



## **Financial Affairs Advisory Committee (FAAC) Minutes for 1/22/26 Meeting**

### **Meeting information:**

Circulated: 3/11/26

Approved: 3/18/26

Members present: Stefanie Russman Block, Julie Boland, Bobby Hewlett (EVP and CFO), Becky Peterson (Chair), Sara Soderstrom, Kentaro Toyama (SACUA), Dale Thomson, Jefferson Williams

Members absent: Vance Jackson, Emily Luxon, Silvia Pedraza, Hsiao Sung

Guests present: Erik Lundberg, Chief Investment Officer

Faculty Senate Office staff present: Eric Vandenberghe

### **Minutes:**

#### **1:02pm-1:03pm: Call to Order, Approval of Agenda and Minutes, Announcements**

The agenda was approved. The minutes for the December meeting are approved.

#### **1:03pm-1:04pm: Updates on past action items**

Summary: The Committee thanks EVP Hewlett for his and his team's responses to the previously submitted questions.

Action: Discussion

#### **1:04pm-1:27pm: CFO update**

Summary: EVP Hewlett provides the committee with an update. President-elect Syverud was announced earlier this month. He will be brought up to speed as his start date of July 1<sup>st</sup> approaches.

An announcement was made earlier this week regarding a [new research funding program for federally reviewed proposals](#). The program is "designed to support faculty whose federal grant proposals received strong peer-review evaluations but were not funded or remain pending amid recent shifts in the federal funding landscape." A member asks about the total budget for this program. EVP Hewlett indicates that there is no current budget cap, and that the program will be evaluated periodically to assess the ability to meet the need of the community while maintaining good financial health. A member asks about the source of funding for this program. EVP Hewlett reports that the funding is coming from central reserves from the three executive vice presidents. He also notes that this program is in addition to the [previously announced program](#) for grants that have received stop work orders or have been terminated. A discussion ensues on how the funds will be distributed.



Delta Airlines recently recognized UM for our commitment to sustainability. EVP Hewlett explains that the University partners with travel companies, including Delta, to collaborate on environmentally sustainable practices.

A uniform guidance audit was completed earlier in January and U-M passed without exception. This is an indicator that we are good stewards of federal dollars. It is explained that this is primarily a financial audit. Projects are selected by the auditors.

An update is provided on capital projects. The new College of Pharmacy Building is expected to begin academic activity after spring break. The Hadley Recreation Center is expected to open towards the end of the Winter term. Membership will be open to students, faculty, and staff. The newest dorm space, Wolverine Village, remains on-track to open for student occupancy in August. This will add 2300 new beds. EVP Hewlett and the Finance Team are currently reviewing other capital projects on campus to ensure that they are in the best interest of the University.

An update is provided on the Investment Values Committee. Some of the challenges are discussed, including turnover at the upper leadership level. EVP Hewlett indicates that he will invite key stakeholders to a conversation on how to best move forward with this committee. Chair Peterson reiterates the desire of the FAAC to have a path forward on this prior to the end of the academic year.

A question is asked about potential future changes to indirect cost rates. No new policy has been implemented at this time. The committee discusses the [Financial Accountability in Research \(FAIR\)](#) model, which is a model that is being considered by the Joint Associations Group (JAG) on Indirect Costs.

Action: Updates

### **1:27pm-2:18pm: Investment/Endowment update, Investment Values Committee update**

Summary: EVP Hewlett introduces CIO Lundberg. CIO Lundberg provides an overview of the Investment Office. The office employs twenty investment professionals. They utilize UM resources for operational support. They oversee UM investments, develop an overall investment strategy, and implement with best-in-class external fund managers.

The individual endowments are combined into one fund that pays out proportionately. The Investment Office develops the overall investment strategy, and then selects the funds to invest in. The Investment Office reports up to the CFO's Office. Further structural information is shared.

Related taxes are discussed. UM is a tax-exempt entity, and a lot of work is needed to ensure that the institution is not responsible for paying investment-related taxes. UM has holdings all over the world, which requires appropriate review to avoid unnecessary taxation. It is noted that there are some taxes that UM is required to pay.

A chart is shared that shows the growth of the UM endowment, as well as annual distributions. The endowment in 2000 was ~\$3.5B. By 2025 it had grown to ~\$21.2B. Distributions have been stable and have risen with the growth of the endowment.



In stable financial times the distributions are set at 4.5% of the endowment. If the markets are faltering, this rate can be lower. In the past 5 years, distributions of the endowment have increased by 7-8%, which is high. A member asks who determines the 4.5% rate. The Board of Regents and President determine this. The 4.5% rate was last adjusted last in 2006. It was revisited in 2016 without change. The total value of UM's endowment is among the top 10 of higher education institutions. CIO Lundberg indicates that the value per student ranks 58<sup>th</sup> in the US.

CIO Lundberg explains the three types of LTP asset classes: return enhancers, diversifiers, and hedges are the LTP Asset Classes. A breakdown of how UM invests in each category is shared.

CIO Lundberg provides examples of UM investments in specific industries. He touts some of the environmentally-friendly and sustainability-focused investments. A member asks how UM is balancing the conflict of investing in resource-consuming data centers with our investment in environmentally conscious enterprises. CIO Lundberg explains what duties his office has, and the rationale for determining what to invest in. They take direction from the Board of Regents. Currently tobacco and oil/natural gas producers are not being invested in at the direction of the Board.

A member asks how frequently the report on LTP asset class distributions is updated. A monthly report is prepared for the Board of Regents. Historical asset allocation data is shared.

A member asks what are the guiding principles that determine investments in particular industries. CIO Lundberg indicates that there are many factors. They work diligently to ensure they are not invested in bad actors. Their goal is for the University to be a good financial actor. A member indicates that the Investment Values Committee would assist in reviewing this issue in a way that garners community input. CIO Lundberg indicates that the [Endowment Investment Report 2025](#) is available to the public on their webpage.

Chair Peterson thanks CIO Lundberg and EVP Hewlett for their engagement with the committee, and the meeting concludes.

Action: Discussion

**2:18pm: Adjournment**

Respectfully submitted,

Eric Vandenberghe  
Faculty Governance Coordinator  
Faculty Senate Office