

**Minutes  
Business and Finance Committee  
Board of Regents of the University of Wisconsin System  
March 6, 1997**

**I.2.a. Physical Planning Subcommittee**

See attached Physical Planning Subcommittee Minutes.

The Business and Finance Committee met at 1:53 p.m. in Room 1920 Van Hise Hall. Present were: Regents Barry, Brown, De Simone, Hempel and Smith. Regent Grebe joined the meeting in progress.

**I.2.b. Approval of Minutes of the February 6, 1997, Meeting of the Business and Finance Committee**

Upon the motion of Regent De Simone and the second of Regent Smith, the minutes of the February 6, 1997, meeting of the Business and Finance Committee stood approved.

**I.2.c. Report of the Physical Planning Subcommittee**

Regent Barry, Subcommittee Chair, presented the report of the Physical Planning Subcommittee meeting held immediately prior to the full Committee meeting. (See attached Physical Planning Subcommittee Minutes for a complete report.)

Upon the motion of Regent Barry and second of Regent De Simone, the Committee approved Physical Planning Subcommittee Resolution I.2.e.

Resolution I.2.c.

That the following Consent Agenda Resolutions adopted by the Physical Planning Subcommittee be approved and forwarded to the Board of Regents:

Resolution

Campus/Request

- |             |   |
|-------------|---|
| I.2.a.3.(a) | UW-Madison: Design Report Approval and Authority to Construct an Eagle Heights Community Center Addition project, \$1,847,000 (\$1,602,000 Gift Funds and \$245,000 Program Revenues - Cash)              |
| I.2.a.3.(b) | UW-Extension: Authority to Purchase a .90 acre Improved Parcel of Land at 3817 Mineral Point Road for the Wisconsin Geological and Natural History Survey, \$773,320, Program Revenue Supported Borrowing |

**I.2.d. Agreement with Private For-Profit-Making Organization****(1) Contract Between UW-Milwaukee and M&I Data Services, Inc.**

Vice President Bromberg presented the contract between UW-Milwaukee and M&I Data Services, Inc., to the Committee for approval. Board of Regent policy requires Regent approval when a contractual agreement with a private, for-profit organization exceeds \$200,000.

Upon the motion of Regent De Simone and the second of Regent Brown, the Committee approved Resolution I.2.d.(1). Regent Smith abstained because he sits on the Board of the corporation.

Resolution I.2.d.(1)

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Milwaukee, the Board of Regents accepts and approves the Outreach Services Agreement Contract with M&I Data Services, Inc., for conducting a graduate level management information systems training program for students recruited by M&I.

**I.2.e. Annual Broadcast Station Report**

Special Assistant Takemoto noted that this annual report is illustrative of the multifaceted role of the Board of Regents. The Board is the licensee for 12 radio stations and one television station, all of which provide noncommercial, educational broadcast service. The stations are staffed by UW faculty, staff and students. Station managers submit an annual report assuring compliance with FCC regulations and provide program listings, budget, personnel and technical maintenance activities.

With the Board's approval in July 1995, UW-Madison applied to the Federal Communications Board (FCC) for a construction permit to establish a student radio station. Madison Student Radio is negotiating to lease property south of Madison for the tower and transmitter and the station is expected to be on the air by the fall of 1997.

In February 1996, the Board approved UW-Extension's request to establish a new license for WHID-FM (Green Bay). The new station will double the coverage area for the current station, reaching the entire Fox Valley as well as the lower half of Door County.

All 12 radio stations were successfully relicensed with the FCC for a seven-year term, expiring December 1, 2003.

With funding for the Department of Administration's Division of Facilities Development, all radio and television stations are installing a new public warning system called the Emergency Alert System (EAS).

WLSU-FM at UW-La Crosse negotiated a three-year merger agreement with Wisconsin Public Radio, enabling the listeners in the western part of Wisconsin to have access to the State's dual radio service—NPR News and Classical Music and the Wisconsin Ideas Network.

**I.2.f. Socially Responsible Investment Policy Discussion**

Regent Hempel explained that, because the Board wishes to be sensitive to its constituencies who have expressed concern about the social impact of investment decisions, it has developed investment guidelines that address those concerns. In developing the guidelines, Committee members took into consideration testimony from students, faculty, alumni and citizens. The resulting policy being presented for Board approval this month strikes an important balance between the Board's fiduciary responsibility of investing trust funds to maximize the return on assets and the Board's long-standing concern for social

justice. The Committee is recommending the use of a professional proxy review service to advise Vice President Bromberg and her staff about proxy votes relating to discrimination and substantial social injury. Because of the complexity of concerns expressed and the rapidly changing issues constituting social responsibility, the Committee will hold annual forums to allow input from all concerned parties.

