Minutes of the Stated Meeting of the Executive Committee of the Trustees of the University of Pennsylvania
9 September 1988

A meeting of the Executive Committee was held on Friday, 9 September 1988 in the Tea Room of the Faculty Club. Trustees attended included: Susan W. Catherwood; Gloria Twine Chisum; Robert A. Fox; C.F. Fretz; Paul F. Miller, Jr.; John Neff; James A. Pappas; and Alvin V. Shoemaker.

Others present included: Michael Aiken; William Epstein; Debra Fickler; Karen Gaines; Sheldon Hackney; Stanley Johnson; George Koval; Robert Lorndale; Sue Maloney; Mary Ann Meyers; Kim Morrisson; David Morse; Rick Nahm; Helen O'Bannon; Edward Stemmeler; and Marna Whittington.

I. Call to Order

The chairman called the meeting to order and the minutes of 9 May 1988 were approved as written by the secretary.

II. Report of the Chairman

Mr. Shoemaker had no report.

III. President's Report

A. The president introduced Penn's new vice provost for University life, Kim Morrisson, who had served in an acting capacity for the last year. "She has done a superb job," he said, "and the provost and I feel very confident about her abilities to lead a division of the University, which is extraordinarily important for the tone and success of campus life."

Dr. Hackney went on to comment that there was every evidence that 1988-89 would be a good year for the University. He noted that the Class of 1992 numbers some 2,274 students or just one percent above the target figure. Penn's yield was about 53 percent, the president continued, and he pointed out that the freshman come from 46 states and 45 foreign countries. "Women make up 42.2 percent of the class," he said, "and a record 23.9 percent of the freshman have minority backgrounds."

Dr. Hackney further pointed out that children of the alumni are represented by 15 percent of the class, which is the highest number of alumni sons and daughters that Penn has had in at least a decade. "Students coming from outside the traditional feeder areas of the Middle Atlantic and North Atlantic states increased to 42 percent of the total," he added, "while about 24 percent of the freshman come from Pennsylvania." Sixty-four percent of the Class of 1992 are the products of public school systems, according to the president, whereas 29 percent are from private schools and the other 7 percent come from parochial schools.

He pointed out that Penn continues to be more and more selective. It admitted only 34 percent of its 13,105 freshman applicants, an all time
low. SAT scores continue to average about 1300 with rank in class in the 96th percentile. "Some 400 valedictorians and salutatorians were turned down for the Class of 1992, as were about a third of the applicants with SATs over 1400," Dr. Hackney said, noting that "the statistic is nothing to brag about but rather it says something about the competitive nature of admissions. It indicates that we are not looking simply at SAT scores or high school grades but are looking at personal characteristics," he continued. "It also indicates that we're are shaping a class that is balanced, interesting, that can contribute to life on campus."

The president observed that the freshman class appears to be very enthusiastic. He reported that many members had already displayed considerable leadership in many areas. "We have 450 men and women who are varsity letter winners in high school sports," he said; "nearly 200 who have major experience in publications; almost 350 with distinguished backgrounds in the performing arts. In short," he concluded, "this is a very talented class and I think its members will do good things for campus life."

The president went on to say that the strike of public safety officers had not adversely affected security on campus. "Compared to last year," he noted, "the number of incidents of crimes against persons is down slightly." He observed that the administration was still in conversation with the union, and he said that he hoped to be able to report some success in the near future. The president then thanked University supervisory personnel who had stepped in and worked extended tours of duty thereby providing "a very high level of security in the absence of the union members."

Dr. Hackney said that underage drinking was "perhaps the most troublesome issue on the horizon" in light of new legislation recently enacted by the state. "We need to convince our students of the seriousness of the risks they run and of the seriousness of the risks the University runs should they be found to have violated the law," he continued. "The educational task is a large one, but I think it is going to be quite successful. We have clearly gotten student attention on this issue."

B. Academic Report

1. Provost Aiken reported that three deans' searches, which began last year, remain active. He noted that George Gerbner has agreed to stay on as dean of the Annenberg School of Communications as the search for his successor continues. Searches for deans in Medicine and Dental Medicine also are still under way.

