals of interest rate increases or decreases from the Federal Reserve.

The System analyzes and quantifies the cost/benefit of any derivative instrument relative to achieving desirable long-term capital structure objectives. Before entering into a derivative, the System evaluates its risks including, but not limited to: tax risk, interest rate risk, liquidity risk, credit risk, basis risk, rollover risk, termination risk, counterparty risk, and amortization risk.

When evaluating its hedging options, the System generally prefers the lowest cost, most liquid, and most flexible hedging strategy available. In instances where no one hedging strategy meets all these needs, the System prioritizes these requirements to decide on an optimal strategy.

At their inception, derivatives are chosen to closely match the exposures being hedged. As time passes, the System's debt management objectives may change and any decisions will be made with the best information available at that time regardless of hedges that may be in place. For instance, the System may use derivatives to hedge future interest rates associated with a fixed-rate bond issuance. If at the time of issuance it is deemed more beneficial to issue floating-rate bonds, then the System will not let its past hedging decisions constrain its current bond issuance decisions.

In addition, management discloses the impact of all derivatives on the System's financial statements per GASB requirements and includes their effects in calculating the financial ratios identified in the System's Debt Policy.

The Oversight Committee will set acceptable risk tolerances for each portfolio, which will determine whether adequate hedging has occurred.

## VI. Allowable Derivative Instruments

The System recognizes that there are numerous derivatives of varying degrees of complexity. The System attempts to avoid structural complexity in its use of derivatives and believes the following instruments, used alone or in combination with each other, allow for sufficient flexibility to help the System meet its interest rate risk management objectives.

**Interest Rate Swaps** – Swaps are contracts to exchange payments based on different interest rate indices, generally with one such index based on interest rates that are fixed at a specific rate for the term of the contract and the other based on interest rates that are to be adjusted from time to time throughout the term of the contract. The System may utilize these contracts

to change its mix of fixed rates and floating rates to achieve optimal asset-liability balance. They may also be used as a means to hedge future variable rate financings.

**Interest Rate Call or Put Options** — An option gives the holder a right, but not an obligation, to buy or sell a security at or by a specified date(s) at an agreed upon price in exchange for the payment of a premium. Interest rate options, typically in the form of interest rate caps and/or floors, are designed to provide protection against interest rates being above a certain cap rate or below a certain floor rate. Options may be used when the purchaser faces an asymmetrical risk profile, for instance, the risk that interest rates may rise prior to a new debt issuance. Options to enter into swaps, or swaptions, give the buyer the right to enter into a swap as a fixed-rate or floating-rate payer depending on the buyer's interest rate exposure.

The System will not sell options, except to the extent they are sold to better hedge an underlying exposure that contains an offsetting option position. For example, a bond with a call option held by the System may be hedged better by entering into a derivative with an offsetting sold call option.

**Interest Rate Locks** — A rate lock is a forward contract that represents a sale of a specific benchmark security (e.g., U.S. Treasuries, LIBOR, or tax-exempt indices) or other appropriate benchmark security at an agreed price or interest rate. The System may utilize these contracts to help lock in a future financing rate.

Before entering into any derivative transaction, the System first gains a full understanding of the transaction and performs appropriate due diligence, such as (i) a quantification of potential risks and benefits, and (ii) an analysis of the impact on the System's debt portfolio. The duration of each derivative may be different from the duration of the risk being offset.

## VII. Policy Controls

The System has established both operating and exposure controls to address program risks.

### Operating Controls

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When utilizing derivatives, it is important for operating controls to be in place to provide for adequate segregation of duties and management oversight. The System has controls addressing trade initiation, approval, confirmation, and accounting.

Appendix A to this Policy lists the individuals who may enter into derivatives on behalf of the System. These individuals may not approve their own transactions, unless explicitly stated in Appendix A. Initiators may not confirm transactions with counterparties and may not enter the accounting related to a trade. These controls are in place to assure trades are fully disclosed, accounted for, and approved by appropriate parties.

Appendix A also contains a list of individuals with authority to approve transactions. In all instances, unless provided for in Appendix A, an approver may not also be the initiator for a specific transaction.

Confirmations serve the purpose of confirming the details of a trade as understood by the System and its counterparty. Trade confirmations are done by an individual who does not have authority to either initiate or approve transactions.

Transactions are recorded for accounting purposes by an individual who is neither the initiator nor the approver. This segregation helps to assure that trades are accounted for correctly and are recorded and valued correctly on an ongoing basis.

#### *Exposure Controls*

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The System manages its derivatives exposure by looking at its derivatives portfolio independently and also in the context of its overall asset and liability portfolios. Prior to entering into a derivative transaction, the System will examine the impact of such trade independently and on the asset and liability portfolios as a whole. The System will also coordinate this review with the financial advisor contracted by the State Treasurer pursuant ORS 286A.132(a).

All derivatives will be monitored by the State Treasurer's financial advisor to provide valuations of the derivatives and monitor compliance with the terms and conditions of the derivative contract.

Appendix B to the policy establishes limits related to counterparty credit ratings, and the maximum allowable percentage of floating rate debt.

Exposure controls are in place to limit the System's exposure to the various market risks associated with derivatives.

## Appendix A

### **OPERATING CONTROLS**

***Authorized Initiators*** — The individuals holding the following positions are hereby authorized to initiate interest rate derivative transactions on behalf of the System:

- Chancellor
- Vice Chancellor for Finance and Administration
- Associate Vice Chancellor for Finance and Administration and Controller
- Director of Treasury Operations

***Approval*** — All interest rate derivative transactions on behalf of the System must be approved by both:

- The Board's Finance and Administration Committee, and
- The Director of Debt Management, Oregon State Treasury

## Appendix B

### **EXPOSURE CONTROLS**

***Maximum Percentage of Floating Rate Debt*** — The System's outstanding debt portfolio will have no more than 20 percent of the principal amount in floating rate debt, as described in its Debt Policy. This percentage is calculated to factor in the effects of interest rate derivatives.

***Counterparty Credit Exposure*** — All derivative counterparties will be rated A3 or better by Moody's and A– or better by Standard & Poors. The maximum allowable credit exposure, determined by the net mark-to-market of all trades with a single counterparty, will be \$25 million for counterparties rated Aa2/AA or better and \$10 million for counterparties rated less than Aa2/AA.

The System may take steps to reduce its exposure to a counterparty by either (i) requiring the counterparty to post collateral in the full amount of the exposure (all the while abiding by the terms of any Credit Support Annex between the System and the counterparty), (ii) terminating all or a portion of its outstanding contract(s) with the counterparty, or (iii) requiring the counterparty to obtain swap insurance or provide another form of third-party security agreeable to the System.

The System will also strive to limit counterparty exposure to no more than \$100 million per notional amount with the strategy of diversifying the use of counterparties. In determining counterparty credit exposure, the System will also consider the counterparty's credit exposure to other System related organizations (e.g., related university foundations.)

**Measuring Exposure** — The internal bank will compute the overall interest rate risk exposure faced by the internal bank within 90 days after each debt issuance and no less frequently than once per year. The internal bank may use its own computational models to compute this risk or contract with a third party to supply this information.

## INTERNAL BANK

(Adopted by the Board at Meeting #836, March 1, 2010; amended, Meeting #843, October 8 2010)

In order to more efficiently and effectively carry out the treasury management function within the Oregon University System (System), the Board has established within the Chancellor's Office an internal bank. The internal bank will operate in perpetuity and will integrate the three primary functions of treasury management within the System: limited term investment management (the management of non-endowment investment assets), debt management (both short- and long-term) and cash management (transaction and process management). In order to effectively integrate these functions, the following policies are established:

- The cash balances (limited term assets) of each institution and the Chancellor's Office are pooled for investment purposes and the internal bank is charged with the responsibility to manage the processing and investment of those funds to maximize investment returns within a prudent level of risk while assuring necessary liquidity.
- Financing necessary for approved System capital purchases (including lease purchases) and capital construction projects that will be repaid by System-generated resources (tuition & fees and other self-generated revenues) is provided by the internal bank to System institutions through a central loan program.
- The System's Article XI-F(1) debt is managed in a portfolio approach and the internal bank is charged with the responsibility to manage the System's XI-F(1) debt portfolio to minimize the System's cost of capital within a prudent level of risk.

The purpose of the Internal Bank is to facilitate the long-term financial stability of the System through effective asset/liability management strategies and optimizing the organization's capacity to access the capital markets in the amounts needed at a reasonable price.

The operation of the internal bank will comply with all applicable federal and state statutes, rules and policies. Accordingly, the internal bank will coordinate and cooperate with the Oregon State Treasury and the Department of Administrative Services in making investment and debt financing decisions.

## **PRINCIPLES/GUIDELINES/PROCEDURES**

### **Management of the Internal Bank**

The Internal Bank will be managed by the Director of Treasury Operations who will report to the Vice Chancellor for Finance and Administration through the Associate Vice Chancellor for Finance and Administration and Controller. The Director will employ a staff to provide the services that align with the goals of the Internal Bank, including other related services that the campuses desire to purchase from the internal bank. Payment for management of the activities of the Internal Bank will be paid out of the Internal Bank's income, generated by interest rate spreads, service fees, and by moneys so appropriated by the State Legislature. Payment for specific services that are provided by the Internal Bank on an institution by institution basis, such as bank account reconciliation services, will be paid by each institution separately.

