

I.2. Business and Finance Committee

Thursday, December 5, 1997
Room 1511 Van Hise Hall
10:00 a.m.

- a. Closed session to consider trust fund matters, as permitted by s. 19.85(1)(e) *Wis. Stats.*

1:00 p.m. 1820 Van Hise Hall

(All Regents Invited)

- 1997 Accountability Report (Education Committee)

- b. Kick-off for 1999-01 Biennial Budget Planning (Business and Finance Committee)

1:30 p.m. 19th Floor Van Hise Hall

- c. Approval of minutes of the November 6, 1997 meeting of the Business and Finance Committee

- d. Principles for An Optional Retirement System
[Resolution I.2.d.]

- e. Salary policy for UW System Senior Executives - Amendment to Delegate Authority
[Resolution I.2.e.]

- f. Report on Management and Staff Positions
[Resolution I.2.f.]

- g. Annual Broadcast Station Report

- h. UW-Madison Mainframe Computer Report
[Resolution I.2.h.]

- i. Differential Tuition Proposal-UW-Madison MBA Program
[Resolution I.2.i.]

- j. Report of the Vice President
(1) Agreement with private for-profit making organization
UW-Madison Contractual Agreement with Pfizer, Inc.
[Resolution I.2.j.(1)]

- k. Additional items which may be presented to the Business and Finance Committee with its approval

- l. Trust Funds
(1) Endowment Spending Plan
(2) Modification of Investment Guidelines for Custodial Short Term Investment Fund
[Resolution I.2.l.(2)]
(3) Modification of Investment Guidelines to Update Definitions/Restrictions
[Resolution I.2.l.(3)]

- m. Closed session to consider compensation and trust fund matters, as permitted by s. 19.85(1)(c) and (e) *Wis. Stats.*

Principles for An Optional
Retirement System

BUSINESS AND FINANCE COMMITTEE

Resolution:

That upon the recommendation of the President of the University of Wisconsin System, the Board of Regents (Board) declares that it could support a bill authorizing an Optional Retirement System (ORS) for any unclassified University staff providing that the bill -

1. Authorizes the Board to establish an ORS as a qualified plan pursuant to 401(a) of the Internal Revenue Code at such time and incorporating such plan provisions as it deems advisable for the good of the University and its employees, including the provisions that the ORS must be established and maintained solely for the benefit of participants and their beneficiaries and that the contributions to the ORS are held in trust for this purpose and cannot be refunded to the employer or otherwise diverted;
2. Authorizes the Board to retain oversight and control of the ORS;
3. Authorizes the Board to determine the number of vendors in the ORS and the types of products offered by the vendors;
4. Guarantees the contractual rights of ORS participants to benefits accrued under the Wisconsin Retirement System (WRS);
5. Authorizes the Board to provide long-term disability insurance for ORS participants by deducting from the retirement contribution the cost of participants' long-term disability insurance;
6. Authorizes the Board to charge to ORS participants and/or ORS vendors any new administrative costs directly related to the ORS;
7. Authorizes the Board to ensure equity in employer-paid retirement contributions among all employee groups;
8. Authorizes the Board to modify or to terminate any vendor contract;
9. Authorizes the Board to allow new staff to elect to participate in the ORS or the WRS; to determine whether current staff may also elect prospective participation in the ORS, and to determine the irrevocability of any such election;
10. Acknowledges the University's interest in preserving the excellence of the WRS by permitting the University to consider the potential impact of plan provisions on the ability of the WRS to meet its current and future liabilities and on the State Investment Board's investment of assets in the State of Wisconsin, as determined by a state-funded actuarial study; and,
11. Continues full state funding of retirement plans.

The Board further declares that its purpose in providing an ORS will be to enhance the University's efforts to recruit and to retain faculty and academic staff of the highest quality.

PRINCIPLES FOR AN OPTIONAL RETIREMENT SYSTEM

EXECUTIVE SUMMARY

BACKGROUND

State legislation has been introduced which would provide an Optional Retirement System (ORS) for faculty and academic staff in the University of Wisconsin System. Assembly Bill 331 (AB 331) has been referred to committee. In order to frame a UW System position on legislation which is evolving, it is believed essential that the System clearly outline the principles of an ORS the Board believes are important. The proposed resolution contains principles developed in consultation with the Fringe Benefits Advisory Committee (FBAC) and institutional administrators.

REQUESTED ACTION

Approval of Resolution I.2.d.

That upon the recommendation of the President of the University of Wisconsin System, the Board of Regents (Board) declares that it could support a bill authorizing an Optional Retirement System (ORS) for any unclassified University staff providing that the bill -

1. Authorizes the Board to establish an ORS as a qualified plan pursuant to 401(a) of the Internal Revenue Code at such time and incorporating such plan provisions as it deems advisable for the good of the University and its employees, including the provisions that the ORS must be established and maintained solely for the benefit of participants and their beneficiaries and that the contributions to the ORS are held in trust for this purpose and cannot be refunded to the employer or otherwise diverted;
2. Authorizes the Board to retain oversight and control of the ORS;
3. Authorizes the Board to determine the number of vendors in the ORS and the types of products offered by the vendors;
4. Guarantees the contractual rights of ORS participants to benefits accrued under the Wisconsin Retirement System (WRS);
5. Authorizes the Board to provide long-term disability insurance for ORS participants by deducting from the retirement contribution the cost of participants' long-term disability insurance;
6. Authorizes the Board to charge to ORS participants and/or ORS vendors any new administrative costs directly related to the ORS;
7. Authorizes the Board to ensure equity in employer-paid retirement contributions among all employee groups;
8. Authorizes the Board to modify or to terminate any vendor contract;
9. Authorizes the Board to allow new staff to elect to participate in the ORS or the WRS; to determine whether current staff may also elect prospective

- participation in the ORS, and to determine the irrevocability of any such election;
10. Acknowledges the University's interest in preserving the excellence of the WRS by permitting the University to consider the potential impact of plan provisions on the ability of the WRS to meet its current and future liabilities and on the State Investment Board's investment of assets in the State of Wisconsin, as determined by a state-funded actuarial study; and,
 11. Continues full state funding of retirement plans.

The Board further declares that its purpose in providing an ORS will be to enhance the University's efforts to recruit and to retain faculty and academic staff of the highest quality.

DISCUSSION AND RECOMMENDATIONS

Several legislators have expressed an interest in moving forward AB 331 (Attachment 1) that would provide an Optional Retirement System for selected faculty and academic staff. It is anticipated that in the near future the Board will be asked to take a position relative to an ORS. In order to guide the administration's analysis on such a bill, the principles articulated in the proposed resolution, developed in consultation with institutional administrators and the FBAC, are recommended to the Board.

For faculty and academic staff the 1998 WRS contributions are 11.0% of payroll, including 5.0% in employee-required, 4.8% in employer-required, and 1.2% in Benefit Adjustment (BAC) contributions. This total includes long-term disability insurance. Under the 1998 compensation plan, the entire contribution is paid by the employer. In addition, the University pays 1.3% of covered payroll to amortize its WRS unfunded liability (prior service). (AB331 provides for an ORS contribution equal to the employer-required and employee-required contributions to the WRS. The University's prior service liability would continue to be calculated on its entire covered payroll, including ORS participants. The bill is silent about the BAC.) The principles were developed based on an assumption that the Board would want to maintain equivalent costs for benefits whether provided by an ORS or WRS. A brief explanation of each of the principles is as follows:

1. Authorize the Board to establish an ORS as a qualified plan pursuant to 401(a) of the Internal revenue Code (IRC) at such time and incorporating such plan provisions as it deems advisable for the good of the University and its employees, including the provisions that the ORS must be established and maintained solely for the benefit of participants and their beneficiaries and that the contributions to the ORS are held in trust for this purpose and cannot be refunded to the employer or otherwise diverted - The current draft bill *mandates* creation of an ORS. It is desirable that the Board not be required to offer an ORS but rather be authorized to establish an ORS only after careful review and plan design. The WRS is qualified pursuant to 401(a) so that participant and employer contributions and investment earnings are deferred for tax purposes. Similar treatment is desirable for ORS contributions and earnings. Similar treatment would also allow employees to continue to

make voluntary contributions to the University's 403(b) tax sheltered annuity program without encountering new contribution limits.

2. Authorize the Board to retain oversight and control of the ORS - Oversight and control may include monitoring vendors' education programs and participant service, financial auditing, contract enforcement and negotiation, and plan design and amendment.
3. Authorize the Board to determine the number of vendors in the ORS and the types of products offered by the vendors - It is generally regarded as advisable to provide more than one vendor and to provide an array of insurance and mutual fund products. Criteria for recruiting and selecting vendors and products should be developed at the direction of the Board.
4. Guarantees the contractual rights of ORS participants to benefits accrued under the Wisconsin Retirement System (WRS) - As presently being considered, an employee's life, health, and income continuation insurance benefits will not be affected by election of the ORS. However, complex issues of contractual rights to retirement benefits may arise if current employees are permitted to elect prospective coverage under the ORS. Benefit eligibility under the WRS is usually conditioned on covered employment by a participating employer. When an employee continues active employment but transfers prospective coverage to the ORS, issues may arise such as employee eligibility for WRS benefit improvements enacted after electing an ORS; impact of salary after electing ORS on final average earnings for WRS benefit calculations; rights of an alternate payee under a Qualified Domestic Relations Order; impact of ORS election on WRS separation benefit or special death benefit; option of the ORS to accept roll-over of separation benefits; change in eligibility for the ORS by virtue of change of service designation (classified vs. unclassified). A thorough review of existing statutes and administrative rules will be needed to clarify these issues.
5. Authorizes the Board to provide long-term disability insurance for ORS participants by deducting from the employer-paid retirement contribution the cost of participants' long term disability insurance - WRS participants are covered by a long-term disability program funded from employer's contributions to the plan. Absent statutory changes, ORS participants would not qualify for this program. The Board would need to secure and fund a comparable program for those employees who elect the ORS. The Board should not be required to provide *additional* funds for ORS participants for this purpose.
6. Authorizes the Board to charge to ORS participants and/or ORS vendors any new administrative costs directly related to the ORS - The State of Wisconsin Investment Board and the Department of Employee Trust Funds provide the WRS with investment management, financial and participant-related record-keeping, benefit counseling, calculations and payments. These costs are paid from the WRS investment earnings.

From its budget the University provides administrative support to WRS-related functions such as enrollment, distribution of information, reporting of contributions, service and compensation, and counseling

employees on retirement and other ancillary benefits. It is expected that the University would provide the same level of services to employees who elect the ORS. However, the ORS will require new types of record-keeping, reporting to participants, and financial oversight and audits of the type now funded from the WRS investment earnings. In addition, an ORS may increase the workload in campus benefit offices, especially if current employees are offered an opportunity to elect the ORS. The Board should have the authority to fund its new costs by negotiation with the ORS vendors, by imposing a user fee on ORS participants, or through a combination of these and other methods.

7. Authorize the Board to ensure equity in employer-paid retirement contributions among faculty and academic staff - While individual employees are fully responsible for the results of their choices of plan and investment options, the Board would ensure that the ORS mirrors the WRS in contribution levels, eligibility for coverage, and other benefit design factors.
8. Authorize the Board to modify or to terminate any vendor contract - Employees do not have a guarantee that the ORS, if established, will continue unchanged. The Board may terminate a particular vendor, subject to contractual agreements, and may require employees to redirect contributions to alternate investment options. As the plan sponsor, the Board would be required to guarantee rights associated with service already rendered, but may substitute some other retirement plan for future service.
9. Authorize the Board to allow new staff to elect to participate in the ORS or the WRS; to determine whether current staff may also elect prospective participation in the ORS, and to determine the irrevocability of any such election - While new staff would have the option to elect the ORS or the WRS, current staff may also have an interest in electing the ORS for future coverage and contributions. The actuarial soundness of the WRS may be impacted and the administration of both plans more complicated and costly if employees are allowed to transfer into and out of the ORS and WRS. However, a decision of the irrevocability of the election should be studied carefully and the Board should be permitted to determine whether the election is permanent in nature when a more detailed analysis has been completed.
10. Acknowledges the University's interest in preserving the excellence of the WRS by permitting the University to consider the potential impact of plan provisions on the ability of the WRS to meet its current and future liabilities and on the State Investment Board's investment of assets in the State of Wisconsin, as determined by a state-funded actuarial study - The WRS covers all state and most local government employees in Wisconsin, including 240,000 active employees, 92,500 inactive employees eligible for a future benefit, and some 91,700 annuitants. In 1996, the WRS received \$1.06 billion in employer and employee contributions, recognized \$2.29 billion in investment earnings, and paid over \$1.2 billion in benefits. The market value of assets on September 30, 1997 was \$49.39 billion.