Dr. Aiken further noted that the administration will soon be putting into effect the five-year planning process, which had been described to the Trustees in previous meetings. "Basically," he said, "we are establishing ten different committees that look at the following areas: undergraduate education, with special attention to admissions, financial aid, and advising and retention; graduate education; professional
education; research; faculty development; the academic information environment; and Penn's international dimensions. We expect the reports of these committees to be submitted during this academic year," he continued, "and during the next academic year, we will synthesize them into a five-year plan, which we hope to complete by the spring of 1990."

Turning to student life issues, the provost reported that the administration had initiated some new programs in safety awareness and behavioral expectations. He went on to observe that in the area of academic programs, a new Center for International Banking has been created in the Wharton School, that Wharton also has established the Jack Wolgin International Forum "to develop and implement top-level international executive educational programs to improve the performance of firms in the global marketplace," and that the Ford Foundation has awarded a $400,000 grant to the School of Arts and Sciences for curricular development in the social sciences.

Dr. Aiken further noted that thanks to the generosity of Mr. Steinberg, the author and diplomat Conor Cruise O'Brien will teach at the University this year as a visiting professor of history. He also called attention to several faculty honors: the MacArthur Fellowship won by Gary Tomlinson, associate professor and chair of music; the selection of Baruch Blumberg, University Professor of Medicine and Anthropology, as the first American to head Balliol College at Oxford; and the naming of President Emeritus Martin Meyerson as a Chevalier de l'Ordre du Merite by the French government.

2. Action. A Resolution on Appointments, Leaves, and Promotions was approved as found on pages 1 through 29 in the meetingbook.

C. Financial Report

Mrs. O'Bannon reported that renovation in the Quad had been completed over the summer in addition to other facilities' improvements at Franklin Field, Hutchinson Gym, the Brad Towers, and in many classrooms. She further noted that the University had completed a lease on land in the Grays Ferry area from the DuPont Corporation, which it will use for surface parking and recreation. The lease will be presented to the Trustees for approval. She pointed to the completion of the University's parking garage at 34th and Chestnut Streets and to improvements in the heating and air conditioning systems in the Faculty Club. "You will note that the scaffolding has come off the Furness Building," the senior vice president continued, "but lots of work remains to be done on the inside." She went on to note that labor contracts with Faculty Club workers, operating engineers, teamsters, and library workers had been successfully renegotiated over the summer, but that the public safety officers had voted down the University's latest offer, which had been taken to them by their bargaining committee just before the meeting. "We have scheduled a mediation session on Monday," Mrs. O'Bannon said.

She further observed that the administration is closing the books on
FY'88 with a surplus of $176,000 in unrestricted funds after approved budgeted allocations for the Research Fund, the Undergraduate Development Fund, the amortization of the Graduate Hospital deficit, and the transfer of approximately $1 million to a reserve account to be used for the forthcoming capital campaign. "On our restricted performance side," she continued, "endowment, gifts and grants, and contract expenditures have increased by 20.2 percent, 25.5 percent, and 5.6 percent, respectively. The amount available in restricted funds for grant contract expenditures at the end of FY'88," she said, "was $136 million, which is approximately 9.6 months of expendable awards in the bank."

Mrs. O'Bannon reported that the Hospital of the University of Pennsylvania had finished the year with a deficit of $5,448,000, which was $654,000 better than the Hospital's cost containment budget. She noted that the Clinical Practices ended FY'88 with a surplus of revenues over expenses of $7,538,000 and that CPUP's Education and Development Fund balances increased, net, by $5,106,000.

IV. Report of Trustee Committees

A. Academic Policy

Action. In the absence of Dr. Carl Kaysen, Dr. Chisum offered a Resolution Congratulating the Philomathean Society on Its 175th Anniversary, which was approved as follows:

Intention

On 23 November 1813, the Trustees, upon the recommendation of Provost Frederick Beasley, sanctioned "the institution of a Literary Society" and stipulated that "a suitable room shall be appropriated for their use." This body, composed of undergraduate students, was subsequently named the Philomathean Society and is the oldest collegiate literary society in the United States. The society's stated purpose is "to promote the learning of its members and to increase the academic prestige of the University." Its activities include lectures, poetry and fiction reading, art exhibits, and concerts, held in its "suitable room" on the fourth floor of College Hall.

