

Commonwealth Health Research Board Meeting Minutes for December 15, 2016 **Draft**

Members in Attendance:

Cynda A. Johnson, M.D., M.B.A., Chair
L. Matthew Frank, M.D., Vice Chairman
Kenji M. Cunnion, M.D., M.P.H
Robert W. Downs, Jr., M.D.
John R. Onufer, M.D.
Julia Spicer

Members Absent:

Others in Attendance:

Anne C. Pace, M.P.A.	Administrator, Commonwealth Health Research Board
James F. O'Donnell, Ph.D.	Scientific Consultant to the Commonwealth Health Research Board
Merrill Mitler, Ph.D., M.P.H.	Scientific Consultant to the Commonwealth Health Research Board
Carla R. Collins	Senior Assistant Attorney General, Office of the Attorney General
Stephen Adelaar, C.F.A.	Investment Officer, Virginia Retirement System
David Cifu, M.D.	Chair, Virginia Biosciences Health Research Corporation
Mike Grisham	C.E.O., Virginia Biosciences Health Research Corporation

Call to Order:

Chair Cynda A. Johnson, M.D., M.B.A., called the meeting to order at 10:00 a.m. The meeting was held at the Wilton Center, University of Richmond, Virginia 23173. A quorum was present for the transaction of business throughout the meeting.

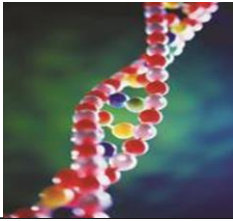
Approval of Minutes:

Dr. Downs moved to approve the minutes of the May 12, 2016 meeting. Dr. Frank seconded the motion. The motion was voted upon and passed unanimously.

Virginia Retirement System (V.R.S.) Financial Reports

Stephen Adelaar, C.F.A., Investment Officer for the Virginia Retirement System (V.R.S.) reviewed several documents with the members to include: [Source of documents: V.R.S. Finance Division]

1. Analysis of Commonwealth Health Research Fund Activity Report reflects the September 30, 2016 CHRF balance at \$34,959,859.32.
2. Performance Summary Rolling Periods ending September 30, 2016 which reflects Total VRS Fund Performance for various periods ranging from 1 year to 10 years.
3. Virginia Retirement System Asset Allocation as of September 30, 2016 for the Total VRS \$69.5 billion VRS Fund.

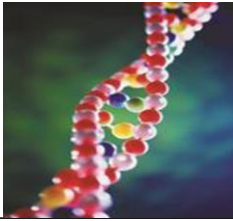


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Mr. Adelaar provided the following quarterly updates to the Board:

VRS performance:	Good absolute returns for 1, 3, and 5 years. Strong relative performance across board – beating benchmark over most longer-term horizons.
Asset Allocation – Diversified portfolio:	40.9% Public Equities 17.4% Fixed Income 18.6% Credit Strategies 12.8% Real Assets 7.8% Private Equity 2.1% Strategic Opportunities Portfolio 0.4% Cash
Economic Update:	GDP positive, lower than long term averages <ul style="list-style-type: none"> • Real GDP was +1.6% YoY through September (20 year average is 2.6%, 50 year average is 3.1%) November payroll number was reported in line with expectations. <ul style="list-style-type: none"> • Unemployment is at 4.6% through November, much lower than the 50 year average of 6.1% Inflation: CPI is at 0.2% YoY as of October, below long term averages at 2.5%
Market Update:	U.S. market has rallied since Trump’s election; up 6% Proposed tax reductions and deregulation policies may be additive to U.S. companies’ earnings Cyclical sectors have strongly outperformed defensive sectors Markets are still on the expensive side with U.S. stock market trading at 21x trailing, compared to longer-term average of 15-16x <ul style="list-style-type: none"> • Higher interest rates could put pressure on the stock market and multiples • The VRS portfolio has remained more defensively positioned Fed announced yesterday a quarter percentage point increase of the federal fund rates to between 0.50% and 0.75% <ul style="list-style-type: none"> • The Fed also announced it plans to raise rates faster than previously expected next year; three rates hikes expected for 2017



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CLOSED SESSION #1: Scoring of Grants in Future Grants Cycles and Consultation with Legal Counsel Concerning HB 30

In accordance with the provision of Section 2.2-3711 (A)(7) of the Code of Virginia, Dr. Johnson moved that the Board go into closed meeting for the purpose of

Consultation with legal counsel and briefings by staff members or consultants pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Board, and consultation with legal counsel employed or retained by the Board regarding specific legal matters requiring the provision of legal advice by such counsel regarding : the scoring of grants in future grant cycles and consultation with legal counsel concerning HB 30.