Investment of WRS assets is managed by the State of Wisconsin Investment Board (SWIB). SWIB is not required to give preference to investments

within the state, but it does make a formal effort to seek Wisconsin investments that meet its criteria. In 1996, SWIB had a total Wisconsin investment of \$7.984 billion, including \$1.862 in firms headquartered in Wisconsin and \$6.122 billion in firms headquartered elsewhere by having at least 20 employees in Wisconsin.

The University's 15,500 unclassified staff represent about 6.5% of WRS active employees, but 8.9% of annual retirement contributions (excluding unfunded liability payments). The average unclassified staff member is 45 years old with 12 years of service under the WRS. These employees have an obvious and pressing interest in the long-term stability of the WRS.

The WRS is a pre-funded plan. Withdrawal of a group of employees from future WRS participation does not directly affect the ability of the WRS to pay benefits already promised. A decline in future contributions, provided that future liabilities are also reduced, should have no direct impact. However, two items with potentially adverse impact are identifiable, as follows:

Loss by the WRS of actuarial gains on separation benefits - When an employee who is under minimum retirement age withdraws the WRS account, the employer matching funds revert to the employer reserve and reduce overall employer liabilities. If separation benefits decreased markedly because short-term employees elect the ORS, this would exert upward pressure on contribution rates.

Changes in WRS assets or liabilities resulting from a change in the demographic profile of active employees - A significant change in the demographic profile of WRS members (e.g., a disproportionate reduction in new entrants in a particular age group) could change the amount or timing of contributions needed to fund future benefits as they are earned by remaining participants. If the ORS results in a substantial decrease in younger entrants to the WRS but no change in middle-aged entrants, it appears it will place upward pressure on contribution rates. Conversely, if a disproportionate number of middle-aged employees elect the ORS, that development could represent an actuarial gain to the WRS because its future liabilities would be reduced more than its future assets.

Actuarial studies would be needed to assess the probable impact on the WRS of particular ORS design features.

11. Continues full state funding of retirement plans - Enabling legislation must provide for a state contribution to an ORS equal to the employer-required and employee-required contributions to the WRS. In addition, any legislation must provide for the continued calculation of the University's Prior Service Liability on its entire covered payroll, including ORS participants. It is critical that these principles remain in any legislation so that neither the University nor the employee is disadvantaged by participation in an ORS.

RELATED REGENT POLICIES

There are no System Policies relating directly to this subject.



1997 ASSEMBLY BILL 331

May 1, 1997 - Introduced by Representatives JENSEN, HANSON, KREIBICH, OTT, MUSSEY, BRANDEMUEHL, POWERS, GROTHMAN, GOETSCH, OLSEN, FREESE, SYKORA, PLALE, KELSO, DUFF, PORTER, ZIEGELBAUER, KEDZIE, M. LEHMAN, RILEY, ALBERS, NASS and UNDERHEIM, cosponsored by Senators GEORGE, FARROW, HUELSMAN, SCHULTZ, ROESSLER, PANZER and PLACHE. Referred to Joint survey committee on Retirement Systems.

- 1 AN ACT *to amend* 40.02 (25) (b) 6m. a., 40.02 (49), 40.05 (2) (b) and 40.05 (4) (b);
2 and *to create* chapter 37, 40.02 (25) (a) 7., 40.02 (25) (b) 12., 40.02 (46m), 40.02
3 (57g) and 40.22 (2) (m) of the statutes; **relating to:** creating a University of
4 Wisconsin optional retirement system and granting rule-making authority.

Analysis by the Legislative Reference Bureau

Under current law, all faculty and academic staff who hold positions at the University of Wisconsin (UW) System, like other state employees, participate in the Wisconsin retirement system (WRS). This bill creates a University of Wisconsin optional retirement system (UWORS) for certain faculty and academic staff at the UW System. Under the bill, faculty and academic staff hired after the UWORS is operational may elect to participate in the UWORS in lieu of participating in the WRS. The key features of the UWORS are as follows:

1. The UWORS is created to provide retirement annuities for certain faculty and academic staff who elect to participate in the UWORS. An employee who elects to become a participating employee in the UWORS may not be a participating employee in the WRS.

2. The UWORS is established as a governmental plan and a qualified plan under the Internal Revenue Code.

3. The UWORS is managed and administered by the board of regents of the UW System. Under the bill, the board of regents is required to contract with an insurance company that is authorized to transact insurance business in this state to provide

ASSEMBLY BILL 331

retirement annuities for faculty and academic staff who elect to participate in the UWORS.

4. All faculty and academic staff hired after the UWORS is operational are eligible to participate. Faculty and academic staff initially appointed to positions at the UW System after the UWORS is operational have 60 days from the date of appointment to elect to participate in the UWORS. If an employee who is a member of the faculty or academic staff does not so elect, he or she must participate in the WRS and may not subsequently elect to participate in the UWORS.

5. For all faculty and academic staff who elect to participate in the UWORS, the board of regents must make contributions on their behalf in an amount that equals the employee required and employer required contributions that would be made by the board of regents on behalf of the faculty and academic staff if they were participants in the WRS.

6. Faculty and academic staff covered under the UWORS immediately vest in all contributions made on their behalf. If any member of the faculty or academic staff who participates in the UWORS would subsequently separate from state service and become employed by an employer who is not under the WRS, the faculty or academic staff member would retain the rights to all contributions made on his or her behalf under the UWORS.

7. With respect to contributions to fund the unfunded prior service liability of the UW System under the WRS, the board of regents must make contributions for all faculty and academic staff who elect to participate in the UWORS as though those persons were participating employees in the WRS.

8. For all faculty and academic staff who elect to participate in the UWORS, the bill does not affect their right to receive any group insurance benefits administered by the department of employee trust funds, other than long-term disability insurance, or to participate in the unused sick leave credit program, in which unused sick leave credits may be used at the time of retirement to pay the cost of group health insurance premiums.

This bill will be referred to the joint survey committee on retirement systems for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. Chapter 37 of the statutes is created to read:

CHAPTER 37

UNIVERSITY OF WISCONSIN

OPTIONAL RETIREMENT SYSTEM

ASSEMBLY BILL 331

1 **37.01 University of Wisconsin optional retirement system; compliance**
2 **with federal tax laws.** (1) The University of Wisconsin optional retirement system
3 is created for the purpose of providing retirement annuities to eligible employes of
4 the University of Wisconsin System who are not participating employes in the
5 Wisconsin retirement system.

6 (2) The University of Wisconsin optional retirement system is established as
7 a governmental plan and as a qualified plan for federal income tax purposes under
8 section 401 (a) or 403 (a) or (b) of the Internal Revenue Code and shall be so
9 maintained and administered. No benefit plan authorized under this chapter may
10 be administered in a manner which violates an Internal Revenue Code provision that
11 authorizes or regulates that benefit plan or which would cause an otherwise
12 tax-exempt benefit to become taxable under the Internal Revenue Code.

13 **37.02 Definitions.** In this chapter:

14 (1) "Beginning date" means the date specified in the first contract entered into
15 by the board under s. 37.07 on which an annuity may be purchased for a participating
16 employee.

17 (2) "Board" means the board of regents of the University of Wisconsin System.

18 (3) "Eligible employee" means an employee of the University of Wisconsin System
19 described under s. 20.923 (4), (4m), (5) or (6) (m) or 230.08 (2) (d).

20 (4) "Insurer" has the meaning given in s. 600.03 (27).

21 (5) "Internal Revenue Code" means the Internal Revenue Code, as defined for
22 the current taxable year under s. 71.01 (6), and applicable regulations adopted under
23 the Internal Revenue Code, including temporary regulations.

24 (6) "Participating employee" means an eligible employee who is currently in the
25 service of, or who is on a leave of absence from, the University of Wisconsin System,

1 who has met the requirements for inclusion within the University of Wisconsin
2 optional retirement system under s. 37.04 and has elected to join the University of
3 Wisconsin optional retirement system.

4 (7) "Participating employee in the Wisconsin retirement system" means a
5 participating employee, as defined in s. 40.02 (46).

6 (8) "Wisconsin retirement system" means the Wisconsin retirement system
7 established under ch. 40.

8 **37.03 Powers and duties.** The board:

9 (1) Shall manage and administer the University of Wisconsin optional
10 retirement system.

11 (2) Shall ensure that the University of Wisconsin optional retirement system
12 complies with the Internal Revenue Code as a qualified plan under section 401 (a)
13 or 403 (a) or (b) of the Internal Revenue Code for income tax purposes and any benefit
14 plan under this chapter is administered in a manner consistent with all Internal
15 Revenue Code provisions that authorize and regulate the benefit plan.

16 (3) Shall promulgate rules necessary for the administration of the University
17 of Wisconsin optional retirement system.

18 (4) May delegate any powers and duties that the board considers necessary or
19 desirable for the purpose of administering the University of Wisconsin optional
20 retirement system.

21 (5) Shall provide for long-term disability insurance for all participating
22 employees.

23 **37.04 Participation.** (1) Any eligible employee of the University of Wisconsin
24 System may become a participating employee if all of the following conditions are
25 satisfied:

ASSEMBLY BILL 331

1 (a) The employe is first employed by the University of Wisconsin System on or
2 after the beginning date.

3 (b) The employe is expected to work at least one-third of what is considered
4 full-time employment by the board, as determined by rule, and the employe has an
5 expected duration of employment with the University of Wisconsin System of at least
6 one year.

7 (c) The employe elects to participate in the University of Wisconsin optional
8 retirement system by notifying the board in writing, on a form provided by the board,
9 no later than 60 days after the date of the employe's initial appointment with the
10 University of Wisconsin System. Subject to sub. (4) (b), an election under this
11 paragraph to participate in the University of Wisconsin optional retirement system
12 shall be an irrevocable election during the employe's duration of employment with
13 the University of Wisconsin System.

14 (d) The employe is not a participating employe in the Wisconsin retirement
15 system while the employe is a participating employe in the University of Wisconsin
16 optional retirement system.

17 (e) The employe is not receiving a retirement annuity from the Wisconsin
18 retirement system.

19 (2) An eligible employe who elects to participate in the University of Wisconsin
20 optional retirement system under sub. (1) shall be considered to have been a
21 participating employe since the date of the employe's initial appointment with the
22 University of Wisconsin System.

23 (3) If an eligible employe elects to participate in the University of Wisconsin
24 optional retirement system under this section, but is at the time of election a
25 participating employe in the Wisconsin retirement system, the board shall notify the

1 department of employee trust funds in writing that the employee is no longer a
2 participating employee in the Wisconsin retirement system.

3 (4) (a) Except as provided in par. (b), any eligible employee who elects to
4 participate in the University of Wisconsin optional retirement system under sub. (1)
5 may not subsequently become a participating employee in the Wisconsin retirement
6 system during the period of his or her employment with the University of Wisconsin
7 System.

8 (b) If a participating employee terminates employment with the University of
9 Wisconsin System and is subsequently rehired by the University of Wisconsin
10 System, the employee is not required to become a participating employee. But if the
11 employee is an eligible employee and satisfies the conditions specified in sub. (1) (b),
12 (d) and (e), the employee may elect again to become a participating employee. If the
13 employee elects to become a participating employee, he or she must notify the board
14 in writing, on a form provided by the board, no later than 60 days after the date of
15 the employee's subsequent appointment with the University of Wisconsin System.
16 Any eligible employee who elects to become a participating employee under this
17 paragraph shall be considered to have been a participating employee since the date
18 of his or her subsequent appointment with the University of Wisconsin System.