The Director of Treasury Operations will be responsible for:

- Establishing the internal deposit interest rate
- Establishing the internal lending rate
- Establishing and maintaining the internal lending program
- Management of the System's operating asset investment and long-term debt portfolios
- Developing and maintaining related internal control processes and procedures
- Accounting for the operation of the Internal Bank
- Developing financial and other performance monitoring reports
- Developing and implementing operating policies and procedures
- Developing and managing the annual operating budget of the Internal Bank
- Maintaining access to adequate liquidity sources to meet the needs of the System and its universities

The Director of Treasury Operations, in coordination with the State Treasurer's Office will contract with a professional financial advisory firm to assist with the management of the investment and debt portfolio as appropriate and bond counsel to assist with the management of the debt portfolio.

At least quarterly, the Director of Treasury Operations will report to the Internal Bank Oversight Committee (see below) on the financial and operating performance of the Internal Bank. These reports would include the operating budget, financial statements and any other performance reports needed to evaluate the Internal Bank's financial performance and the achievement of its long-term goals.

### **Transactions Undertaken by the Internal Bank**

The Director of Treasury Operations will make recommendation to the Board's Finance and Administration Committee regarding the following transactions of the Internal Bank:

1. Investments of operating assets that fall outside the parameters of the Board-approved operating funds management policy or related policies
2. Issuances of debt including:
  - a. Commercial paper for XI-F capital projects that have been approved for debt financing by the Legislature and OUS Board
  - b. Long-term debt for XI-F capital projects that have been approved for debt financing by the Legislature and OUS Board
3. Transactions undertaken to manage the debt portfolio including:
  - a. Refunding outstanding debt pursuant to the State Treasurer's refunding guidelines
  - b. Structural refinancing of the debt portfolio
  - c. Issuances of derivative financial instruments, including interest rate swap agreements

Recommended investment and debt transactions that are approved by the Board may also need approval by the State Treasurer and/or the Department of Administrative Services.

### **Deposit Interest Rate**

The Director of Treasury Operations, working with the Internal Bank Oversight Committee, will develop the policy that establishes the interest rate to be credited to institution accounts based on market conditions. The rate will be evaluated and adjusted as necessary.

### **Internal Lending Rate**

Annually, the Director of Treasury Operations, working with the Internal Bank Oversight Committee, will establish the internal loan program interest rates. Different interest rates will be established for different internal loan durations. It is the goal and objective to establish those rates to remain in perpetuity. However, it is understood that, should the capital markets behave in an unanticipated manner and the reserves available to the Internal Bank are projected to become depleted or excessively large, the internal loan program interest rates may be modified on all internal loans outstanding, including loans that relate to financings undertaken before the establishment of the Internal Bank. This is critical to ensure that the interest rate adjustment is equitable across the System and is not unfairly applied to only the projects that were financed subsequent to the establishment of the Internal Bank.

### **Internal Bank Reserves**

The Internal Bank may build and maintain an Interest Rate Reserve to hedge future volatility in the debt markets by charging a spread between the investment income generated on operating cash balances and the amount credited to institution accounts and/or by charging a spread between the internal lending rates charged for financing Board-approved self-supporting and self-liquidating projects and the blended cost of the outstanding debt portfolio. The Interest

Rate Reserves shall not be maintained at a level higher than needed to appropriately hedge future interest rate volatility. Should the Interest Rate Reserve exceed the necessary level, the internal deposit and/or lending rates may be adjusted either temporarily or permanently to reduce the reserve to the proper level. The Interest Rate Reserve may not be used for any other purpose without the approval of the Board's Finance and Administration Committee.

The Finance and Administration Committee may establish additional reserves to be held by the Internal Bank that align with its goals and objectives. The purpose and uses of such reserves will be clearly delineated within this policy.

#### **Additional Policies to Guide and Control the Operation of the Internal Bank**

The policies that guide and control the operations of the bank and limit financial risk to the System include, but are not limited to:

- An operating funds management policy that provides guidance in the investment of the System's operating assets and the management of the System's liquidity
- A debt policy that provides guidance in the issuance of debt and the ongoing management of the debt portfolio of the System
- An interest rate risk policy that provides control over the types and nature of derivative financial instruments that may be utilized by the Internal Bank

These policies will be reviewed by the Board's Finance and Administration Committee at least once every two years.

#### **Transparency and Accountability**

Transparency and accountability will be a key objective of the management and operation of the Internal Bank. All income and expenses of the Internal Bank will be reported to the Internal Bank Oversight Committee via periodic financial statements. All investment and debt transactions and all internal lending transactions will be reported to the Internal Bank Oversight Committee, along with reports on the System's risk position, hedging activities, and compliance with related policies.

#### **Internal Bank Oversight Committee**

To help ensure that the goals and objectives of the Internal Bank are being met and in order to foster accountability and transparency with respect to the activities of the Internal Bank, there is established an Internal Bank Oversight Committee (Oversight Committee). The Oversight Committee is made up of the Vice Presidents for Finance and Administration of each of the campuses, or his/her designee, and will be chaired by the Vice Chancellor for Finance and Administration. The role of the Oversight Committee is to review and evaluate the financial and operating performance of the Internal Bank and to work with the Director of Treasury Operations to establish:

- Deposit and internal loan interest rates and related policies,
- Fees and related policies,
- Operating policies for the Internal Bank, and
- The operating budget of the Internal Bank.

Meetings of the Oversight Committee will be held at least quarterly, at which time the Director of Treasury Operations will present the operating budget, financial statements and any other performance reports needed to evaluate the Internal Bank's financial performance and the achievement of its long-term goals.

The role of the Oversight Committee does not include the approval of individual campus capital projects. That role remains the sole purview of the Board.

### **Policy Conflicts**

The provisions of this policy will supersede conflicting policy provisions in other Internal Management Directives, Board policies, and/or other fiscal policies.

### **RESIDENCE HALL EMERGENCY RESERVE FUND<sup>5</sup>**

The purpose of the Residence Hall Emergency Reserve Fund (Reserve) is to provide for unanticipated financial emergencies in the residence hall operations, which could otherwise affect the ability of a single institution to support the payment of its debt service obligations. The Reserve may also be used to supplement the Interest Rate Reserve of the Internal Bank. The Reserve shall not be a supplemental source of funds that may be considered or relied upon when planning for the financing of construction, renovation, or repair/upgrade of projects. Each institution must have a business plan in place addressing current and future needs of its student housing operations and how it intends to fund those needs through institutionally-initiated efforts. The provisions of this policy, described in sections 1 through 4, shall apply to residence hall operations at residence and dining facilities other than at Portland State University. The provisions in section 4 will apply to the Internal Bank when requesting temporary use of the Reserve to supplement its Interest Rate Reserve.

#### **(1) Specific Provisions:**

- a. The Reserve will be funded by an institutional payment equivalent to twenty dollars (\$20) per occupant, per year, based on the number of students living in the residence halls referenced in section 6.300(1)(a).
- b. The number of students for purposes of (a) shall be determined by the prior year three-term average residence hall occupancy as of the fourth week of each term. (An "occupant" is any student living in a residence hall who is not a residence hall director.)
- c. Institutional payments to the Reserve will be made by May of each year beginning in fiscal year 1999-00. All payments to the Reserve will be monitored by the Chancellor's Office with a record kept of payments made by each institution.

#### **(2) Institutional payments to the Reserve will be made for eight (8) fiscal years, 1999-00 through 2006-07**

<sup>5</sup> IMD 6.316 repealed, Meeting #836, 3/5/2010, and transferred to Internal Bank Policy

- (3) Interest earnings of the Reserve, if any, will accrue to the Reserve. Distribution of interest earnings will be determined by the Board.
- (4) Authorization for use of funds from the Reserve shall require a written application and comprehensive business plan from the requesting institution or the Internal Bank. The application and business plan shall be submitted to the Vice Chancellor for Finance and Administration for approval.



# Inter-institutional and Inter-fund Loans

**Section: Accounting and Financial Reporting****Title: Inter-institutional and Inter-fund Loans****Number: 05.271**

## Index

### POLICY

- [.100 POLICY STATEMENT](#)
- [.110 POLICY RATIONALE](#)
- [.130 APPROVAL AND EFFECTIVE DATE OF POLICY](#)
- [.140 KNOWLEDGE OF THIS POLICY](#)
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### APPENDIX

- [.710 LOAN AGREEMENT TEMPLATE](#)
- [.720 LOAN ACCOUNTING](#)

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### POLICY

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#### **.100 POLICY STATEMENT**

The policy sets forth certain basic system-wide requirements for administration and accounting for inter-institutional and inter-fund loans.

#### **.110 POLICY RATIONALE**

OUS seeks to ensure that the policies and procedures related to administration and accounting for inter-institutional and inter-fund loans are documented, communicated, clearly understood, and consistently applied.

- [ORS 351.085 - Duties and Powers of Chancellor](#) [1]
- [ORS 351.090 - Standardization of Accounts and Records; Preparation of Budget; Allocation of Funds](#) [1]
- [OAR 580-040-0005 - Delegation and Assignment of Responsibility](#) [2]
- [IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility](#) [3]
- [Generally Accepted Accounting Principles \(GAAP\)](#) [4]

#### **.130 APPROVAL AND EFFECTIVE DATE OF POLICY**



Approved by the Controller on July 7, 2005, effective February 5, 2005. Retroactive application of this policy is encouraged.

