

Commonwealth Health Research Board Meeting Minutes for December 14, 2017

Members in Attendance:

Cynda A. Johnson, M.D. M.B.A., Chair
L. Matthew Frank, M.D., Vice Chair
Kenji M. Cunnion, M.D., M.P.H.
Robert W. Downs, Jr., M.D.
Thomas W. Eppes, Jr., M.D.

Members Absent:

John R. Onufer, M.D.
Julia Spicer

Others in Attendance:

Anne C. Pace, M.P.A.
Carla R. Collins

Raya Mandler, Ph.D.
Merrill Mitler, Ph.D.
Arnold Revzin, Ph.D.
Daniel Whitlock

Position:

Administrator
Senior Assistant Attorney General
Office of the Attorney General
Scientific Consultant
Scientific Consultant
Scientific Consultant
Director of Global Equities
Virginia Retirement System

Call to Order:

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

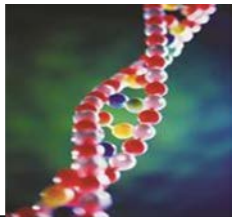
Approval of Minutes:

Dr. Downs moved to approve the minutes of the May 18, 2017 meeting. Dr. Frank seconded the motion. The motion was voted upon and passed unanimously.

Virginia Retirement System (VRS) Financial Reports

Daniel Whitlock, Director of Global Equities for the Virginia Retirement System (VRS) reviewed several documents with the members to include [Source of documents: VRS Finance Division]

1. Analysis of Commonwealth Health Research Fund Activity Report reflects the September 30, 2017 CHRFB balance at \$37,532,044.08.
2. Performance Summary Rolling Periods ending September 30, 2017 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, 2017 for the Total VRS \$76 billion VRS Fund.



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Mr. Whitlock provided the following quarterly updates to the Board as of September 30, 2017:

VRS performance: Positive absolute returns for 1, 3, 5, 10, 15, 20, 25 years
Strong relative performance across board – beating benchmark over most longer time horizons

Asset Allocation – Diversified portfolio: 41.6% Public Equities
16.3% Fixed Income
17.2% Credit
12.6% Real Assets
9.1% Private Equity
2.5% Strategic Opportunities (opportunities that don't fit into the other buckets)
0.7% Cash

Economic Update: GDP positive, lower than long term averages

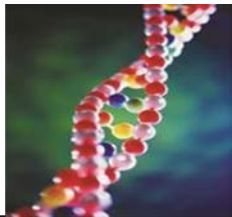
- Real GDP was +2.3% YoY through September (20-year average is 2.6%, 50-year average is 3.1%)
- Unemployment is at 4.1% through November, much lower than the 50-year average of 6.1%
- Inflation: CPI is at 2.0% YoY as of October, below long term averages at 2.5%

Market Update: Market is continuing to digest good earnings, higher geopolitical risks, and the potential for rising interest rates.

- Tax and deregulation policies would be additive to earnings
- Seeing cyclical sectors continue to outperform defensive sectors
- US. Market is trading at 22x trailing earnings, 19x Forward Earnings
 - Getting a bit rich for some – long term expectations of pricing around 15 – 17x
 - If interest rates creep upward, this will put downward pressures on the multiple
 - If interest rates remain low, multiples could remain elevated
- Earnings growth continues to come through quite strong

In referencing a handout provided to the CHRFB Members, Dr. Johnson asked Mr. Whitlock if the total market value of \$76 billion, as of September 2017, represented a high water mark or if the assets are greater. Mr. Whitlock confirmed that the \$76 billion was a high water mark to that point and includes everything VRS manages.

The Board then discussed the types of information it would like to receive from the VRS representative in the future regarding the management of the Commonwealth Health Research Fund (CHRF) and the CHRF's growth in the short term and in the long term. Administrator Pace will follow up with the Board members to develop a specific request of VRS for more dynamic presentations to not only inform the Board of the CHRF's status; but also to advise the Board concerning how VRS intends to grow the CHRF.