19 **37.06 Contributions.** (1) The board shall remit to the insurer or insurers
20 under contract with the board under s. 37.07 retirement contributions for each
21 participating employee that equal the sum of all of the following:

22 (a) An amount that equals the amount of the employee contribution that would
23 be paid under s. 40.05 (1) for the participating employee if he or she were a
24 participating employee in the Wisconsin retirement system.

1 (b) An amount that equals the amount of the employer contribution that would
2 be paid under s. 40.05 (2) (a) for the participating employe if he or she were a
3 participating employe in the Wisconsin retirement system.

4 (2) The board shall pay all retirement contributions for participating employees.

5 (3) Participating employees shall be immediately vested in all retirement
6 contributions paid on their behalf under this section.

7 37.07 Contracts. The board shall enter into contracts with one or more
8 insurers authorized to transact insurance business in this state to provide
9 retirement annuities to participating employees. The contract shall provide for
10 retirement annuities that are fixed or variable or a combination thereof. In
11 determining the insurer with whom the board shall enter into a contract, the board
12 shall consider all of the following:

13 (1) The ability of the insurer to provide the retirement annuities to
14 participating employees.

15 (2) The financial stability of the insurer.

16 (3) The desirability of the insurer to the board for the purpose of recruiting and
17 retaining faculty, as defined in s. 36.05 (8), and academic staff, as defined in s. 36.05
18 (1).

19 SECTION 2. 40.02 (25) (a) 7. of the statutes is created to read:

20 40.02 (25) (a) 7. Any participating employe in the University of Wisconsin
21 optional retirement system who has been participating under the University of
22 Wisconsin optional retirement system for a period of at least 6 months prior to
23 attainment of age 70, not including any period of leave of absence without pay, or any
24 participating employe in the University of Wisconsin optional retirement system
25 who immediately prior to becoming a participating employe in the University of

1 Wisconsin optional retirement system had been participating under the Wisconsin
2 retirement system for a period of at least 6 months, but only with respect to group
3 insurance other than long-term disability insurance.

4 SECTION 3. 40.02 (25) (b) 6m. a. of the statutes is amended to read:

5 40.02 (25) (b) 6m. a. A retired employee of the state who is receiving a retirement
6 annuity under this chapter or ch. 37 or has received a lump sum payment under s.
7 40.25 (1).

8 SECTION 4. 40.02 (25) (b) 12. of the statutes is created to read:

9 40.02 (25) (b) 12. Any participating employee in the University of Wisconsin
10 optional retirement system, notwithstanding par. (a) 7.

11 SECTION 5. 40.02 (46m) of the statutes is created to read:

12 40.02 (46m) "Participating employee in the University of Wisconsin optional
13 retirement system" means a participating employee, as defined in s. 37.02 (6).

14 SECTION 6. 40.02 (49) of the statutes is amended to read:

15 40.02 (49) "Retired employee" means a former insured employee who is not a
16 participating employee and who is retired on an immediate or disability annuity
17 under this chapter or ch. 37 or who receives a lump sum payment under s. 40.25 (1)
18 which would have been an immediate annuity if paid as an annuity or who is an
19 eligible employee under sub. (25) (b) 6. or 6g.

20 SECTION 7. 40.02 (57g) of the statutes is created to read:

21 40.02 (57g) "University of Wisconsin optional retirement system" means the
22 University of Wisconsin optional retirement system established under ch. 37.

23 SECTION 8. 40.05 (2) (b) of the statutes is amended to read:

24 40.05 (2) (b) Contributions shall be made by each participating employer for
25 unfunded prior service liability in a percentage of the earnings of each participating

1 employee. A separate percentage rate shall be determined for the employee
2 occupational categories under s. 40.23 (2m) as of the employer's effective date of
3 participation. The rates shall be sufficient to amortize as a level percent of payroll
4 over a period of 40 years from the later of that date or January 1, 1986, the unfunded
5 prior service liability for the categories of employees of each employer determined
6 under s. 40.05 (2) (b), 1981 stats., increased to reflect any creditable prior service
7 granted on or after January 1, 1986, increased to reflect the effect of 1983 Wisconsin
8 Act 141, increased at the end of each calendar year after January 1, 1986, by interest
9 at the assumed rate on the unpaid balance at the end of the year and adjusted under
10 pars. (bv) and (bw). For the purpose of calculating contributions for the unfunded
11 prior service liability of the University of Wisconsin System, the earnings of each
12 participating employee in the University of Wisconsin optional retirement system
13 shall be included.

14 SECTION 9. 40.05 (4) (b) of the statutes, as affected by 1995 Wisconsin Act 27,
15 section 1957r, is amended to read:

16 40.05 (4) (b) Except as provided under pars. (bc) and (bp), accumulated unused
17 sick leave under ss. 13.121 (4), 36.30, 230.35 (2), 233.10 and 757.02 (5) and subch.
18 I or V of ch. 111 of any eligible employee shall, at the time of death, upon qualifying
19 for an immediate annuity under this chapter or ch. 37 or for a lump sum payment
20 under s. 40.25 (1) or upon termination of creditable service and qualifying as an
21 eligible employee under s. 40.02 (25) (b) 6. or 10. or 12., be converted, at the employee's
22 current basic pay rate, to credits for payment of health insurance premiums on
23 behalf of the employee or the employee's surviving insured dependents. The full
24 premium for any eligible employee who is insured at the time of retirement, or for the
25 surviving insured dependents of an eligible employee who is deceased, shall be

deducted from the credits until the credits are exhausted and paid from the account under s. 40.04 (10), and then deducted from annuity payments, if the annuity is sufficient. The department shall provide for the direct payment of premiums by the insured to the insurer if the premium to be withheld exceeds the annuity payment. Except as provided in par. (bd), upon conversion of an employee's unused sick leave to credits under this paragraph or par. (bf), the employee or, if the employee is deceased, the employee's surviving insured dependents may elect to delay initiation of deductions from those credits for up to 10 years after the date of the conversion if the employee or surviving insured dependents are covered by a comparable health insurance plan or policy during the period beginning on the date of the conversion and ending on the last day of the 2nd month after the date on which the employee or surviving insured dependents later elect to initiate deductions from those credits. A health insurance plan or policy is considered comparable if it provides hospital and medical benefits that are substantially equivalent to the standard health insurance plan established under s. 40.52 (1).

SECTION 10. 40.22 (2) (m) of the statutes is created to read:

40.22 (2) (m) The employee is a participating employee in the University of Wisconsin optional retirement system.

SECTION 11. Effective date.

(1) This act takes effect on July 1, 1997, or on the day after publication, whichever is later.

(END)

Salary Policy for UW System
Senior Executives - Amendment
to Delegate Authority

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, Resolution 6664, adopted May 6, 1994, be amended to add the following language to the end of that Resolution: "For newly hired interim or acting senior executives, the Board delegates to the UW President the authority to set the salary up to the maximum annual salary equivalent of Group 6 of the State executive pay plan."

SALARY POLICY FOR UW SYSTEM SENIOR EXECUTIVES Amendment to Delegate Authority

EXECUTIVE SUMMARY

BACKGROUND

On May 6, 1994, the Board of Regents adopted Resolution 6664 which established a salary policy for UW System senior executives. The policy serves to establish salary ranges based on 95% of the median salary paid to similar executive positions at higher education institutions in established peer groups to recognize the national market with a cost of living differential for Wisconsin. In addition, the policy specifies the process for approving annual salary increases for continuing senior executives and for approving the starting salary of newly hired senior executives at the time of hire.

REQUESTED ACTION

Approval of Resolution I.2.e.

It is proposed that the salary Guideline for UW System Senior Executives be amended to delegate to the University of Wisconsin System President the authority to approve the starting salary, up to the maximum annual salary equivalent of Group 6 of the State executive pay plan, of newly hired senior executives who are appointed on an interim or acting basis until an official appointment can be made.

DISCUSSION AND RECOMMENDATIONS

Regent Policy 87-15 (amended December, 1989) delegates to the University of Wisconsin System President the authority to approve, on behalf of the Regents, personnel actions for faculty, academic staff or limited positions for which the planned rate of pay does not exceed the maximum annual salary equivalent of Group 6 of the State executive pay plan. However, the subsequent adoption of Salary Guidelines for UW System Senior Executives serves to rescind that general delegated authority as it concerns senior executives. The authority to set the salary for such appointees resides with the Board "at the time of hire." While it is necessary and prudent for the Board to reserve salary setting authority for official appointments of senior executives, it is administratively burdensome and inefficient for the Board to act on proposed salary levels for appointees who agree to serve as a senior executive on an interim or acting basis at a salary that does not exceed the limits of authority granted to the System President for all other personnel actions. If the attached salary guideline is amended as shown (Underline in last paragraph), the System President will be allowed to approve the appointment of interim or acting senior executives when the proposed salary level is within the current limits of delegated authority.

RELATED REGENT POLICIES

Regent Policy 87-15

SALARY GUIDELINES FOR UW SYSTEM SENIOR EXECUTIVES

This salary policy is intended to reflect the duties and responsibilities borne by UW senior executive positions, the national market for higher education executives, and local Wisconsin conditions. This policy applies to Chancellors and Provosts or Vice Chancellors for Academic Affairs at the UW institutions; the Vice Chancellor for Clinical Health Sciences at UW-Madison; and the UW System President, Senior Vice Presidents, and Vice Presidents.

I. Establishment of salary ranges for UW System senior executive positions

To reflect the national higher education market, peer salary data will be utilized. The 1984 faculty peer groups will be utilized as the salary peer groups for the Chancellor and Vice Chancellor positions at the UW institutions. For the UW System President and Vice President positions the salary peer group will be the following university systems, which are similar in size and composition to the UW System: University of California, California State University System, State University of New York, City University of New York, University of North Carolina System, University of Florida System, University of Maryland System, and University of Texas System.

Because the cost of living is relatively lower in Wisconsin than many other states, *the mid-point of the salary range will be set at 95% of the peer median* as an approximation of the regional cost-of-living differential for Wisconsin.

The salary range will be 90-110% of the salary range midpoint as defined above.

For a few UW System senior executive positions statutory provisions may prohibit the Board of Regents setting a salary within the salary range defined in this policy. In these cases, the Board of Regents will seek to adhere to the salary guidelines as defined in this policy as closely as possible subject to the statutory constraints.

These salary ranges do not guarantee individual salary rates. Individual salaries for UW System senior executives are based on performance.

II. Procedures for Board of Regents approval of salaries of UW System senior executives

For continuing senior executives, salary increases are considered and approved by the Board of Regents once a year, at the same time as all other UW unclassified employees.

For newly hired senior executives, the Board approves the starting salary at the time of hire and, in addition, delegates to the UW President the authority and discretion to make a base salary adjustment up to a specified level within 6-9 months of the date of hire. Exercise of the base salary increase is at the President's discretion based on performance of the individual in his/her new position. This provides the opportunity to reward outstanding performance during the initial period of employment. For newly hired interim or acting senior executives, the Board delegates to the UW President the authority to set the salary up to the maximum annual salary of Group 6 of the State executive pay plan.

Report on Management and
Staff Positions

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon recommendation of the President of the University of Wisconsin System, for the purposes of reporting on management and staff positions pursuant to s. 36.11(33)(b) Wis. Stats., the Board of Regents accepts as the definition of "management" the description of the Affirmative Action/Equal Employment Opportunity category for Executive, Administrative and Managerial positions and accepts as the definition of "staff" all other AA/EEO categories. The Board relies on established position title definitions as the criteria for placing positions in the appropriate AA/EEO category. The System President is directed to submit the required report to the legislative Joint Committee on Finance before January 1, 1998, and annually thereafter, based on the most recent available position data.

REPORT ON MANAGEMENT AND STAFF POSITIONS

EXECUTIVE SUMMARY

BACKGROUND

The biennial budget act, 1997 Wisconsin Act 27, placed a new annual reporting obligation on the Board of Regents. Section 36.11(33), Stats., directs the Board to "categorize each position in the UW System as either a management position or a staff position" and it directs the Board to submit an annual report by January 1 of each year beginning in 1998 to the legislative Joint Committee on Finance that includes:

- The definitions of "management" and "staff" used by the Board;
- A list of the position titles in each category;
- The criteria used by the Board to categorize the positions; and,
- The current number of authorized positions in each category at each campus.