### .140 KNOWLEDGE OF THIS POLICY

All Chancellor's Office and institutional personnel with financial management responsibilities should be knowledgeable of this policy.

### .150 DEFINITIONS

#### **Institution**

For purposes of this policy, the term *institution* includes Eastern Oregon University, Oregon Institute of Technology, Oregon State University, Oregon State University Cascades Campus, each of the Oregon State University Statewide Public Services, Portland State University, Southern Oregon University, University of Oregon, Western Oregon University, and the Chancellor's Office.

#### **Loan**

For the purposes of this policy, a loan is defined as a movement of funds between institutions or between funds within an institution with a definite plan to repay the money within a specified period of time. The following provides additional clarification:

- Transfers among funds within an institution that will be repaid within 30 days are not considered loans unless the recipient fund received such transfers in successive months.
- Temporary cash advances (or negative cash balances within a fund) necessary for short-term cash flow purposes that are cleared prior to the close of a fiscal period (month) are not considered loans.
- A negative cash balance within a fund at the close of a fiscal period is an "in-substance" loan and a formal loan should be documented and funded in accordance with this policy.
- It is recognized that institutions may have operating units that utilize multiple funds. In those cases, if the funds of the operating unit roll up (in the accounting system) to a higher level fund of the same operating unit, all of those funds operate out of the same Treasury bank account, and the combined cash balances of those funds is positive, the provisions of this policy will not apply.
- Negative balances within funds established to account for cost-reimbursable grants (grants that require expenditure of funds in advance of the receipt of grant funds) will not be considered loans for the purposes of this policy.

#### **Trust-type Fund**

For purposes of this policy, a *trust-type fund* includes the following funds:

- Fund Type (FT) 30 - Restricted Funds
- FT 40 - Loan Funds
- FT 60 - Endowment Funds
- FT 80 - Unexpended Plant Funds
- FT 82 - Renewal and Replacement Funds
- FT 84 - Retirement of Debt Funds
- FT 86 - Investment in Plant Funds
- FT 90 - Agency Funds

### .160 RESPONSIBILITIES



## A. CHANCELLOR'S OFFICE

The Vice Chancellor for Finance and Administration or designee shall have oversight responsibility for this policy.

## B. INSTITUTION

Each university Vice President for Finance and Administration or designee shall have oversight responsibility for institutional provisions set forth in this policy.

## .170 POLICY PROVISIONS

### A. General

It is the policy of OUS that any movement of funds between institutions or between funds that meets the definition of a loan (defined herein) be accomplished by the use of a formal loan agreement, which shall be governed by the provisions herein. Inter-institutional and inter-fund borrowing should be considered only after all other sources of funds have been considered and when the loan is required to meet a pressing need or to take advantage of a special opportunity.

### B. Terms

Inter-institutional and inter-fund loans will be repaid over a specific period, generally not to exceed 5 years. Institutions must consult with the Chancellor's Budget Office when considering loans from or to legislative budget categories, including Education and General Limited, and Other Funds Limited. The approval of the Chancellor is required for loans to and from Capital Projects under expenditure limitation. Each loan agreement should be accompanied by a debt service schedule, which shows fiscal year payments for the loan and all other outstanding loans, including bonded debt (if any). This schedule must indicate a source of revenue that is of sufficient certainty to reasonably assure repayment over time and that the source of repayment is forecasted to generate sufficient revenue to cover the debt service payments as scheduled.

### C. Loan Agreement

A written agreement detailing the terms of the loan is required for each loan between institutions or between funds or fund types. A copy of each loan agreement is to be provided to the Controller's Division within 30 days of the transfer of funds. See [Appendix .710](#) for a loan agreement template.

### D. Approval Authority

For inter-fund loans within a particular OUS institution, the approval of the institution's Vice President for Finance and Administration is required. For loans between OUS institutions, the approval of each institution's president and the Chancellor or Vice Chancellor for Finance and Administration is required. Loans of Chancellor's Office resources in amounts exceeding the expenditure authority of the Chancellor require the additional approvals delineated in applicable Board policy. All inter-institutional loans will be reported to the Board.

### E. Interest

Unless prohibited by federal or state law, rule, or policy, interest must be assessed on all loans as defined herein. Interest will be assessed monthly at the rate of two (2) percentage points above the rate paid by the Oregon Short Term Fund (OSTF) during the term of the loan. OSTF interest rates are found on the Office of State Treasurer website at:

[www.ost.state.or.us/About/OSTF/RateChanges.asp](http://www.ost.state.or.us/About/OSTF/RateChanges.asp) [5]

### F. The interest rate is established at the time of the loan agreement and is not required to change



during the term of the loan. Exceptions to this provision may be granted by the Vice Chancellor for Finance and Administration or the OUS Controller. Any such exceptions must be documented in writing and retained.

**G. Loans of Cash in "Trust Type" Funds**

Generally, cash in "trust-type" funds may not be loaned. Exceptions to this provision may be granted by the Controller, subject to all applicable laws, rules, regulations, and guidelines.

**H. Accounting**

Loans will be accounted for consistently, in accordance with procedures established by the Chancellor's Office Controller's Division. See [Appendix .720](#) for accounting transactions related to inter-institutional and inter-fund loans.

**.690 CONTACT INFORMATION**

Direct questions about this policy to the following offices:

<b>Subject</b>	<b>Contact</b>
General questions from institutional personnel	Institution Office of Business Affairs
General questions from institutional central administration and Chancellor's Office personnel	Chancellor's Office Controller's Division

**.695 HISTORY**

07/07/05 - Approved. This policy supersedes FASOM 01.30 dated 03/84.

5/06/08 - Updated

*Policy Last Updated: 05/06/08*

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**APPENDIX****.710 LOAN AGREEMENT TEMPLATE**

The following format is suggested for loan agreements:

**OREGON STATE BOARD OF HIGHER EDUCATION**

Inter-Institutional/Inter-Fund Loan Agreement

Whereas there is a temporary need for funds in **(operation or activity name and fund name)** of **(institution name)** for the purpose of **(reason for loan)**, and

Whereas there are excess funds temporarily available in **(operation or activity name and fund name)** of **(institution name)**;

Therefore, a loan of \_\_\_\_\_ dollars (\$\_\_\_\_) is hereby authorized and approved. Interest on these funds will be at the annual rate of XX%. The loan is to be repaid in accordance with the following terms:



## .720 LOAN ACCOUNTING

### A. Inter-Institutional Loan

The following transactions are recorded when the loan is made (\$100 used in the example):

1. **Lender** - Establish a receivable for the amount loaned in the source fund. The accounting system will automatically credit the appropriate cash account.  
**Borrower** - Record the liability in a payable account in the recipient fund. The accounting system will automatically debit the appropriate cash account.

The following transactions are recorded when a loan repayment is made (\$50 used in the example):

2. **Lender** - Reverse the receivable transactions recorded in (1) by the repayment amount. The accounting system will automatically debit the appropriate cash account.  
**Borrower** - Liability transaction recorded in (1) by the repayment amount. The accounting system will automatically credit the appropriate cash account.
3. **Lender** - Record interest income. The accounting system will automatically debit the appropriate cash account.  
**Borrower** - Record interest expense. The accounting system will automatically credit the appropriate cash account.

#### **Lending Institution**

Cash On-Hand - Inter-Fund (A0901)			
(2)	55	(1)	100
Due from Other OUS Entities (A7XXX)			
(1)	100	(2)	50
Interest Income Investments (05132)			
		(3)	5
<b>Borrowing Institution</b>			



## Cash On-Hand - Inter-Fund (A0901)

(1)	100	(2)	55
-----	-----	-----	----

## Due to Other OUS Entities (B7XXX)

(2)	50	(1)	100
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## Interest Expense (28810)

(3)	5		
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## A. Intra-Institutional Loan

The same series of transactions is made as for an inter-institutional loan. The only difference is that receivables and payables are recorded in A6XXX - Due from Other Funds and B6XXX - Due to Other Funds.

Note: This policy supersedes FASOM 01.30 dated 03/84.

*Appendix Last Updated: 05/06/08*

Posted Mon, 05/09/2011 - 4:42pm

**Source URL (retrieved on 04/29/2014 - 9:15am):**

<http://www.ous.edu/dept/cont-div/fpm/acco-05-271>

**Links:**

- [1] <http://landru.leg.state.or.us/ors/351.html>
- [2] [http://arcweb.sos.state.or.us/rules/OARS\\_500/OAR\\_580/580\\_tofc.html](http://arcweb.sos.state.or.us/rules/OARS_500/OAR_580/580_tofc.html)
- [3] <http://ous.edu/sites/default/files/about/polipro/files/IMD12-04.pdf>
- [4] <http://cpaclass.com/gaap/gaap-us-01a.htm>
- [5] <http://www.ost.state.or.us/About/OSTF/RateChanges.asp>

# Roles and Responsibilities - Debt Financing & Management

**Section: Debt Financing & Management**      **Number: 35.001**

**Title: Roles and Responsibilities - Debt  
Financing & Management**

## Index

### POLICY

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- [.130 APPROVAL AND EFFECTIVE DATE OF POLICY](#)
- [.140 KNOWLEDGE OF THIS POLICY](#)
- [.150 DEFINITIONS](#)
- [.160 HIGH LEVEL ROLES AND RESPONSIBILITIES](#)
- [.690 CONTACT INFORMATION](#)
- [.695 HISTORY](#)

### APPENDIX

- None.