The motion was seconded by Dr. Downs. The motion was voted upon and passed unanimously.

Dr. Johnson moved that the Board reconvene in open session. Dr. Frank seconded the motion. The motion was voted upon and passed unanimously. The Board adopted the following resolution by roll call vote.

CERTIFICATION

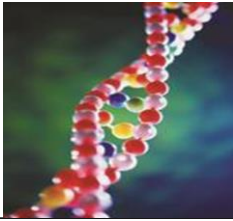
WHEREAS, the Commonwealth Health Research Board has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

WHEREAS, § 2.2-3712 of the *Code of Virginia* requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, that the Commonwealth Health Research Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board.

A roll call vote of members present approved this resolution unanimously.

Dr. Cunnion made a motion to explore opportunities to streamline the CHR B's grant application and review process; more specifically, to revisit compliance requirements, such as those concerning the participation of undergraduate students in CHR B-funded projects and the provision of other funding, budget, and team participant information; to revisit the process for reviewing Concept Papers; and to clarify the basis for Requests for Reconsideration. Ms. Spicer seconded the motion. The motion was voted upon and passed unanimously. In collaboration with CHR B Scientific Consultants and legal counsel, Administrator Pace will research the grant application process of the National Institutes of Health [NIH] and other grant funding organizations to assist the CHR B in streamlining its grants process in the submission and review of Concept Papers and Full Proposals. Recommended changes will be incorporated into the proposed CHR B Grant Guidelines and Application Instructions and CHR B's Policies and Procedures for review by the Board prior to the April meeting. Approval of these changes will occur at the April 13, 2017 meeting.



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OPEN SESSION:

Virginia Biosciences Health Research Corporation [VBHRC] Presentation

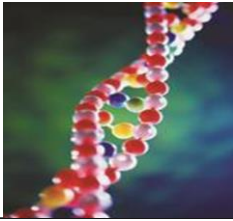
The Board welcomed Dr. David Cifu, Chair and Mike Grisham, C.E.O. of the Virginia Biosciences Health Research Corporation [VBHRC]. Dr. Cifu and Mr. Grisham provided an overview of their professional backgrounds and how they came to be involved with the VBHRC.

Mr. Grisham discussed the language included in the State's approved Budget for FY 2016/2017. He stated that the VBHRC Board has unanimously approved seven grant applications but are not able to fund all seven due to budget constraints in the current fiscal year. The VBHRC can only fund three of the VBHRC recommended grants without additional funding. Therefore, on behalf of the VBHRC and in reference to the Budget language, Mr. Grisham is requesting \$1.4 million, or \$200,000 per grant award, from the CHRB to award all seven grants. He confirmed that this was a one-time request from the VBHRC for FY 2016/2017 as the VBHRC's funding will increase to \$5M in FY 2017/2018. Mr. Grisham added that any CHRB funds contributed to the joint collaborative research efforts with VBHRC will be communicated in a joint press release.

Dr. Cifu and Mr. Grisham have also requested administrative assistance from the CHRB in tracking their ongoing grant projects to ensure that milestones have been reached; specifically, VBHRC would like to use the CHRB's automated Grants Application Management Electronic System [GAMES].

For reference: 2016 Virginia Acts of Assembly, Chapter 780 under "8" provides that, "Up to \$2,500,000 of the funds managed by the Commonwealth Health Research Board (CHRB), created pursuant to § 23-278. Code of Virginia, shall be directed toward collaborative research projects, approved by the boards of the VBHRC and CHRB, to support Virginia's core bioscience strengths, improve human health, and demonstrate commercial viability and a high likelihood of creating new companies and jobs in Virginia."

Dr. Johnson added that the CHRB has proactively explored opportunities for collaboration with other research organizations in Virginia. As part of the CHRB's Grant process for FY 2017/2018, all 66 Concept Papers were reviewed for future potential commercialization. Dr. Downs asked Dr. Cifu and Mr. Grisham whether the VBHRC would be open to receiving information about projects with potential for commercialization that have been submitted to CHRB, so that those projects could be further developed and perhaps become eligible for VBHRC funding in the future. (Although Dr. Cifu and Mr. Grisham would have to discuss the matter with the VBHRC, Mr. Grisham indicated that he was not aware of any reason that this could not be done.) In addition, Anne Pace, CHRB Administrator, has made presentations about the CHRB and its grant process throughout 2016 to other research organizations and committees that are interested in scientific/health research in Virginia.