REQUESTED ACTION

Approval of Resolution I.2.f

This action will fulfill the new statutory mandate by defining "management" and "staff" for the purposes of reporting to the Joint Committee on Finance as required by s. 36.11(33) Stats. The resolution will delegate to the UW System President the authority to submit the annual reports based on standard reporting records retained for Office of Federal Contract Compliance Programs (OFCCP) compliance reviews.

DISCUSSION AND RECOMMENDATIONS

All employees in the University System are assigned to an official title for payroll and budget purposes. Each title is assigned to one of seven categories established and defined in the UW System Affirmative Action/Equal Opportunity (AA/EE0) data base. This reporting format is designed to facilitate campus analysis of its compliance with the federal mandate (Executive Order 11246) to take affirmative action steps to ensure that minorities and women are represented in the workforce. The categories attempt to structure the workforce in such a way as to more accurately reflect employment circumstances unique to higher education. The OFCCP does not mandate which titles belong in each category, but it does review such assignments during compliance reviews. The UW System categories and title assignments have been used for about 15 years with updates occurring approximately every five years.

For purposes of reporting management and staff positions to the Joint Committee on Finance, acceptance of the definition of the AA/EEO category of Executive, Administrative and Managerial would appear to meet the legislative intent to describe "management." That AA/EEO category is defined as:

"Include all persons whose assignments require primary (and major) responsibility for management of the institution, or customarily recognized department or subdivision thereof. Assignments requiring the performance of work directly related to management policies or general business operations of the institution, department or subdivision, etc. It is assumed that assignments in this category customarily and regularly require the incumbent to exercise discretion and independent judgment, holding such titles as President, Vice President, Dean, Director or the equivalents, as well as officers subordinate to any of these administrators of academic departments (chairperson, heads, or the equivalent) if their principal activity is administrative.

"NOTE: Supervisory personnel of the technical, clerical, craft, and service/maintenance force will be reported within the specific categories."

All other job titles assigned to categories described as: faculty; professional non-faculty; clerical and secretarial; technical and paraprofessional; skilled craft; and, service/maintenance, would appear to represent a reasonable definition of "staff" for reporting purposes.

The established list of UW System titles within each AA/EEO category would accompany the annual report to the Joint Finance Committee. Moreover, the System President would identify the number of current (FTE) employees in each of the categories. Use of the AA/EEO data base would serve to expend the least amount of staff time and minimize the cost of meeting the latest reporting requirement obligation placed on the Board.

RELATED REGENT POLICIES

There are no System Policies relating directly to this subject.

1996-1997 NON-COMMERCIAL BROADCAST STATIONS' REPORT

EXECUTIVE SUMMARY

BACKGROUND

The Board of Regents of the University of Wisconsin System is the licensee of 13 non-commercial educational broadcast stations located throughout the state of Wisconsin. As such, the Board is accountable to the Federal Communications Commission for compliance with all statutory and regulatory requirements.

The purpose of the Broadcast Stations' Report is to provide the Board of Regents with official information essential to fulfill its responsibilities of maintaining the licenses in good standing.

UW System oversight of the stations is provided by the Office of the Senior Vice President for Administration, and by Regent and System presence on the Wisconsin Educational Communications Board of Directors.

Regent Patrick G. Boyle serves as the UW Board of Regents representative and Interim Senior Vice President for Administration David W. Olien serves as the designated representative of the UW System President.

REQUESTED ACTION

This item is for information only.

**University of Wisconsin System
Broadcast Stations Profiles, 1996-97**

The broadcast facilities and resources of the University . . . shall be so utilized as to advance the educational purposes of the University and serve to the fullest extent the interests and needs of the people of the state.

University of Wisconsin Board of Regents
January, 1960

I. Background and Overview

The Board of Regents of the University of Wisconsin System is licensee for 12 radio broadcast stations (11 FM, 1 AM) and one television station. All licenses are for non-commercial educational broadcast service. Authority and responsibility for operational administration of these stations is delegated through the President of the UW System to chancellors of institutions at which stations are located. The UW Colleges, UW-Parkside, and UW-Madison do not have broadcast stations. UW-Extension operates WHA-AM and WHA-TV, Madison; WGBW-FM, Green Bay; and WVSS-FM, Menomonie.

In some cases, institutional administration and operational supervision of individual stations are delegated to an academic department, with a departmental faculty member designated as general manager or director. In other cases, station directors are qualified academic staff or classified appointees, reporting to a department head, dean, or vice chancellor.

UW System broadcast stations are integrally associated with their home institutions and the communities they serve. Programming decisions are determined in light of audience and institutional needs, in keeping with the community service and outreach missions of the institution. Another important function of several of the stations is to provide academic opportunities to UW students enrolled in courses of study associated with the field of mass communications.

- WHA-TV

WHA-TV on the UW-Madison campus has been on the air since 1954 and is operated at 512.0 to 518.0 MHz at 1120.0 Kilowatts by the Extension Communications Division of UW-Extension. The station is on the air from 1:00 a.m. to midnight (23 hours) during the school year, and from 6:00 a.m. to midnight (18 hours) during the summer. In 1996-97, WHA-TV employed 112 full-time, 55 part-time, and 5 student staff.

As one of the nation's leading public television broadcasting and production organizations, it serves as a formal and informal source of instructional and general educational programming, a forum for discussion of public affairs, and as a cultural resource for the state.

In combination with the five public television stations licensed to the Wisconsin Educational Communications Board (ECB), WHA-TV is part of Wisconsin Public Television, cooperating in providing statewide public television service.



WHA TELEVISION
(CH. 21) MADISON

Radio

The twelve (12) radio stations licensed to the Board of Regents and operated by UW System institutions provide non-commercial educational program services to their listeners. Several stations also provide student training and lab experiences in support of academic programs, and institutional outreach that acquaints the public with programs and activities of the university.

UW System radio stations can be classified in two categories:

1. CPB-qualified stations meet or exceed Corporation for Public Broadcasting (CPB) criteria, requiring a minimum level of full-time professional staff, operating budgets, broadcast hours, and production facilities. They are generally referred to as public radio stations. They are also members of National Public Radio (NPR), a non-profit corporation that produces and distributes programs to member stations and affiliates. UW System public radio stations are: WGBW-FM, Green Bay; WLSU-FM, La Crosse; WHA-AM, Madison; and WUWM-FM, Milwaukee.

These stations derive a portion of their annual operating budgets from Community Service Grants (CSG) administered by the CPB, a non-profit corporation that receives funds from the U.S. Congress to support public radio and television broadcasting throughout the nation. These direct grants to the stations are distributed according to each station's demonstrated ability to raise funds from the community and from other non-federal sources. The funds are used for production, equipment, and facilities expenses, and to pay for interconnection services. The CPB also allocates a National Program Production Acquisition Grant (NPPAG) to CPB-qualified stations.

| <u>Station</u> | <u>Community Service Grant (CSG)</u> | <u>NPPAG Grant</u> |
|----------------|--------------------------------------|--------------------|
| WLSU-FM | \$ 61,041 | \$ 23,709 |
| WHA-AM | 300,878 | 122,921 |
| WGBW-FM | 46,143 | 19,180 |
| WUWM-FM | 108,248 | 40,949 |

2. University stations do not meet CPB criteria as full-time, professionally-staffed stations. They have smaller operating budgets, less extensive production facilities, and few, if any, full-time professional employees. Their primary budget support is from institutional allocations and segregated student fees, and they are primarily operated by students. These stations are:

| | |
|----------------------|------------------------|
| WUEC-FM, Eau Claire | WRFW-FM, River Falls |
| WVSS-FM, Menomonie | WWSP-FM, Stevens Point |
| WRST-FM, Oshkosh | KUWS-FM, Superior |
| WSUP-FM, Platteville | WSUW-FM, Whitewater |

Staffing Levels for Radio Stations

| | FULL-TIME | PAID PART-TIME | STUDENT |
|----------|-----------|----------------|---------|
| WUEC-FM | 0 | 9 | 30 |
| WGBW-FM | 5 | 3 | 0 |
| WLSU-FM | 7 | 16 | 8 |
| WHA-AM | 54 | 32 | 0 |
| WUWM-FM | 13 | 6 | 0 |
| WRST-FM | 0 | 4 | 67 |
| WSUP-FM | 0 | 3 | 100 |
| WRFW-FM | 0 | 7 | 60 |
| WWSP-FM | 0 | 11 | 59 |
| WVSS-FM* | 0 | 0 | 0 |
| KUWS-FM | 0 | 11 | 14 |
| WSUW-FM | 1 | 1 | 101 |

*WVSS-FM is managed by UW-Extension, and its staff count is included in WHA-AM's numbers.

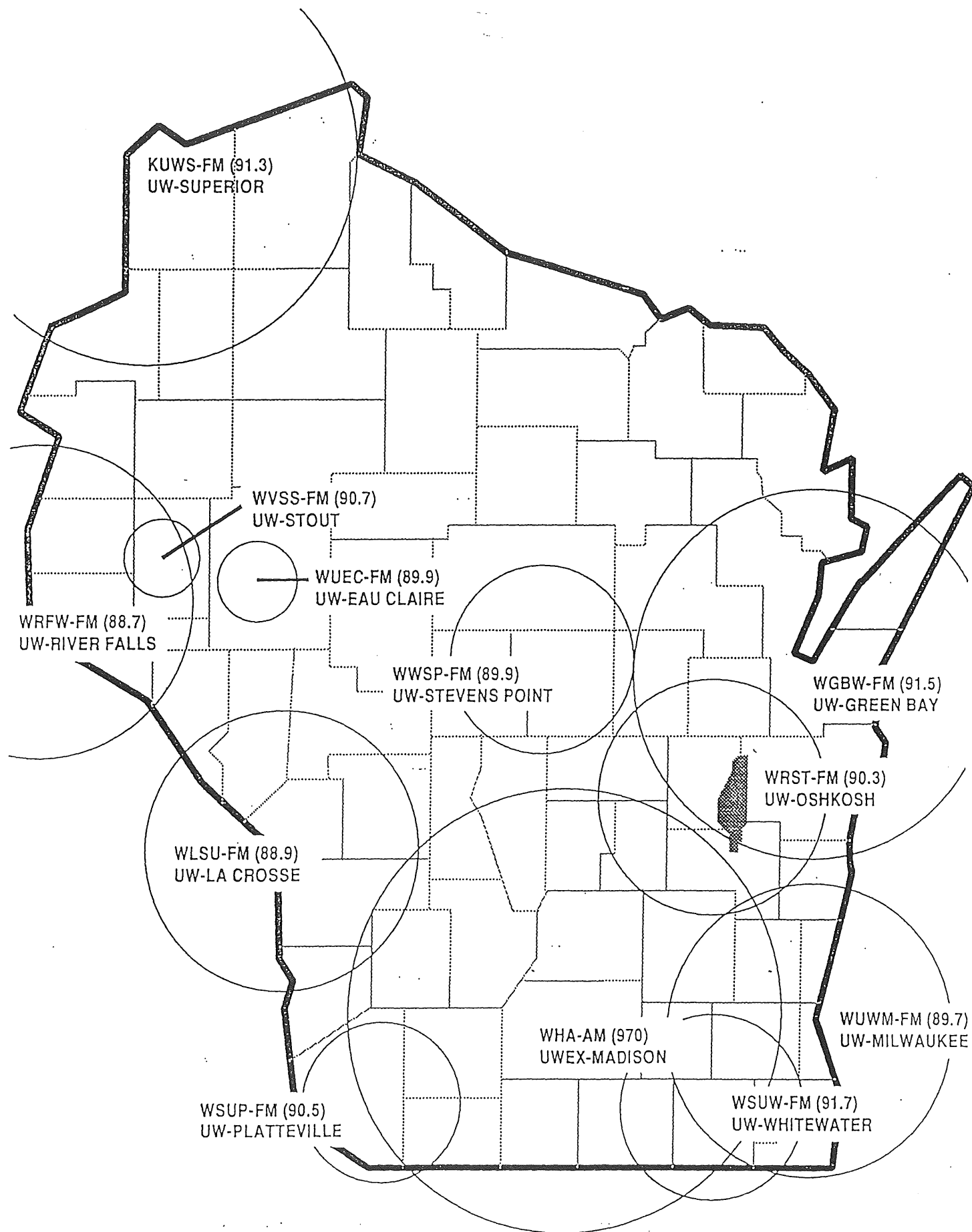
Wisconsin Public Radio

Wisconsin Public Radio (WPR) is a joint service of the Wisconsin Educational Communications Board and UW-Extension. Two networks, the **NPR News and Classical Music Service** and the **Wisconsin Ideas Network**, provide dual service in all areas of the state where it is economically and technically feasible. In the past several years, implementation of these complimentary radio services has resulted in new affiliation agreements with the ECB.