Presenting brief comments to the Committee were:

- Ben Manski, representing UW Greens, questioned what the Board is actually doing to divest funds, and especially expressed concern with investments in companies doing business in Burma, as well as investments in Briggs and Stratton and the mineral corporations in northern Wisconsin.
- Dan Rodman, representing the Alliance for Democracy, proposed that a socially responsible review board, composed of students, faculty, staff and members of the general public, be established to screen all investments.
- Micah Zenko, representing the Coalition for Socially Responsible Investment, suggested the Board is not in compliance with s. 36.29(1), *Wis. Stats.*
- Brent Sieling, a Madison City Council member, noted that the City of Madison had approved a socially responsible investment policy in 1995. Since that time, 8-10 other cities have passed similar policies.
- Bill Lange, representing Wisconsin Fair Trade Campaign, urged the Board to make socially responsible investment decisions established with respect for the dignity of human and environmental rights and not base them solely on the ability to make a sizable profit.

Regent Smith stated that the policy being considered by the Board might not have been developed without public input. He indicated that the definition of social responsibility will be continually changing, and therefore Burma is not “the” issue, but only an example of the issue. The Board has stepped forward and taken a position which can be an example for other public universities. The annual forum will encourage the public to police corporations which discriminate and bring that information to the Board.

Regent Barry indicated he has made personal investment decisions based on social responsibility and had originally supported a stronger action by the Board; however, he feels the policy establishes more complete Board involvement. He stated that the issue will continue to develop into a major concern into the 21st century. Divesting in each corporation that a particular group has a concern with will diminish returns and still not have a significant effect on the corporation. He indicated the Committee members had started with differing ideas, and commended Regent Hempel on bringing the Committee together on the issue and a proposal of which they can all be proud.

Regent De Simone agreed that the solution is more complex than a matter of just divesting funds, and also indicated the Board is concerned with the issue and has developed a good proposal.

Regent Brown stated that, although she knows that this is not the specific action the students would like the Board to take, it is a good starting point and action without awareness would not have the desired outcome. She reminded students that the Board will be using a proxy service and will participate in any shareholder resolutions.

Upon the motion of Regent Grebe and the second of Regent Smith, the Committee approved Resolution I.2.f.

#### Resolution I.2.f.

That, upon recommendation of the Business and Finance Committee, the Board of Regents of the University of Wisconsin System in discharging its fiduciary responsibilities for the University Trust Funds will take into account its concerns about corporate responsibility as outlined in Exhibit A (attached).

## EXHIBIT A

## Investment and Social Responsibility

The following guidelines will be used in managing the University Trust Funds:

1. The primary fiduciary responsibility of the Board of Regents is to maximize financial return on invested assets, taking into account an appropriate degree of risk.
2. However, the Board acknowledges the importance of maintaining an awareness of public concerns about corporate policies or practices that are discriminatory [as defined by state Statute section 36.29(1)] or cause substantial social injury\*, and it will take this factor into account.
3. To enhance the Board's awareness of social concerns the Regents through the Business & Finance Committee will direct UW System Administration to subscribe to a proxy review service which will highlight proxy resolutions related to discrimination and substantial social injury.
4. The Regents wish to solicit input from students, faculty, alumni and citizens on matters related to social concerns. To obtain this input, the Business and Finance Committee of the Board of Regents will schedule an annual forum at which concerns can be presented by interested parties. This forum will offer the broadest opportunity for System constituencies to present information to the Board of Regents.
5. The Regents are aware that a position on social responsibility may affect potential contributors to the University System. For potential contributors who wish their donations to be invested in funds with social concerns as a high priority, the Business and Finance Committee will ask UW Administration Staff to explore the use of Investment alternatives to meet such objectives.

\* "Substantial social injury" with regard to corporate behavior is defined as the injurious impact on employees, consumers, and/or other individuals or groups resulting directly from specific actions or inactions by a company. Included in this category are actions that violate, subvert, or frustrate the enforcement of rules of domestic or international law intended to protect individuals and/or groups against deprivation of health, safety, basic freedoms or human rights. Only actions or inactions by companies that are proximate to and directly responsible for identifiable social injury will be regarded as falling within these guidelines. (This definition is borrowed from the Stanford University "Statement on Investment Responsibility Concerning Endowment Securities").

**I.2.g. Report of the Vice President****(1) Gifts, Grants and Contracts**

Vice President Bromberg reported that total gifts, grants and contracts for the eight-month period ended February 14, 1997, were \$417.4 million, an increase of \$22.0 million from the previous year. Federal awards decreased \$2.7 million, while non-Federal awards increased by \$24.7 million.

**I.2.h. Additional Items Which May be Presented to the Business and Finance Committee with Its Approval**

**(1) TIAA/CREF**

Vice President Bromberg updated the Board on a draft bill being circulated for cosponsors and comment to allow an optional retirement system, administered and managed by the Board of Regents for unclassified employees of the UW System. She noted that President Lyall has responded by letter to Randall Ryder, Chair of the UW System Fringe Benefits Advisory Committee, identifying enhancements to the existing retirement system which could reduce the need for the proposed optional retirement plan. President Lyall's letter expressed concern that, although there is a bill pending which would eliminate the "death cliff," there is no action pending on the immediate vesting or full interest crediting issues.

**I.2.i. Closed Session to Consider Trust Fund Matters as Permitted by s. 19.985(1)(e), *Wis. Stats.***

There were no issues to be discussed under agenda Item I.2.i.

The Business and Finance Committee adjourned at 2:45 p.m.

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Donita R. Zintz  
Recording Secretary