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CHRB Financial Reports:

FINAL FY 2016/2017 (July 1, 2016 - June 30, 2017) CHRB Administrative & Grants Expenses
 Administrator Pace provided the Board with FY 2016/2017 FINAL administrative and grant expenses through June 30, 2017: [Per the Commonwealth's CARDINAL accounting system]

FY 2016/2017 Revenue and Cash Balance

CHRB Revenue and Cash Balance as of June 30, 2017	\$ 272,494.77
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FY 2016/2017 Final Expenses

CHRB Final Expenses as of June 30, 2017	Approved	Expenses	Difference
Administrative	\$ 217,329.55	\$ 238,997.84	\$ (21,668.29)
Grant Disbursements	\$1,213,983.00	\$1,130,626.19	\$ 83,356.81

The majority of the shortfall was related to expenses in the Attorney Services and Department of Accounts (DOA) Fiscal Services categories. The Budget shortfall in the Attorney Services category resulted from a change in the manner of paying for services from a one-year lag in billing to paying a retainer advance with a cap of \$10,000. The increase in expenses in the DOA Fiscal Services category resulted from the cost of developing the Grants Application Management Electronic System (GAMES); the CHRB's new automated grants submission process.

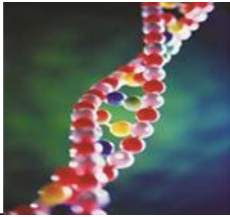
Year-to-Date 2017/2018 (July 1, 2017 – June 30, 2018) CHRB Administrative & Grants Expenses through October 31, 2017

FY 2017/2018 Revenue and Cash Balance

CHRB Revenue and Cash Balance as of October 31, 2017	\$ 458,428.65
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FY 2017/2018 Year to Date (YTD) Expenses

CHRB Final Expenses as of October 31, 2017	Approved	Expenses through October 31, 2017 or 4 months of the fiscal year	Expenses YTD as a % of Budget	Difference	Notes:
Administrative	\$ 244,464.94	\$ 87,561.96	36%	\$ 156,902.98	Greatest expenditures are for salaries, management services (scientific consultants and attorney services).
Grant Disbursements	\$950,916.00	\$1,006,589.46	106%	(\$ 55,673.46)	Majority of funds disbursed in July 2017 for initial grant payments and payment to CHRB VBHRC joint collaborative project.



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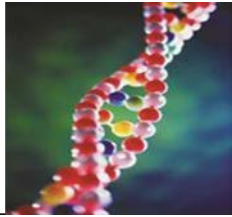
Grant Funding Available for FY 2018/2019 CHRFB Grant Awards

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. VRS and CHRFB Administrative Expenses, as well as outstanding CHRFB Grant Obligations, were subtracted from the grant funding available to provide the amount of CHRFB funds available for new FY 2018/2019 grants.

Funds available for 2018 Grant Awards

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Calendar Year		Market Value as of 12/31/xx	
January 1 - December 31, 2012	Year 1	\$29,885,251.45	Source: VRS Finance Division Analysis of CHRFB Activity Report through December 31, 2012
January 1 - December 31, 2013	Year 2	\$33,153,077.91	Source: VRS Finance Division Activity Report through December 31, 2013
January 1 - December 31, 2014	Year 3	\$34,600,580.37	Source: VRS Finance Division Activity Report through December 31, 2014
January 1 - December 31, 2015	Year 4	\$34,052,161.12	Source: VRS Finance Division Activity Report through December 31, 2015
January 1 - December 31, 2016	Year 5	\$35,296,332.08	Source: VRS Finance Division Activity Report through December 31, 2016
	Total	\$166,987,402.93	
	Average Market Value	\$33,397,480.59	
Funds available for 2018 grants based on 5% of the average market value	5.00%	\$1,669,874	
Less Administrative Expenses:			
Less Operating Expenses (using FY 2017/2018 Operating Expenses)		\$244,465	
Less VRS Administrative Fees		\$2,600	
Total Administrative Expenses		\$247,065	
Funds Available for 2018 grants less estimated expenses:		\$1,422,809	

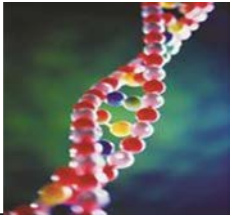


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Available Grant Funding Scenarios	4.00%	4.50%	5.00%	5.50%	6.00%
Average Market Value = \$33,397,480.59	\$33,397,481	\$33,397,481	\$33,397,481	\$33,397,481	\$33,397,481
Available Grant Funding based upon average market value and % scenario	\$1,335,899	\$1,502,887	\$1,669,874	\$1,836,861	\$2,003,849
Less estimated VRS administrative expenses	\$2,600	\$2,600	\$2,600	\$2,600	\$2,600
Less estimated CHRB administrative expenses	\$244,465	\$244,465	\$244,465	\$244,465	\$244,465
Grant funding available less VRS & CHRB administrative expenses	\$1,088,834	\$1,255,822	\$1,422,809	\$1,589,796	\$1,756,784
Grant funding available less outstanding grant expenses to be paid in FY 2018/2019	\$638,537	\$638,537	\$638,537	\$638,537	\$638,537
Grant funding available to award FY 2018/2019	\$450,297	\$617,285	\$784,272	\$951,259	\$1,118,247