In 1996-97, six stations were affiliated with Wisconsin Public Radio:

- o **WHA-AM**, UW-Extension, is the parent station for the Wisconsin Ideas Network;
- o **WUEC-FM**, UW-Eau Claire, carries several hours daily of WPR's News and Classical Music program service;
- o **KUWS-FM**, UW-Superior (jointly managed by UW-Extension and UW-Superior), and **WRST-FM**, UW-Oshkosh, carry several hours daily of WPR's Wisconsin Ideas program service.
- o **WGBW-FM**, UW-Green Bay, is staffed, operated, budgeted, and programmed by UW-Extension staff, and carries the news and information service (Wisconsin Ideas Network) of WPR as a major portion of its program schedule.
- o **WVSS-FM**, UW-Stout, is managed by UW-Extension, and carries the entire schedule of the WPR News and Classical Music Network.

WUEC-FM, KUWS-FM, and WRST-FM continue to maintain student participation and/or curriculum support at their institutions.



University of Wisconsin System Radio Stations

UW System Radio Stations

| <u>Call letters</u> | <u>Location</u> | <u>Frequency</u> | <u>Watts of Power</u> | <u>Hours On Air M-F / S-S</u> |
|---------------------|-----------------|------------------|---------------------------|-----------------------------------|
| WUEC-FM | Eau Claire | 89.7 | 5,200 | 19/18 |
| WGBW-FM | Green Bay | 91.5 | 710 | 19/18 |
| WLSU-FM | La Crosse | 88.9 | 8,300 | 24/24 |
| WUWM-FM | Milwaukee | 89.7 | 15,000 | 24/24 |
| WRST-FM | Oshkosh | 90.3 | 960 | 24/24 |
| WSUP-FM | Platteville | 90.5 | 1,000 | 20/17 |
| WRFW-FM | River Falls | 88.7 | 3,000 | 20/18 |
| WWSP-FM | Stevens Point | 89.9 | 11,500 | 20/20 |
| WVSS-FM | Menomonie | 90.7 | 1,000 | 19/18 |
| KUWS-FM | Superior | 91.3 | 8,300 | 19/18 |
| WSUW-FM | Whitewater | 91.7 | 1,300 | 20/21 |
| WHA-AM | Madison | 970 KHz | 4,340 w-tpo | 19/18 |

Significant activities in 1996-97:

- With the BOR's approval in July 1995, UW-Madison applied to the Federal Communications Commission (FCC) for a construction permit to establish a student radio station. Madison Student Radio (MSR) is negotiating to lease or purchase property south of Madison for the tower and transmitter, with hopes that the station will be on the air by the fall of 1998.
- In February 1996, the BOR approved UW-Extension's request to establish a new license in Green Bay (WHID-FM at 88.1 MHz frequency and 13 KW power, and to sell the WGBW-FM frequency (91.5 MHz at 7.1 KW power). The new tower is being engineered and an interested buyer has been identified. Once WHID-FM is operational (anticipated for Spring 1998), sales negotiations of WGBW-FM (whose call letters will be changed under new ownership) will be finalized. WHID will double the coverage area of the current WGBW signal, reaching the entire Fox Valley as well as the lower half of Door County.
- WHA-TV was successfully re-licensed with the FCC for an eight-year term, expiring December 1, 2005. The renewal process required the station to demonstrate that it is operating under responsible management standards, is following all public safety requirements, and is recruiting in a non-discriminatory fashion.
- With funding from the Department of Administration's Division of Facilities Development, all television and radio stations have successfully installed a new public warning system called the Emergency Alert System (EAS). The new system will provide automatic delivery of the National Weather Service warnings to stations in affected areas.

II. Programming and Budget Reports

Program Types

In October 1982, the Federal Communications Commission (FCC) listed and defined the following seven program categories, which provide a useful topology of program formats and emphasis:

1. Instructional programming are those designed to be a part of the credit-related educational offerings of the institution. K-12 in-school courses, in-service training for teachers, and college credit courses are examples of instructional programs.
2. General Educational programming are those educational programs for which no formal credit is given.
3. Performing Arts programming are those offerings in which the performing aspect predominates, such as drama or concert, opera, or dance.
4. News programming includes reports dealing with current local, national, and international events, including weather and stock market reports; and commentary, analysis, or sports news when an integral part of a news program.
5. Public Affairs programming includes those programs dealing with local, state, regional, national, or international issues or problems; including but not limited to talks, commentaries, discussions, speeches, political programs, documentaries, panels, roundtables, vignettes, and extended coverage (live or recorded) of public events or proceedings such as local council meetings, Congressional hearings, and the like.
6. Light Entertainment programming includes programs consisting of popular music or other light entertainment.
7. Other programming includes all programs not falling within the definitions above. Most sports programs should be reported as "Other."

Programming and budget information for fiscal year 1996-97 is presented below.

WHA-TV
1996-97
Percent of Program Hours Per Week

| | |
|----------------------------|-----|
| Instructional (for credit) | 14% |
| General Educational | 56% |
| Public Affairs | 9% |
| Performing Arts | 6% |
| Light Entertainment/Other | 4% |
| News | 8% |
| Other | 3% |

UW Radio Stations
Percent of Program Hours Per Week, 1996-97

| Station & Location | Instruc. | Gen Ed | Pub Aff | Perf Arts | Light Enter | News | Other |
|--------------------|----------|--------|---------|-----------|-------------|------|-------|
| WUEC/Eau Claire | 0 | 0 | 3.0 | 45.0 | 38.0 | 19.0 | 0 |
| WGBW/Green Bay | 0 | 3.8 | 79.4 | 13.0 | 0 | 0 | 3.8 |
| WLUC/La Crosse | 0 | 0 | 3.9 | 23.2 | 52.4 | 20.5 | 0 |
| WHA/Extension | 0 | 14.6 | 56.9 | 2.1 | 13.3 | 13.1 | 0 |
| WUWM/Milwaukee | 0 | 0 | 0 | 0 | 18.0 | 82.0 | 0 |
| WRST/Oshkosh | 0 | 0 | 17.2 | 8.4 | 65.5 | 8.9 | 0 |
| WSUP/Platteville | 0 | 1.6 | 6.0 | 5.2 | 71.6 | 7.4 | 8.2 |
| WRFW/River Falls | 0 | 0 | 1.0 | 1.0 | 94.0 | 4.0 | 0 |
| WWSP/Stevens Point | 0 | 0 | 9.8 | 0 | 70.0 | 11.8 | 8.4 |
| WVSS/Menomonie | 0 | 4.0 | 18.0 | 71.0 | 0 | 7.0 | 0 |
| KUWS/Superior | 0 | 12.0 | 23.6 | 7.6 | 54.9 | 1.9 | 0 |
| WSUW/Whitewater | 0 | 0 | 3.5 | 0 | 95.0 | 1.5 | 0 |

WHA-TV
1996-97 Annual Operating Budget

| | |
|----------------------------|--------------------|
| Faculty/FTE | 2/118.4 * |
| Salaries/S&E/Capital/Other | \$2,153,124 |
| Segregated Fees | 0 |
| Gifts/Grants/Contracts | \$4,790,432 ** |
| Total Budget: | \$6,943,556 |

* Faculty/FTE shows number of full-time paid employees (includes 2.0 FTE faculty).

** Includes \$853,853 of the annual Community Service Grant (CSG) awarded by the Corporation for Public Broadcasting.

UW System Radio Stations
Annual Operating Budgets, 1996-97

| Station & Location | Faculty/FTE | Salaries/ S&E/Cap/ GPR Fees Other | Seg Fees | Gifts/Grants Contracts | TOTAL |
|--------------------|-------------|--|-------------|---------------------------|-----------|
| WUEC/Eau Claire | 0% .25% | \$ 19,000 | \$ 0 | \$ 15,000 | \$ 34,000 |
| WGBW/Green Bay | 0% 5.5 | 110,190 | 0 | 167,220 | 227,410 |
| WLSU/La Crosse | 0% 5.0 | 134,854 | | 114,800 | 249,654 |
| WHA/Extension | 1% 62.3 | 826,291 | 0 | 3,356,594 | 4,182,985 |
| WUWM/Milwaukee | 0% 10.0 | 218,394 | 0 | 800,649 | 1,019,043 |
| WRST/Oshkosh | 0% 0.0 | 50,660 | 24,946 | 2,500 | 78,106 |
| WSUP/Platteville | .25% 0.16 | 0 | 28,351 | 871 | 29,222 |
| WRFW/River Falls | 0% 0.0 | 7,723 | 15,500 | 2,200 | 25,423 |
| WWSP/Stevens Point | 0% 0.0 | 0 | 41,207 | 22,300 | 63,507 |
| WVSS/Menomonie* | 0% 0.0 | 0 | 0 | 0 | 0 |
| KUWS/Superior | 0% 1.0 | 11,300 | 12,000 | 3,200 | 26,500 |
| WSUW/Whitewater | .50% 6.0 | 18,398 | 15,000 | 5,000 | 38,398 |

Column I shows percent of faculty person's time and number of full-time paid employees.

Column II includes academic, classified, and faculty salaries; student and LTE wages; supplies and expense; capital; other.

Column III indicates allocation from segregated student fee income; may also be used for student wages, S&E, capital.

Column IV includes private donations from individuals and citizen support groups, underwriting contributions, program revenue from production contracts, and for WLSU, WUWM, and WHA also includes the Community Service Grants (CSG) and National Program Production Acquisition Grants (NPPAG).

*Budget items included in WHA budget.

Annual Report on Mainframe
Computer Services at UW-Madison

BUSINESS AND FINANCE COMMITTEE

Resolution:

The Board of Regents authorizes the transmittal of UW-Madison's report on mainframe computing services to the Joint Committee on Finance, the Joint Committee on Information Policy and the State Auditor.

UNIVERSITY OF
WISCONSIN
MADISON

December 5, 1997

Honorable Senator Brian Burke, Co-Chair
Honorable Representative John Gard, Co-Chair
Joint Committee on Finance
State Capitol
Madison, WI 53707

Dear Senator Burke and Representative Gard:

The purpose of this letter is to provide information regarding the UW-Madison mainframe computer services. The reporting requirements of s.36.11(32), created by Act 27, only require that the data be collected by the Regents. However, President Lyall's letter of May 10, 1996 promised to provide that information to you annually.

The attached documents provide the information requested and required as follows:

1. The mainframe cost and associated measures, showing both 1995-96 and 1996-97 data.
2. The 1996-97 financial statement for the Division of Information Technology (DoIT) mainframe platform.
3. Hardware savings DoIT realized in 1996-97.
4. Software savings DoIT realized in 1996-97.

The most important facts and findings include the following:

1. The overall mainframe costs decreased by 14% in 1996-97.
2. Despite the decrease in costs, usage increased in all areas. The combination of higher volume and decreased costs resulted in the following improvements in the effectiveness measures.
 - a. Cost per 1000 transactions - Down 11%.
 - b. Cost per batch job - Down 9%.
 - c. Cost per session - Down 27%.
 - d. Cost per administrative function - Down 15%.

Please let us know if you have any questions or need clarification of any of the information provided.

Sincerely,


John Torphy
Vice Chancellor

Attachments

xc: Dale Cattanach, State Auditor
Senator Robert Jauch, Co-Chair, Joint Committee on Information Policy
Representative David Hutchinson, Co-Chair, Joint Committee on Information Policy

Vice Chancellor for Administration

December 5, 1997

Agenda item I.2.h.