Philo's accomplishments over the years have been highlighted by the publication of the first English translation of the Rosetta Stone in 1858, recommendations that led to the founding of the Departments of History and Sociology of Science, Comparative Literature, and American Civilization, and the creation of The Daily Pennsylvanian. Its illustrious past augurs a bright future.

RESOLVED, that the Trustees extend to the Philomathean Society their heartiest congratulations upon the occasion of its 175th anniversary and with the society continued success as an institution fostering independent intellectual pursuits by students.

B. Budget and Finance

Mr. Fox reported that the Budget and Finance Committee had reviewed two resolutions and recommended them to the Trustees for favorable action.

1. Action. A Resolution to Acquire Letters of Credit for Insurance Coverage was approved as follows:
Intention:

In connection with the University's insurance program, it is necessary for the Trustees to acquire letters of Credit to underwrite risks taken on behalf of the University by insurance carriers. The administration is arranging for the First Pennsylvania Bank N.A., or another acceptable financial institution, to issue (1) an irrevocable Letter of Credit in an amount up to $28 million in favor of CIGNA Corporation, and (2) an irrevocable Letter of Credit in the amount of $10 million in favor of the Reliance Insurance Company, for the twelve-month period July 1, 1988 to July 1, 1989. The Letters of Credit serve to offset the liabilities of the insurance companies in connection with the University's first layer of medical professional insurance coverage. CIGNA's and Reliance's role is a requirement of the Pennsylvania Medical Liability Insurance Catastrophe Loss Fund.

In like manner, the University requires an irrevocable Letter of Credit to be issued by the Philadelphia National Bank in an amount up to $2,100,000 in favor of CIGNA Corporation for the twelve-month period July 1, 1988 to July 1, 1989. This Letter of Credit is required for our general liability insurance coverage.

RESOLVED, that the Vice President for Finance or any other appropriate officer of the University hereby is authorized to request and cause the issuance of irrevocable, unsecured Letters of Credit by the First Pennsylvania Bank N.A. or another acceptable financial institution, in an amount up to $28 million or the account of The Trustees of the University of Pennsylvania and for the benefit of CIGNA Corporation, and in the amount of $10 million for the account of The Trustees of the University of Pennsylvania and for the benefit of Reliance Insurance Company, together with any amendments to such Letters of Credit as they deem appropriate, and to execute and deliver any and all agreements and instruments required by such bank in connection therewith, and that any action theretofore taken by said officers is hereby ratified and confirmed.

FURTHER RESOLVED, that the Vice President for Finance or any other appropriate officer of the University hereby is authorized to request and cause the issuance of an irrevocable, unsecured Letter of Credit by the Philadelphia National Bank in an amount up to $2,100,000 for the benefit of CIGNA Corporation, together with any amendments to such Letter of Credit as they deem appropriate, and to execute and deliver any and all agreements and instruments required by such bank in connection therewith, and that any action theretofore taken by said officer is hereby ratified and confirmed.

2. Action. A Resolution on the Rehabilitation of the Woodland Park and the Development of Steinhardt Park was approved as follows:

Intention:

In the 1950's Woodland Avenue, between 36th and 37th Streets, was closed and converted into a landscaped pedestrian walk. In subsequent years, the area's conditions have deteriorated, become unsafe and unsightly. Physical Plant included the upgrading of this area in its deferred maintenance program.

The administration now proposes to complete the rehabilitation of the Woodland Walk and at the same time develop its central area as Steinhardt Park. The scope of work includes the rebuilding of brick retaining walls, new paving surface, lighting, planting and a fountain.

The cost of the project amounts to $486,846. Funds for this work will come from fundraising ($300,000), the Wharton School ($100,000) and Physical Plant ($86,846).

RESOLVED, that the rehabilitation of the Woodland Walk, estimated to cost $486,846, be and the same hereby is approved and that the Vice President for Finance or any other appropriate officer of the University hereby is authorized to proceed with such rehabilitation and execute such contracts and incur such expenses and obligations - not, however,
substantially in excess of the estimated cost of such rehabilitation presented to the Budget and Finance Committee - as may in their judgment be necessary or desirable to accomplish such rehabilitation.