- 
- POLICY

#### **.100 POLICY STATEMENT**

The policy sets forth high-level Debt Financing and Management roles and responsibilities for the Chancellor's Office and the Institutions.

#### **.110 POLICY RATIONALE**

OUS seeks to ensure that the high-level roles and responsibilities of the Chancellor's Office and the Institutions related to Debt Financing and Management are documented, communicated, and clearly understood and applied.

#### **.120 AUTHORITY**

- Oregon Constitution Article XI-F(1) - Higher Education Building Projects
- Oregon Constitution Article XI-G - Higher Education Institutions and Activities; Community Colleges
  - [ORS 351.085 - Duties and Powers of Chancellor](#) [1]
  - [ORS 351.140 - Board Power to Purchase Real Property](#) [1]
  - [OAR 580-040-0005 - Delegation and Assignment of Responsibility](#) [2]
  - [IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility](#) [3]



- [IMD 6.002 - Finance and Business Affairs Accounting Policies - Institutional Responsibility \[3\]](#)

## .130 APPROVAL AND EFFECTIVE DATE OF POLICY

Approved by the Budget and Finance Committee of the Board on 2/15/02 as part of the Fiscal Accountability Framework Final Report. The effective date of the policy is 3/1/02.

## .140 KNOWLEDGE OF THIS POLICY

All Chancellor's Office and institutional personnel with debt financing and management and related responsibilities should be knowledgeable of this policy.

## .150 DEFINITIONS

None.

## .160 HIGH LEVEL ROLES AND RESPONSIBILITIES

### A. CHANCELLOR'S OFFICE

#### High level roles

#### Debt Approval Process

Establishing Long-term Plan and Approving Bonds

Emergency Board Requests

Requests from the Approved Legislative Plan

#### Debt Service Payment Process

Fund Management

Fund Monitoring and Reporting

#### Monitoring Funds to Ensure Proper Usage

Monitoring Funds

Project Approval

#### Submitting Arbitrage Earnings to IRS

Calculating and Dispersing Earnings

#### High level responsibilities

Provides guidance for project requests. Reviews and approves project requests. Submits project lists for bond limitation approval by the OUS Board, DAS, and the Legislature.  
Reviews and submits project requests for approval to the OUS Board and the E-Board.  
Reviews and approves requests for bond funds.  
Coordinates with Treasury to hold bond sale.  
Assigns plant fund and project number for project. Receives funds from bond sale.  
Allocates funds to institution as requested.  
Provides debt service schedules for projects.

Transfers funds at institution's request for debt and makes semi-annual payment of debt to Treasury for forwarding to Custodial Bank.  
Monitors annual activity of debt payment.  
Monitors project expenditure limitation.  
Submits state (tax certification, cash flows) and federal (arbitrage liability) reporting for Bond Counsel review.

Monitors allocation of bond funds to institutions. Monitors budget and limitation of projects. Works with institutions to resolve budget and limitation problems.

Approves bond allocation for small projects. If necessary, gets approval for additional funding and limitation/appropriation from OUS Board and Legislature/E-Board.

Records and distributes interest earnings.  
Performs arbitrage calculation. Charges institutions for arbitrage liability. Submits



## **Student Building Fee Funds**

Fund Management

Fund Planning

## **Certificates of Participation (COPs)**

Request for Funds

Fund Reimbursement

Debt Service Payment

reports and payments of arbitrage liability to the Bond Counsel and the IRS.

Collects student building fee from institutions. Pays debt service on building fee debt and unallocated proceeds.

Projects available funding from student building fee pool.

Requests that DAS include funds in COP Sale. Requests COP funds from DAS.

Requests reimbursement from DAS and Trustees and processes reimbursement to institutions.

Prepares debt payment schedule for institutions. Pays debt service amount to DAS.

## **B. INSTITUTION**

### **High level roles**

#### **Debt Approval Process**

Establishing Long-term Plan and Approving

Bonds

Emergency Board Requests

Requests from the Approved Legislative Plan

### **High level responsibilities**

Submits prioritized project requests to the Chancellor's Office.

Requests project approvals. Institution also prepares a due diligence study of each project. Submits request for bond funds. Requests that the plant funds and project be established.

#### **Debt Service Payment Process**

Fund Management

Fund Monitoring and Reporting

#### **Monitoring Funds to Ensure Proper Usage**

Fund Management

Requests debt payment transfers.

Monitors project expenditure limitations.

Performs accounting functions for projects.

Works with Chancellor's Office to resolve budget and limitation problems.

Approves charges for arbitrage liability.

#### **Submitting Arbitrage Earnings to IRS**

Arbitrage Earnings Payment

#### **Student Building Fee Funds**

Fund Management

Fund Planning

Collects student building fee from students.

Student Government/President of the University/Administrative Council prioritizes projects to be funded with student building fees.

#### **Certificates of Participation (COPs)**

Request for Funds

Fund Reimbursement

Debt Service Payment

Requests COP Funds through Chancellor's Office.

Records expenditures and requests reimbursement from COP Funds.

Pays debt service to Chancellor's Office.

## **.690 CONTACT INFORMATION**

Direct questions about this policy to the following offices:

### **Subject**

General questions from institutional personnel

General questions from institutional central

administration and Chancellor's Office personnel

### **Contact**

Institution Office of Business Affairs

Chancellor's Office Controller's Division



### .695 HISTORY

10/15/03 - Reformatted  
2/15/02 - Approved

*Policy Last Updated: 10/15/03*

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### APPENDIX

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None.

*Appendix Last Updated: 10/15/03*

Posted Wed, 01/12/2011 - 1:00pm

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<http://www.ous.edu/dept/cont-div/fpm/debt-35-001>

**Links:**

- [1] <http://landru.leg.state.or.us/ors/351.html>
- [2] [http://arcweb.sos.state.or.us/rules/OARS\\_500/OAR\\_580/580\\_tofc.html](http://arcweb.sos.state.or.us/rules/OARS_500/OAR_580/580_tofc.html)
- [3] <http://www.ous.edu/sites/default/files/about/polipro/files/IMD12-04.pdf>

# **Roles and Responsibilities - Endowment Management**

**Section: Endowment Management                          Number: 45.001**

**Title: Roles and Responsibilities - Endowment Management**

## **Index**

### **POLICY**

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- [.120 AUTHORITY](#)
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- [.140 KNOWLEDGE OF THIS POLICY](#)
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- [.160 HIGH LEVEL ROLES AND RESPONSIBILITIES](#)
- [.690 CONTACT INFORMATION](#)
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### **APPENDIX**

- None.

- 
- POLICY

#### **.100 POLICY STATEMENT**

The policy sets forth high-level Endowment Management roles and responsibilities for the Chancellor's Office and the Institutions.

#### **.110 POLICY RATIONALE**

OUS seeks to ensure that the high-level roles and responsibilities of the Chancellor's Office and the Institutions related to Endowment Management are documented, communicated, and clearly understood and applied.

#### **.120 AUTHORITY**

- [ORS 351.085 - Duties and Powers of Chancellor](#) [1]
- [OAR 580-040-0005 - Delegation and Assignment of Responsibility](#) [2]
- [IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility](#) [3]
- [IMD 6.002 - Finance and Business Affairs Accounting Policies - Institutional Responsibility](#) [3]

#### **.130 APPROVAL AND EFFECTIVE DATE OF POLICY**

Approved by the Budget and Finance Committee of the Board on 2/15/02 as part of the Fiscal Accountability Framework Final Report. The effective date of the policy is 3/1/02.

#### **.140 KNOWLEDGE OF THIS POLICY**



## Roles and Responsibilities - Endowment Management

Published on OUS (<http://www.ous.edu>)

All Chancellor's Office and institutional personnel with endowment management and related responsibilities should be knowledgeable of this policy.

### .150 DEFINITIONS

None.

### .160 HIGH LEVEL ROLES AND RESPONSIBILITIES

#### A. CHANCELLOR'S OFFICE

High level roles	High level responsibilities
Investment Strategy	Works with external consultants to develop an investment strategy. Presents this strategy to the Investment Committee of the Board and to the Oregon Investment Council for approval.
Investment Reporting	Prepares investment reports to the Board and the Oregon Investment Council and institutions.
Managing Endowments	Receives and pools both endowments and interest on endowments centrally. Establishes and manages endowments as directed by the donors.
Distribution of Endowment Earnings	Responsible for the calculation and distribution of endowment earnings on a monthly basis.

### .690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

Subject	Contact
General questions from institutional personnel	Institution Office of Business Affairs
General questions from institutional central administration and Chancellor's Office personnel	Chancellor's Office Controller's Division

### .695 HISTORY

10/15/03 - Reformatted

2/15/02 - Approved

*Policy Last Updated: 10/15/03*

### APPENDIX

None.