ANNUAL REPORT ON MAINFRAME COMPUTER SERVICES AT UW-MADISON

EXECUTIVE SUMMARY

BACKGROUND

A study of UW-Madison mainframe computer services was undertaken and transmitted pursuant to 1995 Assembly Bill 150, Section 9157 (2at) s.36.11(32) and Regent action at the October 1995, February 1996 and May 1996 meetings. The requirements of s.36.11(32) only require submission of the information to the Regents.

The May 1996 letter from President Lyall included a commitment to submit an annual report by UW-Madison.

REQUESTED ACTION

The Board of Regents authorizes the transmittal of UW-Madison's report on mainframe computing services to the Joint Committee on Finance, the Joint Committee on Information Policy and the State Auditor.

DISCUSSION AND RECOMMENDATION

The letter and attachments from Vice Chancellor Torphy to the co-chairs of the Joint Committee on Finance (with copies to the co-chairs of the Joint Committee on Information Policy and the State Auditor) has been prepared in response to an annual reporting requirement. It provides the information promised in President Lyall's May 1996 letter.

RELATED REGENT POLICY

None.

DoIT

UNIVERSITY OF WISCONSIN-MADISON
DIVISION OF INFORMATION TECHNOLOGY

September 17, 1997

To: John Torphy

From: Jack Duwe

Subject: UW-Madison Mainframe Computer Report

According to our agreement, the attached documents reflect our reporting required pursuant to s.36.11(32) which was created in Act 27. I am providing the 1996-97 data corresponding to the 1994-95 data presented by GFA consultants.

1. The first document provides the mainframe cost and associated measures identified by GFA last year, showing both 1995-96 and 1996-97 data.
2. The second document is the 1996-97 financial statement for the DoIT mainframe platform.
3. The third document lists the hardware savings DoIT realized in 1996-97.
4. The fourth document reflects the software savings DoIT realized in 1996-97.

Highlights of the report:

1. The overall mainframe cost decreased by 14% (\$349,126) from 1995-6.
2. The mainframe volume increased in all areas. The combination of reduced total cost and increased volume resulted in the following: the cost per 1000 transactions went down by 11%, the cost per batch job decreased by 9%, the cost per session decreased by 27%, and the cost per administrative function decreased by 15%.
3. We continue to realize hardware and software savings resulting from DoIT's practices of purchasing used equipment and sharing hardware and software among several computers, as well as the discounts we receive as an educational institution and because of our negotiation efforts.

Please let me know if there is any additional information that you need.

Attachments



University of Wisconsin - Madison
Division of Information Technology
Mainframe Costs/Measures

| Description | 95-96 | 96-97 |
|--|-------------|-------------|
| Total Mainframe Costs | \$2,480,966 | \$2,131,840 |
| Hardware/Software/Maintenance Costs | \$1,590,959 | \$1,184,071 |
| Staff Support Costs | \$890,007 | \$947,769 |
| Daily Average On-line Transactions | 511,326 | 488,540 |
| Daily Average Batch Jobs | 3,858 | 3,590 |
| MIPS Speeds | 85 | 85 |
| Users Served (Daily Average) (Sessions) | 4,487 | 5,213 |
| Average OLTP Time (Seconds) | 0.69 | 0.52 |
| Administrative Functions Served | 52 | 52 |
| Cost Per 1000 Transactions | \$13.29 | \$11.96 |
| Cost Per Batch Job | \$1.76 | \$1.63 |
| Cost Per Session | \$1.51 | \$1.12 |
| Cost Per Administrative Function | \$47,711 | \$40,997 |
| mfrpt967.xls | | |
| Note: | | |
| See following pages for explanation of these categories | | |
| | | |
| | | |

Descriptions of Measures

Note: The following descriptions describe the headings in the mainframe cost/measure report. The inputs necessary to calculate these measures are readily available from DoIT computer logs and financial records.

1. **Total Mainframe Costs:** This represents all costs of running the mainframe system. Includes purchase, lease, maintenance, systems software, staff, and overhead costs used for administrative information systems at the university.
2. **Daily Average On-line Transactions:** An on-line transaction is a screen of administrative data submitted for immediate processing and confirmation by a customer at a computer terminal.
3. **Daily Average Batch Jobs:** A batch job is a process executed for a customer, the results of which will be available at a later time, not while the customer waits.
4. **MIPS Speeds:** MIPS (Millions of Instructions Per Second) is a measure of the relative power of a computer. The MIPS ratings of specific mainframe computer models are published by independent firms such as the Gartner Group.
5. **Users Served (Daily Average):** The term "users" here means customers of mainframe interactive services, those who are generally writing programs or interacting with the computer to analyze data, not submitting on-line transactions.
6. **Average OLTP Time (Seconds):** OLTP (On-line Transaction Processing) time refers to the average time the computer takes to process an on-line transaction, from the time the input data is received until an output screen is produced.
7. **Number of Administrative Functions Serviced:** An administrative function was defined as an application that serves a particular university administrative activity, such as admissions, registration, student records, class and grade reporting, etc., within the student records area, which would be reported as four functions instead of one.
8. **Cost Per 1000 Transactions:** This is the total mainframe cost divided by the number of transactions per year times 1000 (multiplying the daily figures by 365, since we didn't have an exact figure for days per year). This is not meant to be the true cost of a transaction, but one of several measures across institutions that roughly indicate efficiency.

9. Cost Per Batch Job: This is the total mainframe cost divided by the number of batch jobs per year (multiplying the daily figures by 365, since we didn't have an exact figure for days per year). This is not meant to be the true cost of a batch job, but one of several measures across institutions that roughly indicate efficiency.
10. Cost per Session: This is the total mainframe cost divided by the number of sessions per year (multiplying the daily figures by 365, since we didn't have an exact figure for days per year). This is not meant to be the true cost of a session, but one of several measures across institutions that roughly indicate efficiency.
11. Cost Per Administrative Function: This is the total mainframe cost divided by the number of administrative functions.

1996-97 Financial Statement
System Operations
3090 Platform

| Acct # | Account Name | 1996-1997 |
|--------|--|------------------|
| | Salaries and Fringe Benefits | |
| 120 | Classified | 187,103 |
| 140 | LTE/Emergency | 1,780 |
| 150 | Student | 8,806 |
| 160 | Differential/On Call | 5,760 |
| 170 | Overtime | 4,074 |
| 180 | Fringe Benefits (note 1) | 6,028 |
| | Total Salaries and Fringes | 213,551 |
| | Supplies and Services | |
| 230 | Building Services | 1,358 |
| 235 | Central Services (note 2) | 77,808 |
| 240 | Computer Services (note 3) | 734,218 |
| 250 | Communication | 156 |
| 260 | Consumables | - |
| 270 | Contractual Services | 1,020 |
| 280 | Depreciation Equipment | 119,749 |
| 285 | Depreciation - Software | 22,169 |
| 300 | Printing & Copying | 326 |
| 310 | Equipment Rental | - |
| 350 | Maintenance - Equipment | 191,128 |
| 355 | Maintenance - Software | 755,324 |
| 360 | Memberships & Subscriptions | - |
| 370 | Miscellaneous | - |
| 380 | Noncapital Equipment | 387 |
| 385 | Supplies | 1,697 |
| 410 | Resale Goods | 4,725 |
| 420 | Software | 1,011 |
| 430 | Telephone | 7,213 |
| 440 | Training | - |
| 450 | Travel | - |
| | Total Supplies and Services | 1,918,289 |
| | Total Expenses | 2,131,840 |
| note 1 | Fringe Benefits | |
| | System Operations has a mix of Program Revenue and GPR funded staff. The University does not allocate GPR fringe Benefits to its Departments. Had it done so, the 3090 Platform cost center would have been charged an additional \$75,025 in fringe benefits. | |
| note 2 | Central Services are the indirect costs of services provided elsewhere in DoIT, such as management overhead, accounting and personnel services. | |
| note 3 | Computer Services are direct services provided by other groups in DoIT. For 3090 platform operations, these costs are largely Technical Support project costs and Help Desk Support billed at fully loaded rates. | |

Financial Statement Notes

The Division of Information Technology (DoIT) records and reports actual expense on an accrual basis for each of DoIT's departments, groups, and subgroups. DoIT's mainframe operation is a DoIT subgroup.

Salary expenses are the payroll charges for staff employed by the mainframe operations group. DoIT's fringe benefit costs are prorated based on the subgroup's actual salaries compared to DoIT's total salary expense.

Division, department and group overhead costs are included in the Central Services account. These overhead costs are prorated across all non-overhead groups. Costs are calculated on an accrual basis and include the salaries, fringe benefits, depreciation, supplies and services costs of all support units. Examples of support units are the CIO's office, Human Resources, Billing, Accounting, and Architecture.

Mainframe hardware and software purchases are capitalized and depreciated over the estimated useful life of the asset

Contractual and Computer Services include the cost of technologist staff and Security Administration staff that is charged at DoIT's actual labor rates.

Third party maintenance and support costs are reported in hardware and software maintenance accounts.

Hardware Purchased/Shared 1996-1997

The following are mainframe hardware savings DoIT has achieved during 1996-97 as a result of its hardware sharing activities, its existence as a higher education institution, and our negotiation efforts:

1. Shared hardware arrangement with UW-Hospital:

Both the campus administrative mainframe and the UW Hospital mainframe share the following equipment, with each organization paying part of the cost of purchase and maintenance. Much of this equipment would otherwise need to be duplicated on each system if this sharing were not possible. Most of this equipment was acquired ten or more years ago and has been fully depreciated for many years. Nonetheless, it continues to provide necessary service to both computers. These savings are expected to continue even though UWH is now a private authority.

| PURCHASE \$ | QTY-ITEM/DESCRIPTION | ACQUISITION DATE |
|-------------|--|------------------|
| 22,284 | 1 - 3803-3 Tape Drive Controller | 10/81 |
| 10,000 | 2 - 3420-8 Tape Drives | 01/87 |
| 63,971 | 1 - 3480-A Cartridge Drive Controller | 03/87 |
| 60,532 | 1 - 3480-A Cartridge Drive Controller | 03/87 |
| 219,912 | 6 - 3480-B Cartridge Drives (\$36,652 ea.) | 03/87 |
| 9,834 | 2 - 3480-A Channel Attach | 03/87 |
| 3,438 | 1 - 3480-A Dual Controller Unit Coupler | 03/87 |
| 99,852 | 1 - 3725-1 Communications Controller | 09/87 |
| 27,500 | 1 - 4248-2 Impact Printer | 07/89 |
| 1,500 | 1 - 3480-B Cartridge Drive | 04/91 |
| 1,575 | 1 - 3480-B Cartridge Drive | 04/92 |
| 65,200 | 1 - 3490-A Cartridge Drive Controller | 12/92 |
| 118,650 | 1 - 3490-B Cartridge Drive | 12/92 |
| 123,930 | 1 - 3726-1 Comm Ctr Expansion Unit | 12/94 |
| 53,768 | 1 - 3490-B Cartridge Drive | 01/96 |
| \$881,946 | Total Acquisition Cost | |

2. Shared Hardware between mainframe and non-mainframe computers

Mainframe and non-mainframe computers share the following for archival data backup. It is used widely for the retention of data associated with Unix and other computer systems throughout the campus community.

| | | |
|-----------|-----------------------------|-------|
| \$291,079 | 1 - 3494/3590 Tape Robotics | 03/97 |
|-----------|-----------------------------|-------|

3. Purchase of used equipment:

During 1996-7 DoIT purchased the following used equipment:

| PURCHASE \$ | QTY-ITEM/DESCRIPTION |
|-------------|--------------------------------|
| 2,500 | 1 - 3872 Escon channel feature |
| 38,000 | 1 - 3990-006 DASD Controller |
| 37,100 | 12 - 3390-B3C DASD |
| 5,220 | 3 - 3390-A38 DASD |
| 33,780 | 2 - 3390-B9C DASD |
| | |
| \$116,600 | Total Acquisition Cost |

If DoIT had purchased this equipment at list price, the cost would have been \$6,424,600.

