A meeting of the Executive Committee of the Trustees of the University of Pennsylvania was convened at 1:19 p.m. in the Conference Center, Fourth Floor, Perelman Center for Advanced Medicine.


The complete texts of all resolutions passed in the course of the meeting are appended to this document and are to be considered part of the official record of this meeting.

Chair’s Report
Chair David Cohen called the meeting to order and welcomed all in attendance. He noted that the 277th year of the University was now well underway, having begun with University Convocation on August 29 as President Gutmann and Provost Price formally welcomed freshmen and transfer students.

Mr. Cohen indicated that last fall, members of Fossil Free Penn had brought forward a proposal that the University end new investments in the fossil fuel industry, remove holdings in top fossil fuel companies globally in the next five years, and reinvest a portion of the extricated funds into clean energy assets. He said that the proposal was reviewed by the University Council Steering Committee, in keeping with Procedures and Guidelines established by the Trustees in 2013, which provide criteria for assessing all divestment proposals.

As the proposal was found by Steering to have sufficient merit, Mr. Cohen indicated that he had directed that, on behalf of the Trustees, an Ad Hoc Advisory Committee on Divestment be convened for further consideration of the proposal. The Committee, whose membership included students, faculty, staff, and alumni, conducted an analysis of this proposal and then presented its final report and recommendations to the Trustees.

Mr. Cohen indicated that the Ad Hoc Advisory Committee found that the proposal did not meet the criteria necessary for divestment and therefore, did not recommend divestment. The Committee did make a number of recommendations for alternative strategies for the University’s consideration in addressing the environmental and energy concerns around the issue.

Mr. Cohen indicated that, as there was no recommendation for divestment, rather than convene a Trustee Subcommittee, as the Procedures and Guidelines allow, he elected to ask the Trustee
Executive Committee to consider the Ad Hoc Advisory Committee’s report on behalf of the full Board. He added that the report was circulated to the Executive Committee, and after review and discussion, the Executive Committee agreed with the Ad Hoc Advisory Committee’s finding and recommendations.

Mr. Cohen stressed the University’s full commitment to building on its leadership in sustainability to address climate change and global energy challenges through education, research, and translatable innovation. He cited as two examples the new Vagelos Institute of Energy Science and Technology in SAS as well as the rapidly expanding number of academic programs seeking to prepare the next generation of scholars and scientists.

Mr. Cohen added that the University will also review and expand Proxy voting guidelines as appropriate. Penn will also communicate with existing and potential investment managers that the effects of climate change and possible regulatory responses should be taken into account in investment decisions.

Mr. Cohen called for any discussion, questions, or comments.

Trustee Perry Golkin commended the Ad Hoc Advisory Committee for its excellent work and applauded recommendations calling for the University to leverage and coordinate academics and research regarding climate change and energy, and to enhance the programs in this area. Trustee Andy Rachleff noted that while the decision might be disappointing for some, he commended the emphasis on sustainability for the University as well as Penn’s role as an effective role model. Trustee Jamie Greene added that the University should be congratulated for its formal commitment to focus on sustainability through the last several years, with tangible results.

The following resolution was presented and approved (full resolution text is appended):

Action 1 Resolution Accepting the Findings of the Ad Hoc Committee on Divestment .......................................................... page 1

Mr. Cohen thanked Fossil Free Penn for responsibly bringing the issue forward and their evident concern for these important global issues and for the University. He also thanked the Ad Hoc Advisory Committee and chair David Roberts W’84 for their careful deliberations and thoughtful recommendations. Mr. Cohen commended everyone engaged in this valuable process. He noted that it is a great strength of the University community to be able to come together to engage in discussion, weigh options, and chart a reasonable and rational plan to move forward.

President’s Report
President Gutmann spoke briefly about University Convocation and congratulated Dean of Admissions Eric Furda for the fantastic Class of 2020. She noted the arrival of Penn Design Dean Fritz Steiner, Penn’s tenth Presidential Professor José Bauermeister, and the eighteenth Penn Integrates Knowledge Professor Beth Simmons, who is the Andrea Mitchell University Professor of Law and Political Science.