Grant funding to be paid in FY 2018/2019:

	Final Grant Payment Year 2	Final Grant Payment Year 1	Initial Grant Payment Year 1	Total
For CHRB Grants Awarded in FY 2016/2017	\$124,999			\$124,999
For CHRB Grants Awarded in FY 2017/2018		\$129,925	\$383,612	\$513,538
Total	\$124,999	\$129,925	\$383,612	\$638,537



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CLOSED SESSION: FY 2018/2019 CHRB Grant Process

MOTION

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

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

CERTIFICATION (After closed meeting; roll call vote)

Dr. Frank moved the adoption of the following resolution:

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, Section 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. Downs made a motion that 20 Concept Papers be developed into Full Proposals. Dr. Cunnion seconded the motion. The motion was voted upon and passed unanimously. Administrator Pace will contact these 20 Principal Investigators regarding the CHRB's request for a Full Proposal submission. Administrator Pace will also provide reviewer comments to those Principal Investigators from whom Full Proposal submissions will not be requested.



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CHRB Members and staff discussed several issues regarding the scientific review of grant applications, adding a “Substance Abuse and Addiction” category to the list of disease/research categories, and how to reflect potential Patents and Future Commercialization of CHRB proposals.

Scientific Review of Concept Papers and Full Proposals:

The scientific reviewer for a Concept Paper that has been selected to go forward to a Full Proposal will be the primary reviewer for the Full Proposal. The other scientific reviewers will review the Primary Reviewer’s comments and add additional thoughts if necessary. This “secondary review” of the Full Proposal will not be a separate scientific review.

Dr. Frank and Dr. Cunnion have asked for a proposal by staff regarding:

- [1] How scientific reviews of Concept Papers and Full Proposals should be assigned.
- [2] Whether feedback should be provided to applicants who move forward in the grant process at each step in the grant process as well as to “unsuccessful candidates”.
- [3] Whether questions should be provided to applicants prior to their presentation so that they understand what the Board is interested in knowing. Dr. Downs asked who will develop these questions.
- [4] Whether, for those projects that propose the development of products, the feedback should inform the applicant of other research funding organizations that may be a better fit --- e.g. Virginia Biosciences Health Research Corporation (VBHRC), Virginia Research Investment Fund (VRIF) and the Commonwealth Research Commercialization Fund (CRCF) --- because these organizations expressly provide funding for product commercialization and private sector collaboration.

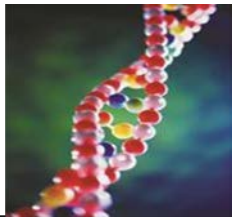
Discussion concerning adding “Substance Abuse and Addiction” and/or “Substance Abuse/Mental Health” as new disease research areas for categorizing applicable projects:

- [1] Due to current issues involving substance abuse, such as the opioid epidemic, a “Substance Abuse and Addiction” research category should be added to our list of disease/research areas.

Discussion concerning potential Patents and Future Commercialization of CHRB proposals:

- [1] Review of the areas currently reflected on the “Potential Future Commercialization” category which appears on the CHRB internal Scientific and Administrative Review Summaries. Dr. Cunnion explained that you cannot patent genes. Staff and the scientific reviewers are to review metrics and propose changes as necessary.

Potential Future Commercialization	Yes	No
Device Patent		
Design Rights		
Species Patent		
Use Patent		



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Other Business to come before the Board: Administrator Pace

CHRB Grant progress for Ongoing Awards:

An overview of the status of ongoing 2016 and 2017 CHRB Grant Awards was provided to include reporting periods. More detail concerning these ongoing grants and their fiscal and scientific progress will be distributed to members.

Annual Financial Disclosure Forms due by February 1, 2018:

Virginia Conflict of Interest and Ethics Advisory Council has issued a reminder regarding the submission of an annual financial disclosure from each of CHRB's members. The filing covers the prior calendar year of January 1, 2017 to December 31, 2017. All disclosures must be submitted electronically through the online filing system. Administrator Pace will coordinate this process with the members.

Proposed Audit of Public Accounts (APA) legislative changes:

Members were provided with an update concerning changes proposed by the APA:

APA Proposed Change

Title 32.1. Health » Chapter 5.3. Commonwealth Health Research Board and Fund; Christopher Reeve Stem Cell Research Fund » § 32.1-162.29. Form and audit of accounts and records

§ 32.1-162.29. Form and audit of accounts and records.