4. Hardware maintenance:

DoIT has chosen to contract with the lower priced maintenance vendor, of the two available on state purchasing bulletins. Compared with the IBM state bulletin price (already discounted from list) the Decision One price saved \$12,511 (per year '97 quotations).

Software Sharing

The following are mainframe software savings DoIT has achieved during 1996-97 as a result of its software sharing activities and its status as a higher education institution:

1. Shared software arrangement with UW Hospital: IBM provides a 25% discount for the second copy of any mainframe software license running at the same site. DoIT operates both the University and UWH mainframes at the same site. The 1996-7 saving was \$102,941. This saving is shared between DoIT and UWH. These savings are expected to continue even though UWH is now a private authority.
2. Educational allowance: IBM provides a 15% discount on software license fees for educational institutions. In 1996-7, this resulted in a savings of \$97,660 for DoIT and an additional \$65,715 for UW Hospital.
3. PeopleSoft administrative databases and applications: The CIC institutions have negotiated with a large vendor of administrative software (PeopleSoft) to improve the architecture of its systems so as to better fit the needs of large research universities such as those in CIC. (The CIC is a consortium of Universities consisting of the eleven Big 10 Universities plus the University of Chicago and the University of Illinois - Chicago.) This consortia approach presents a greater opportunity to influence the vendor's technical direction, to the long-term benefit of all its members. This item represents the potential for future savings. The Peoplesoft software is presently being installed.

UW-Madison Evening MBA
Differential Tuition

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the UW-Madison Evening MBA Differential Tuition, beginning in academic year 1998-99 be approved, with specific tuition rates for this program established in June 1998 as part of the 1998-99 UW System Annual Budget.

12/5/97

I.2.i.

DIFFERENTIAL TUITION FOR EVENING MBA PROGRAM UW-Madison

EXECUTIVE SUMMARY

BACKGROUND

The Board of Regents "Study of the UW System in the 21st Century" recommended that institutions be allowed to propose differential tuition rates especially for unique programs with strong demand and/or special operating costs.

Currently, the UW-Madison School of Business offers two major types of life-long educational opportunities--Management Institute programs and the Executive Masters of Business Administration (MBA) program. The portfolio of non-credit programs offered by the Management Institute exceeds 400 annually and we remain the largest provider of such programs in the country. The number of enrollees in all School of Business executive education programs exceeds 15,000 annually. To permit the UW-Madison School of Business to meet the increasing demand for these non-credit programs, they are developing the Fluno Center for Executive Education.

The Executive MBA program, in its fourth year, is designed to meet the needs of individuals who are at or near the top of their organization's management structure. These individuals generally have ten or more years of managerial experience. To date this program has enrolled executives from over 100 different companies and has produced over 90 alumni.

At present, the UW-Madison School of Business does not offer an MBA program appropriate for employed individuals who do not qualify for the Executive MBA program (employees from diverse backgrounds with less than ten years of work experience and with little formal education in the business disciplines). The Evening MBA program is designed to respond to this opportunity.

UW-Madison proposes to support the cost of creating an Evening MBA program at \$584 per credit. This compares to \$330 per credit for the full-time MBA program. The proposed Evening MBA tuition rate is based on the cost of the program and is roughly equivalent to tuition in similar programs at peer institutions. In future years, this tuition rate will increase at the same rate as the regular MBA tuition rate as determined by the Board of Regents.

REQUESTED ACTION

The Board is asked to approve a differential tuition for an evening MBA program at UW-Madison, beginning in the 1998-99 academic year. The specific tuition will be established in June 1998 at the time the Board adopts the 1998-99 UW System Annual Budget.

DISCUSSION AND RECOMMENDATIONS

There is ample national, regional, and local evidence that shows a significant need for life-long learning opportunities for individuals who are working full-time. For example, in a 1996 survey conducted by the National Alliance of Business, 57% of firms were increasing skill level requirements of employees. In 1995, 94% of more than 700 Wisconsin companies surveyed by the Wisconsin Survey Research Laboratory reported employee participation in

management education programs, with over 50% participating in part-time MBA programs. Each year, our Executive MBA program draws inquiries from over 700 individuals many of whom are searching for a part-time program, but who do not have the requisite experience to qualify for the Executive MBA.

Last fall, the UW-Madison School of Business initiated a market research study to obtain an estimate of the demand for an evening or part-time MBA program. This study was conducted by the Nielsen Center for Marketing Research in the School of Business. The market research study included the following:

1. Benchmarking against part-time MBA programs both nationally and locally.
2. Focus groups with current and prospective MBA students to ascertain interest and ability to pay and to obtain specific information on their wishes for program content.
3. Focus groups with vice-presidents of human resources from the major companies in Madison to obtain (a) an estimate of the number of employees who would be interested in a part-time program, (b) input from an employer group on appropriate content for the program, and (c) data on employee educational expense reimbursement policies.

Information from the survey indicated a substantial demand for an Evening MBA program in the price range that can support the program's cost. Information from the seven companies that participated in the focus groups indicated that these companies alone have more than 100 students currently enrolled in part-time MBA programs in the area. They enthusiastically endorse UW-Madison's offering an Evening MBA program and, in each case, would offer employees some form of tuition reimbursement.

Several years ago, the UW-Madison School of Business permitted part-time students to enroll in the regular MBA program. The overall structure of this program consisted of a set of core courses for all students and a set of elective courses that permitted students to develop an area concentration (such as accounting or marketing) from among the many concentrations that were available. The inclusion of part-time students in the regular MBA program did not work well and, about four years ago, the faculty approved a recommendation to accept only full-time students in the regular MBA program.

There were at least four reasons why the inclusion of part-time students in the regular MBA program was not successful:

1. The core MBA courses were offered in the evening on a rotating basis. However, resources did not permit the staffing of extra sections of these courses. As a result, full-time students found themselves forced into evening courses in order to complete their MBA core. Full-time students were not pleased with the need to take evening courses.
2. A number of the core MBA courses require team projects outside of class. Mixing full-time and part-time students in the same classes produced significant tensions when they had to schedule times outside of class to meet as teams.

3. None of the elective area concentrations were offered in their entirety in the evening hours. To complete an area concentration, a part-time student had to be particularly persistent, patient, and have an understanding employer.
4. Many student support services were not regularly available in the evening hours for the part-time students. Such services as program advising, technology support, and career services were difficult for the part-time student to access.

The design of the Evening MBA program corrects these past deficiencies:

1. The full curriculum will be offered in the evening. It will require the same number of credits (48) as our full-time MBA program. The core curriculum (30 credits) will be identical in both programs. The Evening MBA, however, will offer a single general management concentration (rather than a selection of area concentrations), and all students will take the same set of courses (18 credits) in this part of their program; the courses will be a cross-section of courses from the various functional business areas. Thus, the Evening MBA will be a "lock-step" program; in which all students will take the same 48 credits together.

The lock-step program is a proven system based on logical and practical consideration. First, part-time students often have difficulty associating with other students given the heavy requirements of their work, home and study schedules. A major part of learning in any program takes place between the students. The lock-step approach allows a cohort of students, over the life of the program, to become colleagues--well-acquainted with each other as professionals as well as deeply bonded to the School. Second, since much of the curriculum requires teamwork, the lock-step approach facilitates easier scheduling of team meetings and, therefore an enhanced learning experience. Third, logistically, it is much simpler for students to plan their schedules from the beginning to the end of the program with a lock-step approach.

2. Only part-time students will attend Evening MBA classes. There will be no mixing of full-time and part-time students in the Evening MBA classes.
3. A full complement of student support services will be available in the "off-hours" to make the program "user friendly" for the part-time students.

The full-time MBA program currently enrolls 450 students. Compared to peer programs, UW-Madison School of Business current staffing (faculty, advising, career services, and technology support)/student ratio is low. Additional students cannot be accommodated without increasing both faculty and support staff.

The Evening MBA program intends to enroll between 45 and 50 students each fall. The current plan is to offer from 12 to 16 credits of course work each year, which implies a three to four year program. The steady state enrollment, given attrition, is estimated to be from 135 to 160 students. To add a new program with this number of students will require a separate teaching, advising, and support staff. The Evening MBA program will equal the teaching quality and overall delivery that characterizes the full-time

program. This will require five to six new faculty positions, two full-time advisers, technology support personnel, a career services advisor, clerical support, and other ancillary support.

The following are the estimated annual revenues of the program based on the proposed \$584 per credit rate:

| <i>Year</i> | <i>Annual Revenue</i> |
|------------------------|-----------------------|
| 1998-99 | \$368,000 |
| 1999-00 | \$695,000 |
| 2000-01 | \$880,000 |
| 2001-02 and thereafter | \$1,000,000 |

RELATED REGENT POLICIES

Study of the UW System in the 21st Century. (June 1996)

Contractual Agreement with
Pfizer, Inc.

BUSINESS AND FINANCE COMMITTEE

Resolution:

That upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents accepts the agreement with Pfizer, Inc. entitled, "Data Analysis Center for the WIZARD trial."

CONTRACTUAL AGREEMENT WITH PFIZER, INC.

EXECUTIVE SUMMARY

BACKGROUND

UW-Madison is prepared to enter into a contractual agreement with Pfizer, Inc. to provide services as a Data Analysis Center for the independent Data Safety Monitoring Board for the WIZARD clinical trial. The UW-Madison Department of Biostatistics will analyze data from the study and provide various reports as the study progresses. If this project is taken to its conclusion, the total value of the agreement is \$734,352.00.

REQUESTED ACTION

That upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents accepts the agreement with Pfizer, Inc. entitled, "Data Analysis Center for the WIZARD trial."

DISCUSSION

Board of Regents policy requires Regent approval when a contractual agreement with a private for-profit organization exceeds \$500,000.

RELATED REGENT POLICY

Regent Resolution 7548, dated September 5, 1997, Authorization to Sign Documents.

UW SYSTEM TRUST FUNDS PRINCIPAL LONG TERM FUND ENDOWMENT SPENDING PLAN

EXECUTIVE SUMMARY

BACKGROUND

The small fraction spending plan, adopted July 12, 1990, calls for an annual review of the small fraction rate. The current plan sets the distribution at 5% (five percent) and that earned income, reserved balances or realized gains will be utilized to maintain the 5% rate. The fraction is applied to a trailing three year moving average of endowment valuations (36 monthly valuations). Any income earned in excess of the fraction is added to endowment principal in a Stabilization Reserve.

REQUESTED ACTION

~~For discussion only.~~

DISCUSSION

At this time, there does not appear to be a need to alter the current spending plan of five percent annually. This allows for departmental funding to remain stable and predictable but at the same time ensures the growth of the endowment funds. As can be seen from the attached document, our spending fraction is slightly below that observed at other Big 10 Universities, but is above the median as reported in the June 1996 NACUBO endowment study.

In addition, the realized gains maintained in our Stabilization Reserve account, at over \$70 million, continue to grow. These gains represent a large portion of endowment principal growth and show that the strong market performance over the past two years has significantly increased these balances. Over the past five years, we have maintained a real rate of return of 5.4%, further indicating the ability of the fund to support the existing spending rate.

RELATED REGENT POLICIES

Business & Finance action of 10-5-95 which defines the current small fraction plan.

UW SYSTEM TRUST FUNDS
PRINCIPAL-LONG TERM FUND
ENDOWMENT SPENDING PLAN

UW Trust Funds - History of Distributions

| | | |
|---------|--------------------|-------------|
| 6-30-91 | 5.5% | \$4,968,598 |
| 6-30-92 | 5.1 | 5,267,186 |
| 6-30-93 | 3.6 ⁽¹⁾ | 3,882,232 |
| 6-30-94 | 2.6 ⁽¹⁾ | 3,789,995 |
| 6-30-95 | 2.5 ⁽¹⁾ | 4,001,420 |
| 6-30-96 | 5.0 ⁽²⁾ | 8,090,873 |
| 6-30-97 | 5.0 ⁽²⁾ | 8,785,016 |

(1) Actual earnings, minus .25%

(2) Actual earnings, plus realized gains

Spending Fractions (as reported on 6-30-96)

Median spending fraction for the Big 10 Schools is 5.3% (Range is 4.0% - 6%)
Median Spending Fraction, NACUBO Survey \$100 - 399 million grouping is 4.4%.
Median Spending Fraction, NACUBO Survey public institutions is 4.1%.