President Gutmann then noted three grand opening milestones this fall, that of the New College House, Perry World House, and coming on October 28, the Pennovation Center.
Academic Report
Provost Vince Price spoke about Penn’s online learning initiatives, whose enrollments had recently surpassed five million. He added that 100 faculty members from across all of Penn’s schools now offer open online courses, and that three-quarters of enrollees are from outside of the United States. Provost Price noted that the third annual Learning with MOOCS (Massive Open Online Courses) Conference will be held at Penn in October with Professor Angela Duckworth as a featured speaker.

The following resolution was presented and approved:

Action 1 Resolution on Faculty Appointments, Leaves and Promotions ... Appendix

Financial Report
Executive Vice President Craig Carnaroli indicated that his report reflected the 12 month period ending June 30, 2016. For the Consolidated University, total net assets grew to approximately $14.5 billion. The increase year over year of $1 billion was largely driven by the integration of Lancaster General Health into the Health System, as well as strong operating performance. Due to volatility in the financial markets and increased pension liabilities due to lower than anticipated discount rates, he noted an $835 million shortfall to budget. For the Academic Component, there was revenue growth of $88 million, or 3.1% above budget, with a decrease in expenses of $1 million, or 0% below budget. The University enjoyed gains in philanthropy, with operating and non-operating new contributions totaling $337 million, an increase of $17 million, 5% over the fiscal year. Mr. Carnaroli noted an uptick in capital expenditures as well, increasing from $266 million in Fiscal Year 2015 to $336 million in Fiscal Year 2016.

Mr. Carnaroli indicated that the Health System’s strong operating results realized an operating margin of approximately $419 million, significantly above budget and prior year results. Excluding Lancaster General Health, adjusted admissions totaled 164,416, higher than prior year and budget by 4.7% and 3.7%, respectively. In-patient admissions were consistent with budget and out-patient activity continued to grow, particularly in high-intensity services.

Penn Medicine Report
Executive Vice President of Penn Medicine and Dean of the Perelman School of Medicine Larry Jameson commended the excellent response of Penn’s Presbyterian Trauma Center, as their commitment and preparatory training were put to the test by a recent mass casualty incident involving the shooting of a Penn police officer. He noted that 146 medical students, composed in equal numbers of men and women, began their studies in August, adding that one had served in the armed services in Afghanistan and had earned a Purple Heart and a Bronze Star. Dr. Jameson noted the advantage that Penn Medicine students have in gaining additional experience at Penn’s other eleven schools all located on campus, stressing that the distance between idea and innovation can be very short indeed.

Audit & Compliance
Chair Ann Reese reported that the Audit & Compliance Committee had approved the financial statements for the Fiscal Year 2016, commending the staff for completing them in record time. She added that the external auditors would be issuing an unmodified opinion.

The following resolution was presented and approved:
Budget & Finance
Chair Robert M. Levy reported that Vice President for Budget and Management Analysis Bonnie Gibson, Senior Vice President and Chief Financial Officer of the University of Pennsylvania Health System Keith Kasper, and Vice President for Finance and Treasurer MaryFrances McCourt had reported in detail on the University and Health System’s financial results as of June 30, 2016.

He added that Ms. McCourt has provided an overview of the University’s financial trends over the past 10 years, noting that the University is financially strong with AA+/Aa1 credit ratings from Standard and Poor’s and Moody’s, the highest combined ratings in the University’s history. In addition, over the past decade, the University has experienced significant growth in net assets as a result of strong operating margins and endowment growth.

In closing, Mr. Levy noted that the committee had had no resolutions to consider at this meeting.

Appointments to Overseer and Other Boards
Mr. Cohen presented four resolutions relating to overseer and other board appointments (full resolution text is appended).

Action 1 Resolution to Appoint Gerald D. Knorr to the Athletics Board of Overseers and to Re-Appoint Charles B. Leitner, III as Chair of the Athletics Board of Overseers ................................................................. page 3

Action 2 Resolution to Appoint Peter F. Armstrong and Anurag Bhargava to the Board of Overseers of the School of Engineering and Applied Science page 4

Action 3 Resolution to Appoint James C. Crowley to Board of Overseers of the University Libraries........................................................................... page 5

Action 4 Resolution to Appoint Marjorie O. Rendell as an Emeritus Member of the Board of Overseers of the School of Nursing ............................... page 6

All resolutions were approved. There being no further business to conduct, the meeting was adjourned at 1:35 p.m.

Respectfully submitted,

Leslie Laird Kruhly
Vice President and University Secretary