A. The accounts and records of the Board showing the receipt and disbursement of funds from whatever source derived shall be in such form as the Auditor of Public Accounts prescribes.

B. The accounts and records of the Board are subject to ~~an annual~~ audit by the Auditor of Public Accounts or his legal representative.

1997, cc. 803, 888, 891, § 23-285; 2016, c. 588.

Per discussion with CHRB Chair, Cynda A. Johnson, M.D., M.B.A., and in collaboration with our legal counsel, we would like to propose the following suggested change [see below]. The rationale behind this suggested change in lieu of the APA proposed change is as follows: The CHRB has no objection to have an audit less frequently than annually; but some degree of specificity needs to be provided. All parties need to know what to expect and transparency for the use of public funds is at issue.

CHRB Suggested Change

Title 32.1. Health » Chapter 5.3. Commonwealth Health Research Board and Fund; Christopher Reeve Stem Cell Research Fund » § 32.1-162.29. Form and audit of accounts and records

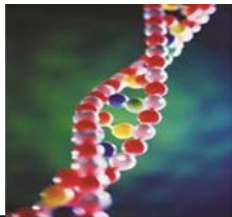
§ 32.1-162.29. Form and audit of accounts and records.

A. The accounts and records of the Board showing the receipt and disbursement of funds from whatever source derived shall be in such form as the Auditor of Public Accounts prescribes.

B. The accounts and records of the Board are subject to audit by the Auditor of Public Accounts or his legal representative ~~every three calendar years~~.

1997, cc. 803, 888, 891, § 23-285; 2016, c. 588.

APA's response: They will not move forward with the proposed change for the CHRB; the current language regarding audits will remain the same.



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Proposed deletion of VBHRC and CHRB language Chapter 836:

On Friday, October 20, 2017, on behalf of the Commonwealth Health Research Board (CHRB), two budget amendment requests were submitted to the Department of Planning and Budget (DPB) by the Commonwealth Health Research Board (CHRB):

The CHRB's first request would eliminate the following language that appears in Chapter 836, Item 106: I.8.: "Up to \$2,500,000 of the funds managed by the Commonwealth Health Research Board (CHRB), created pursuant to § [32.1-162.23](#), 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."

The CHRB's second request would add the following language: "The CHRB will continue to collaborate with other scientific and health research organizations in Virginia to the extent permitted by law and consistent with its statutory purpose" to:

Chapter 836

Item	Item Detail	Item Details	First Year	Second Year
	First Year FY	Second Year	FY2017	FY2018
	2017	FY2018		
271	Financial Assistance for Health Research (40700)		\$1,326,344	\$1,326,344
	Health Research Grant Administration Services (40701)	\$1,326,344	\$1,326,344	
	Fund Sources: Dedicated Special Revenue	\$1,326,344	\$1,326,344	

Authority: Title 2.2, Chapter 8, Code of Virginia

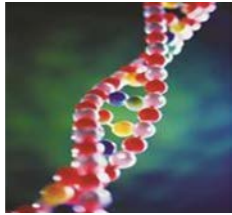
The Department of Accounts is authorized to disburse, as fiscal agent for the Commonwealth Health Research Board, funds received from the Virginia Retirement System pursuant to § 32.1-162.28, Code of Virginia.

"The CHRB will continue to collaborate with other scientific and health research organizations in Virginia to the extent permitted by law and consistent with its statutory purpose."

The rationale supporting these requests is as follows:

[1] The CHRB has complied with the language by collaborating with VBHRC on, and providing funding for, the EVMS/GMU/Sanyal Technologies, LLC project.

[2] VBHRC's need for additional funding has been addressed through subsequent amendments to Chapter 836. Initially, the General Assembly approved second- year funding of \$5,000,000 for the VBHRC, but it was reduced to \$2,500,000. As a result, the Budget was amended further to provide for the collaboration between the CHRB and the VBHRC. Subsequent to that collaboration, the 2017 Budget was approved. It includes an increase to the second-year budget for the VBHRC of an additional \$1,250,000 --- making the second-year budget for VBHRC \$3,750,000.



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[3] The CHRHB has proactively explored opportunities for collaboration with other scientific and health research organizations in Virginia such as the Virginia Biosciences Health Research Corporation (VBHRC), the Virginia Research Commercialization Fund (VRCF) and the Virginia Research Investment Fund/Committee (VRIF/VRIC). By statute, the CHRHB does not fund projects for commercialization; however, the other research organizations do. The CHRHB recommends these other funding sources to those applicants that include a commercialization component in their applications.