*Appendix Last Updated: 10/15/03*

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<http://www.ous.edu/dept/cont-div/fpm/endo-45-001>

### Links:

- [1] <http://landru.leg.state.or.us/ors/351.html>
- [2] [http://arcweb.sos.state.or.us/rules/OARS\\_500/OAR\\_580/580\\_tofc.html](http://arcweb.sos.state.or.us/rules/OARS_500/OAR_580/580_tofc.html)
- [3] <http://www.ous.edu/sites/default/files/about/polipro/files/IMD12-04.pdf>



## **Roles and Responsibilities - Endowment Management**

Published on OUS (<http://www.ous.edu>)

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# **Roles and Responsibilities - Treasury Management**

**Section: Treasury Management****Number:****Title: Roles and Responsibilities - Treasury Management****105.001**

## **Index**

### **POLICY**

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- [.690 CONTACT INFORMATION](#)
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### **APPENDIX**

- None.

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#### **POLICY**

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##### **.100 POLICY STATEMENT**

The policy sets forth high-level Treasury Management roles and responsibilities for the Chancellor's Office and the Institutions.

##### **.110 POLICY RATIONALE**

OUS seeks to ensure that the high-level roles and responsibilities of the Chancellor's Office and the Institutions related to Treasury Management are documented, communicated, and clearly understood and applied.

##### **.120 AUTHORITY**

- [ORS 351.085 - Duties and Powers of Chancellor](#) [1]
- [QAR 580-040-0005 - Delegation and Assignment of Responsibility](#) [2]
- [IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility](#) [3]
- [IMD 6.002 - Finance and Business Affairs Accounting Policies - Institutional Responsibility](#) [3]

##### **.130 APPROVAL AND EFFECTIVE DATE OF POLICY**

Approved by the Budget and Finance Committee of the Board on 2/15/02 as part of the Fiscal Accountability Framework Final Report. The effective date of the policy is 3/1/02.



## .140 KNOWLEDGE OF THIS POLICY

All Chancellor's Office and institutional personnel with treasury management and related responsibilities should be knowledgeable of this policy.

## .150 DEFINITIONS

None.

## .160 HIGH LEVEL ROLES AND RESPONSIBILITIES

### A. CHANCELLOR'S OFFICE

#### **High level roles**

#### **Operating and Suspense**

Reimbursement and Reconciliation of Funds

State Appropriations

Wire Transfers and ACH

#### **Bond Building Fund**

Fund Management

Fund Management

Fund Management

Interest Management

#### **Student Activity Fees**

Fund Management

Spending Funds

Prioritizing Fund Usage

#### **High level responsibilities**

For all campuses not given delegated authority, reimburses suspense accounts once per month for each institution and performs central reconciliation of all bank accounts except the revolving fund for OSU. For UO and PSU: These functions have been delegated from the Controller to the institutions.

Receives all state appropriations into the CO suspense accounts. Budget Office directs Controller's Division on Distribution of appropriations to institutions.

For all campuses not given delegated authority, sends all wire transfers and the majority of ACH. For UO and PSU: These functions have been delegated from the Controller to the institutions.

Receives bonds centrally and distributes proceeds to institutions.

#### **Sinking Fund**

Monitor sinking fund balances and requirements. Transfers funds to Oregon State Treasury to pay debt service.

#### **Building and Equipment Repair**

Reimburses institution suspense accounts. Invests Building and Equipment Repair Funds from the institutions. Monitors for appropriate use of funds for buildings.

Receives interest from Building and Equipment Repair Funds. Performs interest distributions from these funds to the institutions.

For all campuses not given delegated authority, disburses interest earnings once a month to institutions. For UO and PSU: This function has been delegated from the Controller to the institutions.

#### **Student Building Fee Funds**

Coordinates how funds are spent. Uses Student Building Fee Funds to pay debt service on unallocated bonds and construction related to student buildings.

Transfers funds to the Chancellor's Office at the end of each fiscal year. Makes financial projections to



### **Special Project Funds**

Fund Management

determine available funds.

### **Lottery Funds**

Fund Acquisition

Fund Distribution

Creates a bank account for each special project. Reimburses suspense accounts from special project funds to reflect the use of these funds.

## **B. INSTITUTION**

### **High level roles**

#### **Operating and Suspense**

Collection and Deposit of Cash

Fund Management

Reimbursement and Reconciliation of Funds

Recording Transactions

Wire Transfers and ACH

#### **Bond Building Fund**

Fund Acquisition

Fund Transfer

Reserve Management

Fund Management

#### **Student Activity Fees**

Fund Management

### **High level responsibilities**

Receives cash through cashiering officers and deposits cash into separate suspense bank accounts at the state treasury. Cash is deposited either directly or through off-site lock boxes.

Manages own operating accounts and reporting.

Has the authority to cut checks and pay bills.

For UO and PSU: Reimburses suspense accounts once per month and performs reconciliation of all institutional bank accounts as delegated by the Controller. For all other campuses: These functions are completed by the Chancellor's Office.

Records the journal entries for all transactions.

Responsible for entering data correctly into the system.

UO and PSU: Performs wire and ACH functions as delegated by the Controller. For all other campuses: Performs some electronic wire and ACH functions.

Makes requests to the facilities division of the Chancellor's Office.

#### **Sinking Fund**

Requests CO to transfer money from institutional operating funds to sinking fund.

#### **Building and Equipment Repair**

Responsible for calculating and setting aside reserves for System-wide compliance.

Spends funds and makes the appropriate journal entries. Maintains cash and reserve funds at the campus level. Monitors for appropriate use of funds for buildings.

All campuses: Collects Student Activity fees from students. Responsible for keeping a positive balance in the Student Activity Fee accounts. Covers deficits by borrowing from other funds. UO



Fund Collection

Prioritizing Fund Usage

### Special Project Funds

Fund Acquisitions

Fund Management

### Student Loan Fund

Fund Acquisition

Fund Management

Determining Fund Usage

and PSU: Distributes interest earnings once a month.

### Student Building Fee Funds

Collects Student Building Fee from students at each institution for each term.

Recommends and prioritizes which projects should be funded.

Responsible for acquiring special project funding. Deposits funds at Treasury and spends funds from the suspense account.

Receives funds from the federal and state government, donors, and repayments from borrowers.

Manages cash flow and balances. Loans money to students. Makes new loans to students from prior loan repayments.

### Lottery Funds

Awards Scholarships

## .690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

#### Subject

General questions from institutional personnel

General questions from institutional central administration and Chancellor's Office personnel

#### Contact

Institution Office of Business Affairs

Chancellor's Office Controller's Division

## .695 HISTORY

12/07/04 - Updated

10/15/03 - Reformatted

2/15/02 - Approved

*Policy Last Updated: 12/08/04*

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## APPENDIX

None.

*Appendix Last Updated: N/A*

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#### Source URL (retrieved on 04/29/2014 - 9:19am):

<http://www.ous.edu/dept/cont-div/fpm/trea-105-001>

#### Links:

[1] <http://landru.leg.state.or.us/ors/351.html>

[2] [http://arcweb.sos.state.or.us/pages/rules/oars\\_500/oar\\_580/580\\_tofc.html#023](http://arcweb.sos.state.or.us/pages/rules/oars_500/oar_580/580_tofc.html#023)



## **Roles and Responsibilities - Treasury Management**

Published on OUS (<http://www.ous.edu>)

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[3] <http://ous.edu/sites/default/files/about/polipro/files/IMD12-04.pdf>



# Treasury Management Operations

**Section: Treasury Management**

**Title: Treasury Management Operations**

**Number: 105.100**

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### POLICY

#### **.100 POLICY STATEMENT**

Cash management services are the responsibility of the Oregon State Treasury's Finance Division, Cash Management Section. The Treasury maintains accounts for OUS in which each institution's cash balances are held. Each institution deposits and disburses funds through these Treasury accounts. The Treasury contracts with banks to provide institutions a method to deposit money into their accounts at Treasury. The Treasury's Cash Management Manual provides the policies that all state agencies, including OUS, must follow in managing our cash transactions and balances.

The OUS cash management operations policy and related procedures provide additional detail on the types of accounts that the Chancellor's Office and institutions use at the Treasury to process cash transactions. This policy details the functions that must be completed to ensure maintenance of reconciled balances between OUS Banner instances and the Treasury. In addition, it defines the responsibilities of both the Chancellor's Office and institutions in performance of duties related to cash management.

#### **.110 POLICY RATIONALE**

Within the Oregon University System, responsibilities for cash management exist at both the Chancellor's Office and the institutions. This policy is intended to define distinctions between functional



responsibilities for both the Chancellor's Office and institutions. In particular, as a result of the Fiscal Accountability Framework (FAF) project review of Treasury Management, some institutions may now perform functions previously completed by the Chancellor's Office. Therefore, differentiation of functions between institutions performing their own cash reconciliations and those for whom centralized reconciliations are completed must be defined.

An additional outcome of the FAF project was the assignment of responsibility for maintenance of positive fund cash balances to the Vice Presidents for Finance and Administration at each institution, with the understanding that they may further delegate this responsibility as necessary. This policy formalizes that assignment of responsibility as part of the broader definition of duties related to cash management.

This policy and related procedures also document the various accounts that the institutions may utilize for processing cash transactions. These include suspense checking accounts as well as other Treasury bank accounts, revolving fund accounts, and petty cash funds.