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CLOSED SESSION #2: Consultation with Legal Counsel Concerning HB 30

In accordance with the provision of Section 2.2-3711 (A)(7) of the Code of Virginia, Dr. Johnson moved that the Board go into closed meeting for the purpose of

Consultation with legal counsel and briefings by staff members or consultants pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Board, and consultation with legal counsel employed or retained by the Board regarding specific legal matters requiring the provision of legal advice by such counsel regarding : consultation with legal counsel concerning HB 30.

The motion was seconded by Dr. Onufer. The motion was voted upon and passed unanimously.

Dr. Johnson moved that the Board reconvene in open session. Dr. Frank seconded the motion. The motion was voted upon and passed unanimously. The Board adopted the following resolution by roll call vote.

CERTIFICATION

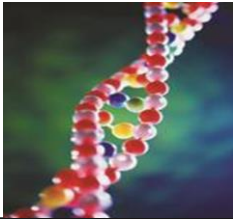
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A roll call vote of members present approved this resolution unanimously.

Dr. Downs made a motion for CHRB members to review all seven VBHRC grant proposals from a scientific perspective and provide comments to the CHRB Administrator, Anne Pace; and further moved that the Board delegate to its Chair, Dr. Johnson, the authority to act on behalf of the Board, consistent with the Board's discussion and consensus, concerning the decision to be relayed to the VBHRC by January 15, 2017 and any proposed legislation throughout the upcoming Legislative Session. Dr. Cunnion seconded the motion. The motion was voted upon and passed unanimously. Administrator Pace will contact Dr. David Cifu and Mr. Mike Grisham to inform them of the Board's decision to expeditiously review the seven VBHRC grant proposals and provide a response to the VBHRC's request by January 15, 2017.



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CHRB Financial Reports:

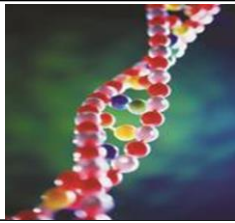
CHRB Revenue and Cash Balance as of November 30, 2016

Administrator Pace provided that the cash balance for CHRB administrative and grant budgets amounted to \$385,068.41 as of November 30, 2016.

**Approved FY 2016/2017 CHRB Administrative and Grants Expenses
[through November 30, 2016 which represents 5 months of the fiscal year]**

Administrator Pace provided the Board with FY 2016/2017 year-to-date [YTD] administrative and grant expenses through November 30, 2016: [Per the Commonwealth's new accounting system, CARDINAL]

FY 2016/2017	APPROVED FY 2016/2017 Administrative Budget	YTD 2016/2017 Expenses [as of November 30, 2016 or 5 months of the FY]	Expenses YTD as a % of Budget	Special Notes:
Total Administrative	\$ 217,328.55	\$ 106,007.83	49%	Greatest expenditures are for salaries, management services [scientific consultants and payment to the Department of Accounts for fiscal services], and attorney services.
Total Grant Disbursements	\$ 1,213,983.00	\$ 948,814.21	78%	Majority of funds disbursed in July 2016 for initial grant payments



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Grant Funding Available for FY 2017/2018 CHRBR Grant Awards

Administrator Pace provided updates regarding grant funding available for 2017 Grant Awards. Various funding scenarios ranging from 3.5% up to 6.0% were provided. V.R.S. and CHRBR Administrative Expenses, as well as outstanding CHRBR Grant Obligations will be subtracted from the grant funding available to provide the amount of CHRBR funds available for new FY 2017/2018 grants.

Funds available for 2017 Grant Awards

Calendar Year		Market Value as of 12/31/xx
January 31 - December 31, 2011	Year 1	\$27,511,097.32
January 31 - December 31, 2012	Year 2	\$29,885,251.45
January 31 - December 31, 2013	Year 3	\$33,153,077.91
January 31 - December 31, 2014	Year 4	\$34,600,580.37
January 31 - December 31, 2015	Year 5	\$34,052,161.12
	Total	\$159,202,168.17
Average Market Value*		\$31,840,433.63

Source: VRS Finance Division CHRBR Activity Report through December 2011

Source: VRS Finance Division CHRBR Activity Report through December 2012

Source: VRS Finance Division CHRBR Activity Report through December 31, 2013

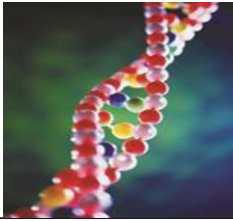
Source: VRS Finance Division CHRBR Activity Report through December 31, 2014

Source: VRS Finance Division CHRBR Activity Report through December 31, 2015

*Five-year average market value amount of \$31,840,433.63 is based upon figures provided by the Virginia Retirement System. This amount is the average market value of the previous five calendar years.