As part of the CHRHB's Grant process for FY 2017/2018 and FY 2018/2019, Concept Papers were reviewed for potential future commercialization. Additionally, Anne Pace, CHRHB Administrator, has made presentations about the CHRHB and its grant process to other research organizations and committees that are interested in scientific/health research in Virginia.

VBHRC and CHRHB Collaborative funding project: EVMS/GMU/*Sanyal Technologies*

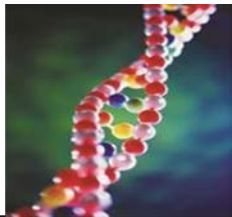
The CHRHB in collaboration with the Virginia Biosciences Health Research Corporation [VBHRC] have joined together to provide funding for Eastern Virginia Medical School [Prime University/Grantee Institution], George Mason University [First Partner University], and Sanyal Biotechnology LLC [Industry Partner]. The CHRHB has contributed **\$200,000** to Eastern Virginia Medical School for this jointly funded research project while the VBHRC has contributed **\$100,000** towards this project.

First Interim Scientific Review:

The report was prepared and provided to CHRHB by Dr. Nadler.

Job Creation: The PI states that the team's activities have created, since January 2017, 2 part-time, 1 full-time, and 1 contractor position. Projected number of jobs to be created in the next three years is 8-10.

Progress made by Dr. Nadler and his team appears to be satisfactory and continued funding is recommended. The next scientific and fiscal reports are due to the CHRHB by February 15, 2018.



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SCHEV and VRIC's Study of Virginia's Research Assets by *TEconomy Partners, LLC*

At the invitation of the Virginia Research Investment Committee (VRIC), Administrator Pace attended a kick off meeting on August 24, 2017 where TEconomy Partners, LLC of Columbus, Ohio presented their proposal to study the research assets of the Commonwealths institutions of higher education, its private sector companies, and the federal facilities located here.

The purposes of the study are to:

- (i) Evaluate Virginia's current capabilities in opportunities and capacities for commercialization of the results of its academic research and development [R&D];
- (ii) Assess Virginia's future opportunities and capacities for commercializing the results of its academic R&D;
- (iii) Develop recommendations regarding where and how the Commonwealth should direct its resources to accomplish VRIC's statutory mandate.

For reference:

Summary of VRIC's statutory mandate is as follows:

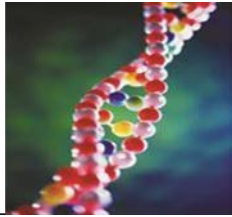
The 2016 Virginia General Assembly passed, and Governor Terry McAuliffe signed, legislation to support the academic-research enterprise in the Commonwealth. Enacted as Article 8 of Chapter 31 of Title 23.1 ([§23.1-3130 through §23.1-3133](#)) of the Code of Virginia, the legislation created the Virginia Research Investment Fund (VRIF) and an awarding body, the Virginia Research Investment Committee (VRIC). The Director of SCHEV is designated as VRIC Chair. SCHEV is charged with establishing guidelines, procedures, and objective criteria for the award of grants from VRIF. In 2017, amendments to the authorizing statutes were proposed as SB1371/HB2245 and signed into law as [Chapter 816](#).

Appropriations

In December 2016, the Governor's Executive Amendments to the 2016-2018 Biennial Budget included reductions to VRIF appropriations. The final budget bill of the 2017 General Assembly Session, [Chapter 836](#), designated \$4 million for VRIF in FY2017 and \$8 million in FY2018, as well as \$29 million in bonding authority in FY2017 to support the purchase of research equipment or laboratory renovations associated with researcher incentive packages and the translation of research into commercial use (see [Item 255](#)). The budget also designated the VRIF as recipient of the final proceeds of the sale of certain property in Loudon and Fairfax counties deemed surplus (see Paragraph U of [Item 428](#)).

CHRB Website redesign update:

The members were updated on the progress of the newly designed CHRB Website. A link to the proposed website will be forwarded to members for their review and suggestions.



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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 2:15 p.m.

The Board's next meeting will be Thursday, April 5, 2018 in Richmond, Virginia at the Gottwald Science Center, University of Richmond. The meeting will begin promptly at 10:00 a.m. At this meeting, as part of the 2018/2019 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 10, 2018 at the Gottwald Science Center, University of Richmond.