## **.120 AUTHORITY**

The basis for this policy is provided in the following:

- ORS 293.875 State Treasurer as state cash management officer
- ORS 351.540 Board Checking Account
- OAR 580-040-0005(8) Vice Chancellor for Finance & Administration signs claims, payrolls, and checks
- IMD 6.004 Accounting policies for cash funds
- IMD 6.005 Cash receipts deposited promptly
- IMD 6.006 Working funds (revolving and petty cash) for department activities
- IMD 6.008 Disbursements only for lawful purposes in accordance with Board policy

## **.130 APPROVAL AND EFFECTIVE DATE OF POLICY**

Approved by the Senior Vice Chancellor for Finance & Administration on January 20, 2005, with an effective date of January 24, 2005. This policy supersedes FASOM Section 13.07: Purchasing -- Cash Management.

## **.140 KNOWLEDGE OF THIS POLICY**

All Chancellor's Office and institutional personnel with fiscal responsibilities in the area of treasury management should be knowledgeable about this policy and related procedures.

## **.150 DEFINITIONS**

A glossary of terms related to cash management is available in the Oregon State Treasury's Cash Management Manual. The manual can be accessed on the web at:  
<http://www.ost.state.or.us/Services/CashMgmt/Manual.asp> [1]

## **.160 RESPONSIBILITIES**

The Senior Vice Chancellor for Finance and Administration is responsible for System fiscal policy, including the Treasury Management Operations policy.

Functional responsibilities of institutions and the Controller's Division in the area of treasury management operations are detailed under Policy section [.170\[2\]](#) Suspense Checking Accounts Responsibilities.



## **.170 TREASURY SUSPENSE CHECKING ACCOUNTS**

### **[1] Suspense Checking Accounts Overview**

OUS maintains separate suspense checking and payroll accounts at the State Treasurer's Office for each institution. Suspense accounts are the primary checking and clearing account for each university. Each institution is authorized to issue checks on its suspense and payroll accounts. If a situation arises that requires a separate revolving fund checking account, an institution may still establish such an account. (See Policy section [.180](#))

### **[2] Suspense Checking Accounts Responsibilities**

#### **The Controller's Division will be responsible for the following functions:**

- Reconcile all Treasury bank accounts. This function may be delegated from the Controller to the institutions.
- Analyze monthly Banner expenditures by bank code (e.g., bond building fund, student activities fund and donation fund) and reimburse suspense checking accounts. This function may be delegated from the Controller to the institutions.
- Coordinate electronic funds transfers and automated clearinghouse transfers with the State Treasurer. This function may be delegated from the Controller to the institutions.
- Reconcile cash impact of inter-institutional transactions and transfer cash between institution suspense checking accounts accordingly.
- Act as liaison with the State Treasurer's Office for responsibilities not delegated to the institutions.
- Authorize institution personnel to disburse funds from the Oregon State Treasury.
- Create a process to produce cash modification reports (FWRSBCD and FWRCAAD) at the Controller's Division and create a file of any unposted inter-institutional journal vouchers each week from the institution FIS database.

#### **Institutions will be responsible for the following functions:**

- Maintaining positive cash balances in all funds at all times. Balances shall be monitored both within Banner and at the Treasury. Ultimate responsibility for maintenance of positive cash balances is assigned to the Vice President for Finance and Administration at each institution. This responsibility may be further delegated within each institution by the Vice President for Finance and Administration if formalized within institutional policy.

#### **General Policy Statement:**

In general, all funds should maintain positive cash balances at all times.

#### **Exceptions:**

##### Cost Reimbursable Grant Funds

By their nature, funds established to account for cost-reimbursable grants require expenditure of funds in advance of the receipt of grant funds. If an institution does not record inter-fund loans to recognize the substance of the negative balances in funds accounting for cost reimbursable grants, positive balances within the Education and General funds must be offset with the negative balances of cost-reimbursable grant funds to properly measure compliance with this policy. In that case, funds within the Education and General funds group operating out of the same Treasury bank account must maintain sufficient cash balances to offset negative balances within cost reimbursable grant funds.



### Operating Units with Multiple Funds

It is recognized that institutions may have units that operate out of multiple funds. In those cases, if the funds of the operating unit roll up to a single fund in the accounting system and those funds all operate out of the same Treasury bank account, the control point for purposes of measuring the positive balance mandate would be the roll-up fund. Individual funds within those units may be negative but the total of the roll-up fund must be positive at all times.

- Maintaining appropriate internal controls over delegated treasury operations.
- Maintaining adequate security over check stock and facsimile software.
- Controlling the internal check-writing process.
- Replacing lost or forged checks.
- Providing the Controller's Division with timely data needed to perform its functions.
- Encoding Banner fund code records with correct bank codes (coordinate with the Controller's Division as needed).
- Processing inter-institutional transactions accurately and timely, and ensuring that inter-institutional transaction totals remain unchanged.
- Reviewing Bank Interfund Account Control (FGRCASH) and GL Subsidiary Ledger Control (FGRCTRL) reports for out-of-balance conditions daily.
- Additional responsibilities are assigned to institutions performing their own Treasury reconciliations and reimbursements:
  - Reconcile all institution-specific Treasury bank accounts in a timely manner. Recommended timeframe is within 15 days of the close of each fiscal period.
  - Analyze monthly Banner expenditures by bank code (e.g., bond building fund, student activities fund and donation fund) and reimburse suspense checking accounts.
  - Determine that assignment of responsibilities for Treasury reconciliations and reimbursements meet standards of internal control, which includes segregation of duties. Assignment of responsibilities will be reviewed by the OUS Internal Audit Division.
  - Perform certain liaison functions with the State Treasurer's Office:
    - Timely interaction with Treasury regarding potentially fraudulent or counterfeit checks and check encoding errors, based on daily monitoring of Treasury check data. In the event that a counterfeit check is discovered, Treasury must be notified within one business day. Forged checks must be reported within 18 months and altered checks must be reported within six months.
    - Interact with Treasury regarding Wires and incoming ACH.
    - Utilize the State Treasurer's approved method to process monthly expense reimbursements. Current method for processing is through the State Treasury ACH Network (STAN).
    - Coordinate with Treasury the receipt of electronic check and deposit data.
    - Prepare bank account requests and signature authorization forms for submission to Treasury. Note that these forms will still be routed to the Controller for approval and signature prior to submission to the Treasury.
  - Certify to the Controller that monthly reconciliation and reimbursement functions have been completed. (See Procedures section [710](#))
  - Utilize the principles, standards and related requirements for cash management prescribed by the State Treasurer. These requirements can be found in the Oregon State Treasury Cash Management Manual. The manual can be accessed on the web at: <http://www.ost.state.or.us/Service/CashMgmt/Manual.asp> [2].

## **.180 TREASURY REVOLVING FUND CHECKING ACCOUNTS**

### **[1] Revolving Fund Checking Accounts Overview**

Under rare circumstances and when necessary for efficiency, an institution may be authorized to

establish revolving fund checking accounts. Such accounts are operated on an imprest basis, which means that the exact amount of fund expenditures is replaced periodically.

## **[2] Revolving Fund Checking Accounts Approval**

Establishment of revolving fund checking accounts must be authorized by the Controller's Division and approved by the State Treasurer.

## **[3] Revolving Fund Checking Accounts Operations**

Revolving fund checking accounts must not be operated at negative bank balances. To meet this requirement, procedures defined in the Procedures section .100 must be followed.

## **.190 PETTY CASH FUNDS**

Petty cash funds may be established by each institution's Business Affairs office to fund minor departmental expenditures for which a procurement card or other purchasing procedures cannot practically be used. These funds are operated on an imprest basis, which means that the exact amount of fund expenditures is replaced periodically. At all times, the total of receipts plus cash on hand must equal the total of the petty cash fund. Institutions are responsible for establishing appropriate internal controls and for safeguarding the petty cash funds.

Petty cash funds must be recorded on the institution's balance sheet. Petty cash fund transactions must be entered in institution accounting records on a timely basis. As petty cash funds are reimbursed, the expenditures are recorded in the accounting records.

## **.200 FORM**

The Treasury Reconciliation and Reimbursement Certification Form (PDF format) is used for the monthly Certification of Treasury Reconciliation and Reimbursement process. (See Procedures, section [.710](#))

## **.690 CONTACT INFORMATION**

Direct questions about this policy to the following offices:

<b>Subject</b>	<b>Contact</b>
General questions from institutional personnel	Institution Office of Business Affairs
General questions from institutional central administration and Chancellor's Office personnel	Chancellor's Office Controller's Division

## **.695 HISTORY**

01/20/05 - Approved. This policy supersedes FASOM Section 13.07: Purchasing -- Cash Management.

*Policy Last Updated: 01/24/05*

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## **APPENDIX**

[.700 REVOLVING FUND CHECKING ACCOUNTS PROCEDURES](#)

[.710 CERTIFICATION OF TREASURY RECONCILIATION AND REIMBURSEMENT PROCEDURES](#)

[.800 FORM](#)

The following treasury management operations procedures are not a part of the treasury management operations policy. They may be modified by the Controller without re-approval of the policy by the Senior Vice Chancellor for Finance and Administration.

**.700 REVOLVING FUND CHECKING ACCOUNTS PROCEDURES**

As stated in the Policy section .180[3], revolving fund checking accounts must not be operated at negative bank balances. To meet this requirement, the following operational procedure must be followed:

- Enter revolving fund accounting transactions in institution accounting records on a timely basis.
- Reimburse the revolving fund checking account for any expenditures by generating a suspense check within FIS to the revolving fund. Institutions must deposit such suspense checks to revolving fund bank accounts immediately. These reimbursements are the only deposits made to revolving fund checking accounts.
- As an alternative to the above procedure, institutions may determine an initial amount to deposit in the revolving fund checking account; these funds come from the institution's suspense account. The revolving fund bank account is reimbursed periodically as in the above paragraph.

