FCR 25

Office of the President
April 24, 2007

Members, Board of Trustees:

TRANSFER OF ADDITIONAL FUNDS TO THE CHANDLER MEDICAL CENTER UNIVERITY HOSPITAL QUASI-ENDOWMENT FUND

Recommendation: that the Board of Trustees approve an additional transfer of up to $100,000,000 from University Hospital reserve funds currently on deposit with the Kentucky State Treasury to the University Hospital Quasi-Endowment Fund for participation in the endowment investment pool.

Background: At its March 7, 2006 meeting the Board of Trustees established the University Hospital Quasi-Endowment Fund and approved the transfer of up to $150,000,000 from University Hospital reserve funds for participation in the endowment investment pool. The maximum $150 million was transferred prior to the close of fiscal 2006-07.

Transfer of hospital reserve funds to a quasi-endowment account permits a longer-term investment objective and greater diversification of investments. This is expected to result in higher returns than shorter-term fixed-income investments, thereby providing additional resources to support the capital and operational needs of the University Hospital.

Strong financial operations of the University Hospital and the sale of CHA have generated additional reserves that can be transferred to the quasi-endowment. Following Board approval, it is anticipated that $50,000,000 would be moved immediately.

The secretary of the Finance and Administration Cabinet approved the prior transfer from the Kentucky State Treasury to the endowment and referenced KRS 164A.560 (2) as authority for the University of Kentucky Board of Trustees to invest funds in its endowment instead of with the state treasury. Notification of this transfer will be provided to the Office of Financial Management.

Additions to and/or withdrawals from the University Hospital Quasi-Endowment Fund require the approval of the Board of Trustees.