C. Investment Board

Mr. Neff observed that in the 11 months since the "October 1987 unpleasantness, the Dow Jones Industrial Average has settled down to 1,900 to 2,200 trading range. Within that period," he continued, "the Associated Investments Fund (AIF) has been a little more successful than the Dow." The chairman pointed out that the common stock portion of the portfolio had increased from 60 to 61 percent of the total between 31 December of 1987 and 6 September 1988. "At the end of June," he said, "some $23.5 million was added to the Fund. Of this total, almost 52 percent was income that was returned to the AIF under Penn's Spending Rule. Mr. Neff went on to observe that he did not expect a "quantum jump" in inflation and a sharp increase in interest rates in the immediate future. "Our best guess," he said, "would be a 4 to 5 percent inflation rate, and we think the interest rates are where they should be or maybe a bit on the high side. You might want to watch the basic commodities, such as the steel, paper, aluminum, and chemical industries," he further noted. "They were in the pits a couple of years back, but recently they have had very good price increases, and they are actually making capital expenditures. We hope to get fully invested, at least on the equity side," he continued. "The 12 percent of the portfolio now in cash or cash equivalents is mostly on the fixed income side where there is no particular yield penalty because the interest rate curve is quite flat."

Turning to a discussion of performance, the chairman of the Investment Board noted that the AIF had had a "fairly good NACUBO year," which is a 12-month period, ending on the 30th of June, used by college and university business offices for comparing portfolio appreciation. "The total value of the AIF increased 4.4 percent between June 1987 and June 1988," Mr. Neff continued. He explained that whereas the Standard and Poor 500 Stock Average (S&P) had declined 6.9 percent (total return) during this period, AIF common stocks were off only 0.6 percent, and the fixed income portion of the portfolio appreciated by 7.6 percent on a total return basis. "Our NACUBO rankings," he continued, "is about in the 5th percentile on a scale where one is the best and 99 is the worse. Since the end of December 1987, moreover, AIF common stocks were up 24.4 percent compared to a 10.2-percent increase for the S&P." Finally, Mr. Neff noted with pleasure the "worthwhile record" of the AIF since 31 December 1979. He concluded by indicating "We have a marketplace that we can work within, (as) it seems to be fairly valued."

V. Overseer and Other Boards

A. Action. A Resolution on an Appointment to the Trustee Board of the Medical Center was approved as follows:

RESOLVED, that C.F. Fretz be appointed to the Health Services Committee of the Trustee Board of the Medical Center through 30 June 1988, effective 9 September 1988.
B. Action. A Resolution on an Appointment to the Board of Overseers of the Graduate School of Education was approved as follows:

RESOLVED, that Ethel G. Carruth be appointed to the Board of Overseers of the Graduate School of Education for a three-year term, effective 9 September 1988.

C. Action. A Resolution on an Appointment to the Board of Overseers of the Graduate School of Fine Arts was approved as follows:

RESOLVED, that James A. Pappas be appointed to the Board of Overseers of the Graduate School of Fine Arts for a three-year term, effective 9 September 1988.

D. Action. A Resolution on Appointments to the Board of Overseers of the School of Social Work was approved as follows:

RESOLVED, that Ted L. Moore and Jacqueline G. Wexler be appointed to the Board of Overseers of the School of Social Work for three-year terms, effective 9 September 1988.

E. Action. A Resolution on an Appointment to the Board of Overseers of the School of Nursing was approved as follows:

RESOLVED, that Simon Bonnier be appointed to the Board of Overseers of the School of Nursing for a three-year term, effective 9 September 1988.

F. Action. A Resolution on an Appointment to the Board of Advisors of the Annenberg Center was approved as follows:

RESOLVED, that Edward L. Collier be appointed to the Board of Advisors of the Annenberg Center for a three-year term, effective 9 September 1988.

G. Action. A Resolution on an Appointment to the Board of Managers of the Morris Arboretum was approved as follows:

RESOLVED, that Robert W. Preucel be appointed to the Board of Overseers of the Morris Arboretum for a three-year term, effective 9 September 1988.

Adjourned.

Respectfully submitted,

Mary Ann Meyers
Secretary of the University