**.710 CERTIFICATION OF TREASURY RECONCILIATION AND REIMBURSEMENT PROCEDURES****[1] Summary**

This procedure defines the requirement for certification of certain distributed Treasury reconciliation and reimbursement processes.

**[2] Scope**

This procedure applies to institutions that have been given delegated responsibilities for Treasury reconciliation and reimbursement.

**[3] Purpose**

The purpose of this procedure is to encourage efficiency and promote good internal control.

**[4] Certification of Certain Distributed Processes**

Each month, the institutional Director of Business Affairs, or designee, will certify that certain distributed reconciliation and reimbursement processes have been successfully completed. The processes covered by this certification will be established by the Controller. This certification will be submitted to the Controller within two weeks of the close of each period.

- [Treasury Reconciliation and Reimbursement Certification Form \(PDF format\) \[3\]](#)

**[5] Designation**

The institutional Director of Business Affairs will designate an institutional employee responsible for reconciliation and reimbursement of Treasury accounts. The institution must determine that assignment of responsibilities for Treasury reconciliations and reimbursements meet standards of internal control. Assignment of responsibilities will be reviewed by the OUS Internal Audit Division. This designation will be communicated in writing to the Controller. Also, a substitute will be designated to serve in that employee's temporary absence.

**[6] Exceptions**

A legitimate business need may be identified which would not strictly conform to these guidelines. If



that occurs, an exception may be requested. The Controller will evaluate the request and may grant an exception.

## .800 FORM

[Treasury Reconciliation and Reimbursement Certification Form \(PDF format\) \[3\]](#)

*Appendix Last Updated: 01/24/05*

Posted Thu, 01/13/2011 - 12:05pm

**Source URL (retrieved on 04/29/2014 - 9:20am):**

<http://www.ous.edu/dept/cont-div/fpm/trea-105-100>

### Links:

- [1] <http://www.ost.state.or.us/Services/CashMgmt/Manual.asp>
- [2] <http://www.ost.state.or.us/Service/CashMgmt/Manual.asp>
- [3] [http://www.ous.edu/..//forms/treas\\_rec\\_reimb\\_cert.pdf](http://www.ous.edu/..//forms/treas_rec_reimb_cert.pdf)

## **OUS IMD – Accounting Policies**

6.004

### **Cash Funds**

All funds made available to the Department or any of its units, whatever their source, shall be entered in the accounting records and disbursed in accordance with procedures established by the Vice Chancellor for Finance and Administration. Gifts to an institution should be deposited in the State Treasury unless the donor intended the gift to be made to an affiliated organization.

**OUS IMD - Investment Management**

(Amended by the Oregon State Board of Higher Education, Meeting #708, July 19, 2002, pp. 74-75)

6.105        **Assignment of Responsibility**

- (1) Except for arrangements pursuant to Section 6.140(5), the Vice Chancellor for Finance and Administration is authorized to purchase, sell, or exchange securities for the Board. Prior approval of the Board President or the Chairman of the Investment Committee is required for any transaction undertaken by the Vice Chancellor for Finance and Administration involving amounts in excess of \$100,000, except that approval is not required for transactions necessary to maintain the asset allocation of the Pooled Endowment Fund within the ranges established within Board policy, purchases of securities of the United States, its agencies, or Certificates of Deposit of Oregon banks.
- (2) The Vice Chancellor for Finance and Administration may transfer, endorse, sell, assign, set over, and deliver stocks, bonds, debentures, notes, evidences of indebtedness, or other securities standing in the name of or owned by the Board, and may make, execute, and deliver any instruments necessary to effectuate such authority.
- (3) The Vice Chancellor for Finance and Administration may designate staff members to act on specifically identified transactions or limited responsibilities referred to above.

**OUS IMD - Investment Management**

(Amended by the Oregon State Board of Higher Education, Meeting #708, July 19, 2002, pp. 74-75)

6.110        **Voting Stock Ownership**

- (1) Except as otherwise provided by law, by direction of the Board or the Investment Committee, the Vice Chancellor for Finance and Administration is authorized to vote stock ownership in accordance with the recommendations of corporate management. In the absence of such recommendation, or if deemed prudent to deviate from management recommendations, the Vice Chancellor for Finance and Administration shall consult with the Board President or the Chairman of the Investment Committee before voting the affected stocks.
- (2) The Vice Chancellor for Finance and Administration may seek the assistance and counsel of such persons as deemed advisable.

## **OUS IMD - Investment Management**

(Amended by the Oregon State Board of Higher Education, Meeting #708, July 19, 2002, pp. 74-75)

### **6.115        Custody of Board Securities**

- (1) Custody of the Board's securities is placed with the Vice Chancellor for Finance and Administration or a designee, and authority is granted to make arrangements for their safekeeping.
- (2) The Vice Chancellor for Finance and Administration or a designee is authorized and empowered to obtain, deposit, and release securities from banks to protect funds for the Department.

**OUS IMD - Investment Management**

(Amended by the Oregon State Board of Higher Education, Meeting #708, July 19, 2002, pp. 74-75)

6.125        **Delegation of Investment Authority**

Subject to such conditions as may be imposed, and compatible with statutes and Administrative Rules, the Vice Chancellor for Finance and Administration may delegate to the Controller responsibility for assuring effective investments of the Higher Education Bond Building Fund, the Higher Education Bond Sinking Funds and the Current Donation Fund.

**OUS IMD - Investment Management**

(Amended by the Oregon State Board of Higher Education, Meeting #708, July 19, 2002, pp. 74-75)

6.130        **Reports on Investments**

- (1) The Vice Chancellor for Finance and Administration shall report to the Investment Committee of the Board not less than semi-annually on corporate stock investment status and transactions. The report shall, among other matters, provide information regarding the market and book values of the stocks, the current dividend rate, purchases and sales, and gains and losses.
- (2) The Vice Chancellor for Finance and Administration shall report to the Investment Committee of the Board at least annually on all investments of all funds, with such recommendations as are appropriate.

## **OUS IMD - Investment Management**

(Amended by the Oregon State Board of Higher Education, Meeting #708, July 19, 2002, pp. 74-75)

6.140        **Endowment Fund Investments**

- (1) Gifts designated by the donor as endowments will be pooled for investment purposes. The investment of these endowments will be governed by statute and by investment objectives and policy guidelines approved by the Board.
- (2) Dividend and interest income in excess of the amount needed to fund the annual participant requirements specified in 6.140(1) are placed in an endowment fund reserve account and reinvested. Securities may be sold to provide cash equivalent to the income needs; however, the book value of endowments may not be invaded.
- (3) Some gifts or bequests are subject to investment conditions stipulated by the donor that prevent the investment of moneys in security pools. The investment program for these gifts and bequests shall be as directed by the terms of the gift or will, and pursuant to statute and Board policy.
- (4) The Vice Chancellor for Finance and Administration is authorized to arrange through the Oregon Investment Council for the management of the investment of the Board's endowment funds.
- (5) Any individual donation or gift which equals or exceeds \$100,000 in total market value, regardless of the type of gift or the accounting periods in which it is received, shall be designated a quasi-endowment. The Vice Chancellor for Finance and Administration may authorize exceptions up to \$500,000. The Board may authorize exceptions in excess of \$500,000. Any quasi-endowment account balance that has a market value of less than \$100,000 may, at the discretion of the institution, and with prior approval of the Vice Chancellor for Finance and Administration, be transferred to the Current General Fund or the Current Restricted Fund. Any individual donation or gift of less than \$100,000 may be designated a quasi-endowment at the discretion of the institution.

**OUS IMD - Investment Management**

(Amended by the Oregon State Board of Higher Education, Meeting #708, July 19, 2002, pp. 74-75)

6.141        **Accounting**

The Vice Chancellor for Finance and Administration shall authorize the expenditure of moneys from the various quasi-endowment accounts pursuant to the Board-approved or authorized budget program for the current fiscal year, subject to the exercise of prudent judgment.

# Debt Policy for the University

Last Updated:

11/17/2010

Effective Date:

11/08/2010

## Responsible University Office And Contact Person

[Vice President for Finance and Administration](#)

[Laura Hubbard](#)

Policy Number:

06.00.10

Reason for Policy:

University debt capacity is a strategic resource that should be used to further the priorities of the university in serving its mission. This policy is intended to ensure that access to university debt is in keeping with the Academic Plan, is managed with attention to the university's overall financial health and viability, and is administered as an important component of an integrated treasury operations framework.

Definitions:

For purposes of this policy, the following definitions are utilized:

***Internal Bank Advisory Committee:*** Members of the Internal Bank Advisory Committee are appointed by the University of Oregon Vice President for Finance and Administration/CFO (chair) and Senior Vice President and Provost. Membership includes an associate vice president for budget and finance, the director of business affairs/controller, two academic deans, and one senior auxiliary representative.

***Interfund Loan*** refers to a movement of funds between major fund groups within the university with a definite plan to repay the money within a specified period of time. It is a specialized type of Internal Line of Credit.

***Internal Line of Credit*** refers to a financing agreement that grants access to project funding from one or more university departments to another. Such loans may or may not be between major fund groups.