Available Grant Funding and Funding Scenarios	4.00%	4.50%	5.00%	5.50%	6.00%
Average Market Value = \$31,840,433.63	\$31,840,434	\$31,840,434	\$31,840,434	\$31,840,434	\$31,840,434
Available Grant Funding based upon average market value and % scenario	\$1,273,617	\$1,432,820	\$1,592,022	\$1,751,224	\$1,910,426
Less estimated VRS administrative expenses	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600
Less estimated CHRBR administrative expenses	\$217,328	\$217,328	\$217,328	\$217,328	\$217,328
Grant funding available less VRS & CHRBR administrative expenses	\$1,053,689	\$1,212,892	\$1,372,094	\$1,531,296	\$1,690,498
Grant funding available less outstanding grant expenses to be paid in FY 2017/2018	\$644,357	\$644,357	\$644,357	\$644,357	\$644,357
Grant funding available to award FY 2017/2018	\$409,332	\$568,535	\$727,737	\$886,939	\$1,046,141

Grant funding to be paid in FY 2017/2018 = FY 2015/2016 final grant payments of \$119,361 and FY 2016/2017 final and initial second year payments of \$524,996 for a total of \$644,357.



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**CLOSED SESSION #3: FY 2017/2018 CHRB Grant Process
Step One: Concept Paper Submissions**

Dr. Johnson moved that the Board go into closed session in accordance with the provisions of Virginia Code § 2.2-3711 (A) (7), § 2.2-3711 (A) (30), and § 2.2-3705.6(17) for the purpose of

Consultation with legal counsel and briefings by staff members or consultants pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Board, and consultation with legal counsel employed or retained by the Board regarding specific legal matters requiring the provision of legal advice by such counsel regarding:

records submitted as a grant or loan application, or accompanying a grant or loan application.....to the extent such records contain proprietary business or research-related information produced or collected by the applicant in the conduct of or as a result of study or research on medical, rehabilitative, scientific, technical, technological, or scholarly issues, when such information has not been publicly released, published, copyrighted, or patented, if the disclosure of such information would be harmful to the competitive position of the applicant. Virginia Code § 2.2-3705.6 (17).

The motion was seconded by Dr. Onufer. The motion was voted upon and passed unanimously.

Dr. Johnson moved that the Board reconvene in open session. Ms. Spicer seconded the motion. The motion was voted upon and passed unanimously. The Board adopted the following resolution by roll call vote.

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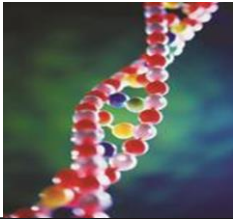
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A roll call vote of members present approved this resolution unanimously.

Dr. Frank made a motion to request that 21 Concept Papers be developed into Full Proposals. Ms. Spicer seconded the motion. The motion was voted upon and passed unanimously. Administrator Pace will contact these Principal Investigators regarding the CHRB's request for a Full Proposal submission from each. Administrator Pace will also provide reviewer comments to those Principal Investigators from whom Full Proposal submissions will not be requested.



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Other Business to come before the Board:

GAME System [Grant Application Management Electronic System]: New for the 2017/2018 grant process is the ability to add individual confidential notations as each Concept Paper is being reviewed. Future enhancements include capability of reviewing interim and final scientific and fiscal progress reports as well as evaluation updates for each CHRB grant award.

Annual Financial Disclosure Forms are due to the Office of the Secretary of the Commonwealth by January 17, 2017: Beginning November 1, 2015, the Virginia Conflict of Interest and Ethics Advisory Council will assume responsibilities concerning the State and Local Conflict of Interests Act. Statements of Economic Interest and Financial Disclosure forms will be submitted through their website: <http://ethics.dls.virginia.gov/>. Administrator Pace will coordinate this process with the members.

Next meeting:

Dr. Johnson moved that the meeting be adjourned. The motion was seconded by Dr. Frank, voted upon and passed unanimously by the Board. The meeting adjourned at 4:00 p.m.

The Board's next meeting will be Thursday, April 13, 2017 in Richmond, Virginia at the Wilton Center, University of Richmond. The meeting will begin promptly at 10:00 a.m. At this meeting, as part of the 2017/2018 grant review process, the Board will review the recommendations of the review panel and determine which Full Proposals should be presented to the Board.

For planning purposes, please note that presentations to the Board are scheduled for Thursday, May 18, 2017 at the Gottwald Science Center, University of Richmond.