UW Trust Fund Source of Distribution for Various Spending Fractions⁽¹⁾

| <u>Fraction</u> | <u>Earnings Net</u> | | <u>Spending Plan</u> |
|-----------------|-----------------------------|---------------------|----------------------|
| | <u>of Fees and Expenses</u> | <u>Appreciation</u> | <u>Distribution</u> |
| 3% | \$5,246,734 | \$ 24,275 | \$5,271,009 |
| 4% | 5,246,734 | 1,781,279 | 7,028,013 |
| 5% | 5,246,734 | 3,538,282 | 8,785,016 |
| 6% | 5,246,734 | 5,295,285 | 10,542,019 |

(1) Based upon 36 months trailing market value of \$175,700,325

UW Trust Funds Realized Gains by Fiscal Year

| | |
|---------|----------------|
| 6-30-91 | \$ 1.7 million |
| 6-30-92 | 5.8 million |
| 6-30-93 | 9.1 million |
| 6-30-94 | 2.7 million |
| 6-30-95 | 2.6 million |
| 6-30-96 | 10.7 million |
| 6-30-97 | 9.3 million |

Total Realized Gains through 6-30-97, \$70.4 million

Inflation and Endowment Growth

| | |
|-----------------------------|-------------|
| Total 5 year return of fund | 13.4% |
| Less: Inflation benchmark | 3.0 |
| Spending fraction | <u>5.0</u> |
| Real rate of return | <u>5.4%</u> |

Modification of Investment Guidelines
For Custodial Short Term Investment Fund

BUSINESS AND FINANCE COMMITTEE

Resolution:

That upon the recommendation of the Regent Business and Finance Committee, the modification of Investment Guidelines for Custodial Short Term Investment Fund be approved.

12/5/97

I.2.1.(2)

MODIFICATION OF INVESTMENT GUIDELINES FOR CUSTODIAL SHORT TERM INVESTMENT FUND

EXECUTIVE SUMMARY

BACKGROUND

The Common Trust Cash Investment Fund (CTFI), offered by our custodian, was approved September 10, 1993 as an eligible investment vehicle for the University of Wisconsin System Trust Funds. The investment guidelines for the Common Trust Cash Investment Fund (CTFI) offered by our custodian have changed. Additionally, the proposed use of the fund has also changed.

REQUESTED ACTION

Approval of proposed changes to Investment Objectives and Guidelines.

DISCUSSION

Although approved for use only in the instance of failed trades and for idle cash balances of less than \$5,000, the custodial short term fund, CTFI offers many additional uses that would prove advantageous for the UW Trust Funds. It is proposed that this fund be used as our short term investment vehicle for all new cash received as well as income earned on existing investments. In addition, the fund could be used by the investment managers to handle their short-term needs. The use of this fund will allow Trust Fund Operations to realize many efficiencies and streamline processing. It would offer an attractive alternative, increasing earnings by over \$18,000 annually, to the State of Wisconsin Investment Board Short Term cash fund. The proposed processing improvements require a change in the existing Investment Objectives and Guidelines to accommodate the increased use of the fund as outlined in the attachment.

In order to begin utilizing this vehicle, it will be necessary to approve the amended "SHORT TERM INVESTMENT OBJECTIVES AND GUIDELINES of the COMMON TRUST-CASH INVESTMENT FUND (CTFI)", as attached. The guidelines do not represent a substantive change from those previously approved and are summarized in an additional attachment.

RELATED REGENT POLICIES

Regent Resolution 6343, March 5, 1993; Custodial Investing
Regent Resolution 6474, July 16, 1993; Custodial Services
Regent Resolution 7364, December 6, 1996; Investment Objectives and Guidelines

3.4 Cash Equivalents restrictions

Principal Fund

To the extent that cash exists awaiting investment, managers are expected to handle their short-term needs using US Government and Agency issues. Alternately, the State of Wisconsin Investment Board Short Term cash fund may be used. *Additionally, the custodian Short Term Investment Fund (Common Trust Cash Investment Fund or CTFI) may be used, subject to the guidelines of that fund, attached as appendix A.* ~~Balances of less than \$5,000 or unanticipated balances such as failed security settlements will be held in the custodian Short Term Investment Fund (Common Trust Cash Investment Fund or CTFI) to be invested subject to the guidelines of that fund, attached as appendix A.~~

3.3 Cash Equivalents restrictions

Income Fund

To the extent that cash exists awaiting investment, managers are expected to handle their short-term needs using US Government and Agency issues. Alternately, the State of Wisconsin Investment Board Short Term cash fund may be used. *Additionally, the custodian Short Term Investment Fund (Common Trust Cash Investment Fund or CTFI) may be used, subject to the guidelines of that fund, attached as appendix A.* ~~Balances of less than \$5,000 or unanticipated balances such as failed security settlements will be held in the custodian Short Term Investment Fund (Common Trust Cash Investment Fund or CTFI) to be invested subject to the guidelines of that fund, attached as appendix A.~~

SCHEDULE C
SHORT TERM INVESTMENT OBJECTIVES AND GUIDELINES

Investment Objectives

As to the portion of the assets indicated, the Trustee shall seek safety of principal, daily liquidity, and a competitive return. The Trustee may implement this objective through its common trust fund known as the COMMON TRUST-CASH INVESTMENT FUND (CTFI).

Investment Guidelines

Eligible Investments

The following are the eligible investments for CTFI:

- Certificates of Deposit of Domestic and Foreign Banks
- Eurodollar Certificates of Deposit of Domestic and Foreign Banks
- Bankers Acceptance of Domestic and Foreign Banks
- Commercial Paper
- U.S. Treasury & Federal Agency Securities and U.S. Government Guaranteed Securities
- Repurchase Agreements
- Other Debt Instruments - Corporate Notes and Bonds, Obligations of Sovereign and Supranational Entities
- Time Deposits of Domestic and Foreign Banks
- Asset Backed and Mortgaged Backed Securities
- Other Instruments having characteristics consistent with investment objectives and risk profile as approved by the Chief Investment Officer and in accordance with the new instrument review policy.

Maturity

The weighted average portfolio maturity will be 90 days or less. For purposes of this calculation the maturity of a Floating Rate security is deemed to be the time until the next interest rate reset.

The longest maturity, final end date, of any security will not exceed 397 days from the date of purchase unless the security is legally puttable within this period in which case the maturity rate would equal the effective date of the put.

The portfolio will attempt to have at least 20% of the net assets maturing on the next business day at all times.

The CTFI follows these policies in order to maintain a constant unit value of \$1.00 although there is no assurance it can do so on a continuing basis.

Credit Criteria

1. Commercial Paper

All commercial paper investments must be rated at least A1 by Standard and Poor's and P1 by Moody's at the time of purchase and be part of an approved list. This approved list will be reviewed not less often than annually.

2. Bank Liabilities

All bank liabilities must carry a minimum Thomson BankWatch rating of B/C at the time of purchase must be made a part of an approved list. This approved list will be reviewed not less often than annually.

3. Repurchase Agreements

The collateral for Repurchase Agreements can be Treasury securities, Federal Agency Securities, money market instruments, mortgage-backed securities and corporates. The collateral for such Repurchase Agreements may be delivered directly to the Trustee or held by a third party.

4. Other Securities

For other securities (i.e., corporate notes or bonds) that do not fall into the above mentioned categories, the issuer must have a short term rating of A1 by Standard and Poor's and P1 by Moody's. If the issuer has no short term ratings, the securities must be rated at least Aa- by Moody's and AA3 by Standard and Poor's at the time of purchase. Securities will be part of an approved list which shall be reviewed at least annually.

Maximum Holdings

The maximum holding in any one issuer will not exceed 5% of the market value of CTFI at the time of purchase. U.S. Treasury securities or securities fully guaranteed as to principal and interest by the United States government are exempt from this percentage limitation. U.S. Government agencies not guaranteed by the U.S. Treasury are limited to 15% per issuer.

Downgrades

In the event of a downgrade by a rating agency to a level that does not meet investment guidelines, a review will be made within seven days to determine whether the security may continue to be held. If it is determined that the security will likely repay its principal and pay its interest at maturity, the security may be retained.

Summary of CTFI Guideline Changes

| <i>Existing Guideline</i> | <i>Proposed Guideline</i> | <i>Impact</i> |
|---|--|--|
| Average maturity of the fund between 15-50 days | Average maturity of the fund less than or equal to 90 days | <ul style="list-style-type: none"> • Allows cash manager additional flexibility in fund management • Minimally increases exposure to longer term assets • No impact on fund liquidity due to 20% overnight position maintained |
| Maximum maturity per issue is one year | Maximum maturity per issue is 397 days to final maturity or to first putable date | <ul style="list-style-type: none"> • Extension of maximum maturity in line with the SEC regulations on money market mutual funds (2A-7 funds) • Generally accepted practice to use the next reset date as maturity for putable securities |
| Eligible investments <ul style="list-style-type: none"> • Repurchase agreements • US Treasury, Agency and US Govt Guaranteed securities • Bankers acceptances • Certificates of Deposit • Eurodollar CDs • Commercial Paper • Other debt instruments | Additional eligible investments <ul style="list-style-type: none"> • Time Deposits • Asset/Mortgage backed • Other instruments | <ul style="list-style-type: none"> • Time deposits are generally accepted short term money market instruments • Asset/mortgage backed securities serves as additional disclosure of sub-segment issues • Other instruments must be consistent with investment and risk objectives and are approved by CIO following a formal investment review policy |
| Maximum of 20% of portfolio may mature over 91 days | No limit placed on percent of portfolio over 91 days | <ul style="list-style-type: none"> • Allows fund to extend maturity with more flexibility • Continue to maintain 20% in overnight |
| Issuer concentration <ul style="list-style-type: none"> • Maximum of 5% in any one name | Additional limits: <ul style="list-style-type: none"> • US Treasury securities or securities fully guaranteed are exempt from limitation • US Government agencies not fully guaranteed are limited to 15% per issuer | <ul style="list-style-type: none"> • Provides more accurate limitations based on risk associated with each security type |

Modification of Investment Guidelines
To Update Definitions/Restrictions

BUSINESS AND FINANCE COMMITTEE

Resolution:

That upon the recommendation of the Regent Business and Finance Committee, the modification of Investment Guidelines to Update Definitions/Restrictions be approved.

12/5/97

I.2.1.(3)

MODIFICATION OF INVESTMENT GUIDELINES TO UPDATE DEFINITIONS/RESTRICTIONS

EXECUTIVE SUMMARY

BACKGROUND

The University of Wisconsin System Trust Funds Statement of Investment Objectives and Guidelines are used to direct investment managers and serve as the investment policy to be observed. These guidelines are used as the basis to monitor performance and compliance of all investment managers.

REQUESTED ACTION

Approval of proposed changes to Investment Objectives and Guidelines.

DISCUSSION

In order to keep pace with the ever-changing marketplace, it is necessary to review and update those policies which have become outdated. Specifically as it relates to small capitalization investment, the guidelines need to be modified to better reflect the current environment. The proposed changes are attached.

RELATED REGENT POLICIES

Regent Resolution 7364; December 6, 1996 - Investment Objectives and Guidelines

1.1 Investment Policy

Principal Fund

Default Only securities of ~~well-established~~ *financially sound* companies are expected to be used in a portfolio; ~~a minimum five year operating history ordinarily is expected for the securities held in the Fund.~~

1.1 Investment Policy

Income Fund

Default Only securities of ~~well-established~~ *financially sound* companies are expected to be used in a portfolio; ~~a minimum five year operating history ordinarily is expected for the securities held in the Fund.~~

5 Glossary

Principal Fund

large capitalization

~~Companies with market value of equity greater than \$300 million.~~ Companies with market capitalization similar to the firms which make up the S&P 500.

small capitalization

~~Companies with market value of equity less than \$300 million.~~ Companies with market capitalization similar to the firms which make up the Russell 2000.