

Meeting No. 1,125

THE MINUTES OF THE BOARD OF REGENTS  
OF  
THE UNIVERSITY OF TEXAS SYSTEM

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September 15, 2014

Austin, Texas

MEETING NO. 1,125

MONDAY, SEPTEMBER 15, 2014.--The members of the Board of Regents of The University of Texas System convened in a special called meeting via telephone conference call at 3:31 p.m. on Monday, September 15, 2014, in the Chairman's Office on the Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Foster  
Vice Chairman Powell  
Vice Chairman Hicks  
Regent Aliseda  
Regent Cranberg  
Regent Hall  
Regent Hildebrand  
Regent Pejovich  
Regent Stillwell  
Regent Richards, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Foster called the meeting to order in open session.

RECESS TO EXECUTIVE SESSION.--At 3:33 p.m., Chairman Foster said the Board would recess to convene in Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.073, and 551.074 to consider the matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 4:55 p.m., the Board reconvened in open session for the following actions on matters discussed in Executive Session and to consider the following agenda items.

1a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

- 1b. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to the September 8, 2014 letter from Representative Trey Martinez Fischer and Representative Lyle Larson on behalf of the House Select Committee on Transparency in State Agency Operations, the ongoing independent investigation of admissions practices at U. T. Austin, and actions of the Board necessary to maintain the integrity and independence of the investigation

See Item 1 below for action taken in Open Session.

- 2a. U. T. Austin: Approval of proposed negotiated gifts with potential naming features

Vice Chairman Hicks moved that the Presidents of The University of Texas at Austin and The University of Texas M. D. Anderson Cancer Center and the Vice Chancellor for External Relations be authorized to conclude negotiations necessary to finalize and accept gifts to benefit those institutions with potential naming features consistent with the terms and conditions outlined and recommended in Executive Session.

The motion was seconded by Regent Stillwell and carried unanimously.

- 2b. U. T. M. D. Anderson Cancer Center: Approval of proposed negotiated gifts with potential naming features

See Item 2a above for action taken on this item.

3. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees

No action was taken on this item.

## AGENDA ITEMS

1. U. T. System Board of Regents: Action taken regarding the September 8, 2014 letter from Representative Trey Martinez Fischer and Representative Lyle Larson on behalf of the House Select Committee on Transparency in State Agency Operations, the ongoing independent investigation of admissions practices at U. T. Austin, and actions of the Board necessary to maintain the integrity and independence of the investigation

Under Executive Session Item 1b, the Board had an opportunity to discuss legal matters regarding the September 8, 2014 letter from Representative Trey Martinez

Fischer and Representative Lyle Larson on behalf of the House Select Committee on Transparency in State Agency Operations, the ongoing independent investigation of admissions practices at The University of Texas at Austin, and actions of the Board necessary to maintain the integrity and independence of the investigation. Chairman Foster called on Vice Chairman Powell for a motion.

Motion by Vice Chairman Powell

I move that the U. T. System Board of Regents vote to confirm our continued support for the independent and wholly external investigation initiated by Chancellor Cigarroa related to admissions decisions at U. T. Austin and to provide this response to the September 8, 2014 letter from Representatives Trey Martinez Fischer and Lyle Larson, wherein they request to be involved in interviews held in conjunction with this investigation.

This motion is premised on the following:

The Chancellor expressly charged that the investigation be independent, and to include one or more members of the Legislature in these interviews would compromise the independence and integrity of the interviews and of the investigation.

In addition, providing this level of advance detail about the conduct of the investigation and permitting one or more members of the Legislature to participate in these interviews are clearly an unwarranted, inappropriate, and unprecedented legislative intrusion into a core Executive Branch function. The Legislature has prescribed by law the standards and means by which institutions of higher education are to conduct admissions, and the current investigation is an essential element in the efforts of the U. T. System to implement and administer that law.

The motion was seconded by Regent Hall and carried unanimously.

2. U. T. System Board of Regents: Discussion and guidance regarding U. T. System investments in Russia

This item was considered before Item 1 above.

Chairman Foster called on Regent Cranberg to outline his concerns regarding University of Texas System investments in Russia. Regent Cranberg said that President Obama has stated that Russia has misstepped the rule book and the Chief of the North Atlantic Treaty Organization (NATO) stated that Russia represents the biggest threat to the United States since the Cold War and the most dangerous environment since World War II.

While not proposing this be an action item that would warrant a change in the Board's 2008 investment position undertaken by The University of Texas Investment Management Company (UTIMCO) in a very different environment, Regent Cranberg said he wanted to raise the matter as worthy of the Board's discussion.

Chairman Foster noted that Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of UTIMCO, had been invited and was in attendance at the meeting to comment on the impact a change in the Board of Regents' investment position would have on UTIMCO.

Mr. Zimmerman said divesting from Russia in and of itself would not be an overly significant event. He described current investments in Russia as \$200 million, with most of the investment with a public equities manager that represent 0.7% of 1% of total exposure. He said if changes are made to the investment policies related to political and/or social issues, there could be a substantial domino effect, which he described as a slippery slope.

Regent Hall asked Mr. Zimmerman if there are circumstances where it would be appropriate to look at divestiture. Mr. Zimmerman answered that there are legal restrictions on investments in certain countries, and UTIMCO follows the law. He added that at a recent UTIMCO Risk Committee meeting, the economic merits of UTIMCO's current exposure in Russia were discussed. Mr. Zimmerman said that while the Committee recommended no changes in risk exposure, UTIMCO is paying attention to the issue regarding investment merits. Vice Chairman Hicks and Regent Stillwell voiced support for the UTIMCO approach.

Vice Chairman Powell and Chairman Foster encouraged Regent Cranberg to continue to bring his concerns to the Board for further discussion. Regent Cranberg agreed that only in the most extraordinary circumstances should the Board consider any type of action. Regent Pejovich voiced support for this strategy as well.

ADJOURNMENT.--At 5:08 p.m., there being no further business, the meeting was adjourned.

/s/ Carol A. Felkel  
Secretary to the Board of Regents

September 18, 2014