***University Debt*** refers to any debt instrument secured from a third party entity, including the public financial market, the OUS Internal Bank, or any other public or private entity. Such instruments may include tax-exempt or taxable bonds, lease/purchase agreements, certificates of participation, commercial paper, interagency loans, and other financing instruments.

Policy Statement:

**Preamble:**

Policies regarding the use of university debt, debt capacity, internal loans, and lines of credit. This policy is owned by the Vice President for Finance and Administration / CFO.

### **Policy Statement:**

#### **Policy Framework and Authority**

- The university's Debt Policy functions within applicable federal, state, and Oregon University System (OUS) statutes, policies, regulations, and approval processes. These include but are not limited to:

OUS Internal Bank Policy

OUS Debt Policy

OUS Interest Rate Risk Management Policy

OUS Fiscal Policy Manual 35.001 and 35.200 (Debt Financing and Management)

OUS Fiscal Policy Manual 05.271 (Inter-institutional and Interfund Loans)

OUS Fiscal Policy Manual 05.780 (Accounting for Capital Projects)

#### **Principles / Objectives**

- The university's mission and its Academic Plan form the foundation for aligning resources with programmatic objectives.
- The university utilizes a variety of resources to accomplish its goals. The university seeks to integrate its operating, capital, and debt management processes in a way that achieves the best overall funding strategies to meet its current and future needs.
- The university views debt as part of an integrated treasury operations framework which utilizes asset/liability management strategies for the overall financial benefit of the institution.
- The university recognizes debt as a strategic resource - one that provides access to opportunities and one that also has limitations. As such, debt will be contemplated and utilized within an overall risk-management framework that keeps related considerations in mind:

Opportunity costs (what may not be accomplished if debt is not utilized);

Timing considerations, including tradeoffs between interest earnings and inflationary risks;

The university's existing and projected debt capacity;

Measures of the university's financial health, liquidity, and viability.

#### **Principles Regarding Issuance of University Debt**

- Debt for capital projects (including building leases) will be sought only for those projects approved through the university's capital and space processes.
- No debt repayment period shall exceed the useful life of the asset being financed.
- The benefiting unit (or debt-paying entity) will be responsible for debt repayment, including all associated financing costs and any bridge financing. A cash down payment may be required.

- Debt payments, and any discounts or penalties associated, are subject to the respective terms established by the OUS Internal Bank.

### **Principles Regarding Interfund Loans and Lines of Credit**

- Internal loans or lines of credit may be granted to units for strategic purposes consistent with the Academic Plan and divisional programmatic priorities.
- All agreements must be in writing.
- Early payment is encouraged and will be without penalty.

### **Key Financial Measures**

- Consistent with best practices, OUS policy, and university accountability to its governing board, the following financial measures will be regularly monitored as indicators of the university's overall financial health:

Primary Reserve Ratio: Unrestricted net assets / operating expenses

Current Ratio: Current assets / current liabilities

Debt Burden Ratio: Annual debt service (principal + interest) / total operating expenses.

- Per OUS Board policy, the guideline maximum Debt Burden Ratio for the university as a whole will be 7 percent.
- The Internal Bank Advisory Committee may request Debt Burden Ratio and Debt Coverage Ratio analysis for an individual debt-paying entity as part of its deliberations.

Debt Coverage Ratio: Net operating income / total debt service

- The Director of Business Affairs / Controller will regularly update and report on these financial metrics to inform decision-making. An analysis of these Key Financial Measures will be provided to the Internal Bank Advisory Committee as part of its deliberations. When appropriate, this analysis may include modeling future ratios.

### **Approval Processes**

- Requests for university debt, bridge financing for already-approved university debt, internal loans, and/or lines of credit must be submitted by the head of the accountable university responsibility unit (i.e., dean, vice president, or vice provost). Individual departments may not submit requests.
- Preliminary Approval Phase: Requests are first submitted as an abstract or proof of concept to the Senior Vice President and Provost (Provost) and Vice President for Finance and Administration (VPFA) for preliminary approval.
- Development Phase: Requests with preliminary approval are then submitted to the Associate Vice President for Budget and Finance (AVPBF) and should include the following:

A narrative description of the project to be financed;  
A narrative justification regarding the need for financing;  
A proposed business plan or pro forma that supports the financing requested, including sources of repayment.

The AVPBF will work with the requesting responsibility unit to refine the business plan based on available potential financing options.

- Review and Recommendation Phase: The refined request will then be reviewed by the Internal Bank Advisory Committee, which will make a recommendation to the Provost and VPFA regarding the request. These recommendations will be based on the principles and measures referenced in this policy, considerations related to other university priorities for which financing is being requested, and other special factors the Internal Bank Advisory Committee may deem appropriate. This recommendation is forwarded to the Sr. Vice President and Provost for approval, unless the amount is greater than \$500,000 in which case approval from the President is required as well.
- Notification Phase: At least quarterly the Sr. Vice President and Provost and the Vice President for Finance and Administration / CFO will report on the status of all loan requests to the President.
- Implementation Phase: If approved, the VPFA (or designee) will work with OUS to gain approval for the final financing arrangements.

A Memorandum of Understanding (MOU) will be drafted to codify the terms of the financing.

### **Financial Reporting and Accounting**

- The Business Affairs Office (BAO) will be responsible for collecting debt-service payments from responsibility units per the terms outlined in the MOU.
- BAO will be responsible for making external debt payments to the OUS Internal Bank.
- All transactions for debt, interfund loans, and lines of credit will be recorded in the accounting records of the university and will be reported in accordance with generally accepted accounting principles.
- All debt-service obligations will be codified in the university's annual beginning budget process, and the source of debt payments will be clearly identified and encumbered.
- The Director of Business Affairs/Controller will provide quarterly reports to the VPFA and to the Internal Bank Advisory Committee outlining all outstanding university debt, interfund loans, and lines of credit and the status of payments and balances.

Procedures: [VPFA web site](#)

Who is Governed by this Policy:

President, vice presidents, deans, athletic director, and others with delegated financial decision making authority

Who Should Know This Policy:

All university personnel responsible for requesting, utilizing, and managing university debt

Reviewed and Approved By:

Executive Leadership Team

Date:

11/08/2010

Issued by:

Senior Vice President and Provost

Date:

11/17/2010

Revision History:

*7/14/2010 1st draft reviewed by Internal Bank Advisory Committee*

*9/7/2010 2nd draft reviewed by Internal Bank Advisory Committee*

*11/08/2010 Approved by Executive Leadership Team [<original document>](#)*

University of Oregon - Board of Trustees  
Finance and Facilities Committee  
June 3, 2014

## **Summary of Proposed Resolutions**

### **Delegation of Authority to make an "Official Declaration of Intent to Reimburse"**

- ***Substance:*** Authorizes the University's Treasurer (or her designee) to declare that it is the University's official intent to reimburse itself for certain project costs with tax-exempt bond proceeds at a future date.
- ***Why Needed:*** The IRS code permits the expenditure of tax-exempt bond proceeds for project costs incurred no earlier than sixty days before the close of a bond sale unless the issuer has executed a declaration stating its official intent to reimburse itself for project costs incurred prior to that date. Declaring the official intent to reimburse permits the University to incur costs relating to capital projects, allowing the projects to move ahead on the most efficacious schedule rather than having the schedule determined by the timing of a bond sale or waiting for a Board meeting. Being able to spend funds in advance of a bond sale generally minimizes costs as short-term financing can be used to fund the capital project on an interim basis.
- ***Considerations:*** It is important that the authorized representative declare the University's official intent to reimburse only after the bonds have been authorized by the Board or the Board's designee so care needs to be exercised when declaring official intent to reimburse. Failure to maintain the declaration with the official records of the capital project will require the university to find an alternate funding source and if unable to do so may jeopardize the tax-exempt status of the bonds.

### **Delegation of Authority for Borrowing Activity less than \$5 million**

- ***Substance:*** Authorizes the University's Treasurer (or her designee) to approve and execute borrowing transactions provided they do not exceed \$5 million.
- ***Why Needed:*** To support the authorities as laid out in the Treasury Management Policy.
- ***Considerations:*** The resolution does not provide an aggregate limit for such transactions. The policy requires that such transactions are reported to the Board or its designee at least quarterly.

## **Delegation of Authority for Treasury Activities and of Authorization of Certain Treasury Transactions**

- ***Substance:*** Authorizes the University's Treasurer or designee to carry out activities needed to invest the University resources. In addition, it authorizes the University to select one or more financial institutions, which may include the Oregon State Treasury, for depository and investment management services. It also authorizes the University to enter into forward foreign currency contracts not to exceed an aggregate amount outstanding of \$7.5 million USD.
- ***Why Needed:*** To support the authorities as set forth in the Treasury Management Policy and to permit the use of State Treasury as a banking and investment partner. The forward foreign currency limit is a carryover of the amount currently authorized by the state treasury which expires on June 30, 2014. The currency contracts are used to lock in the cost of student study abroad programs (often 12-18 months in the future).
- ***Considerations:*** The Oregon State Treasury is unable to comply with all the requirements in the treasury management policy with respect to being either a depository or an investment manager. Accepting this relationship means that not all the fiduciary responsibilities normally associated with these roles are explicitly available from the Oregon State Treasury. However, many of the desirable controls are achieved through indirect means within state treasury. The University will only have limited legal recourse in the event of financial losses arising out of the acts or omissions of the State Treasury.