

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
September 4, 1997

I.2.a. UW System Report to Joint Finance Committee for Release of IT Funds

Because the State Budget Bill had not yet been passed, this item was tabled for a future meeting.

Joint Session with Physical Planning and Funding Committee

The Business and Finance Committee met at 1:15 p.m. in Room 1920 Van Hise Hall with members of the Physical Planning and Funding Committee. Members of the Business and Finance Committee who were present were: Regents Brandes, De Simone, Grebe, Hempel and Marcovich.

Items discussed were: (1) Madison Research Park Annual Report; and (2) Review of Board of Regents Fund-raising Policies and Naming Policies and Panel Discussion on Fund-raising Realities. Please see the Physical Planning and Funding Committee Minutes for details of the discussion.

The Business and Finance Committee met at 2:15 p.m. in Room 1920 Van Hise Hall. Present were: Regents Brandes, De Simone, Grebe, Hempel, Marcovich and Orr.

I.2.b. Approval of Minutes of the July 25, 1997, Meeting of the Business and Finance Committee

Upon the motion of Regent De Simone and the second of Regent Grebe, the minutes of the July 25, 1997, meeting of the Business and Finance Committee stood approved.

I.2.c. Divestiture of Architectural Control Responsibilities for the Residential Plats of the University Hill Farms

When the Board of Regents subdivided the University Hill Farms into 13 separate plats, between October 1955 and January 1975, they also established 13 separate Declarations of Covenants, Restrictions and Easements. In most of these declarations, the enabling authority for the establishment of an Architectural Control Committee was set which allows such Committee to act as a designee of the Board of Regents. For over 40 years now, this Committee has functioned with the Board of Regents making appointments as needed. The original purpose of assuring the most appropriate development of the University Hill Farms lands has, for the most part, long since been fulfilled. The Committee is recommending that the responsibilities for continuing the architectural activity be offered to the existing University Hill Farms Neighborhood Association and that if they do not accept such responsibilities, the recommendation is that the Board terminate its and the Committee's involvement on the automatic renewal date of each plat. They do recommend that the Committee continue to function with regard to the University Hill Farms Commercial Reserve Addition Plat.

Upon the motion of Regent Marcovitz and the second of Regent Grebe, the Committee approved Resolution I.2.c.

Resolution I.2.c.

That, the Board of Regents of the University of Wisconsin System (the successor corporation to the Regents of the University of Wisconsin) does hereby elect to surrender the selection of the Architectural Control Committee for each plat in the University Hill Farms, including Midvale Terrace and its 1st addition, but excluding the Commercial Reserve Addition, to the Hill Farms Neighborhood Association; if the Hill Farms Neighborhood Association does not accept responsibility, the Board will give notice that the covenants and restrictions for each plat will not be permitted to automatically renew but shall terminate at the end of the current term .

I.2.d. Mabel E. McLean Trust

General Counsel Stathas presented for approval a resolution to accept the bequest of Mabel E. McClean.

Upon the motion of Regent De Simone and the second of Regent Brandes, the Committee approved Resolution I.2.d.

Resolution I.2.d.

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison the bequest of the late Mabel E. Mc Lean, of the county of Manatee, State of Florida, be accepted; and the Trust Officer or Assistant Trust Officers be authorized to sign receipts and do all things necessary to effect the transfer for the benefit of the Library of the University of Wisconsin-Madison.

(The Will states:

1. Fifty per cent (50%) to the Library of the University of Wisconsin-Madison, Wisconsin; the gift to be known as the Anstey Memorial Fund. Helen and Mabel Anstey were student workers in the library.)

(The Library will receive approximately \$600,000.)

I.2.e. Gifts, Grants and Contracts In-depth Review

Associate Vice President Durcan noted that, prior to 1993, a detailed listing of all gifts, grants and contracts had been presented to the Board. In February 1993, the Board adopted a plan for summary reporting on a monthly basis, delegating to the Vice Presidents acceptance of contracts with for-profit entities of less than \$200,000. Contracts in excess of \$200,000 were required to come to the Board prior to acceptance. Since that time, no contract has been rejected by the Board. Only contracts entered into under the authority of Chapter 36 of the Statutes are reported; contracts entered into under Chapter 16 are reported to the Department of Administration, as required.

The current system is labor intensive and easily misinterpreted. Very few gifts are given directly to the University and the vast majority listed in the reports represent a pass-through of funds raised by the foundations. Amounts represent awards which frequently span over several years, making the monthly numbers misleading.

The proposed resolution would remove the Associate Secretary of the Board of Regents as a listed officer, since that position has not been in existence for a number of years. It would increase the threshold for reporting grants and contracts with private, profit-making organizations prior to execution from \$200,000 to \$500,000 and change the monthly reporting by the institutions to a summary level basis. The Vice President for Finance will report to the Board on a quarterly basis rather than monthly.

Upon the motion of Regent Brandes and the second of Regent De Simone, the Committee approved Resolution I.2.e.

Resolution I.2.e.

That, on the recommendation of the President of the University of Wisconsin System, Regent Resolution #6042 approved by the Board on March 6, 1992, be rescinded; and that the following revised resolution be approved effective immediately:

That any of the following corporate or administrative officers of the University of Wisconsin System—Secretary, ~~Associate Secretary~~, Assistant Secretary of the Board, the President, any Vice President and any administrative officer or administrative assistant designated by the President of the University of Wisconsin System—is authorized to sign:

1. Proposals, agreements, contracts and contract supplements for research work or any other purposes upon approval of the project by the President or any Vice President of the University of Wisconsin System or the appropriate chancellor or designee with the following extramural entities:
United States Government, any of its agencies or departments, any state or municipality or any agency or department thereof, or any nonprofit organization.
2. Certifications, releases, inventory reports and other documents as required by the government in connection with the termination of the contracts with the federal government for research and educational services furnished by the University of Wisconsin System.
3. Applications, notices, bonds and other instruments required by the federal government in connection with matters relating to federal laws and regulations for the purchase and use of tax-free alcohol in the laboratories of the University of Wisconsin System.
4. Purchase orders and other instruments required by the federal government for the procurement of narcotics for use in laboratories of the University of Wisconsin and in University Hospitals.
5. Grants, contracts, leases and agreements with private-profit making organizations, with the understanding that those in excess of \$500,000 require formal acceptance by the Regents prior to execution.
6. Royalty agreements with the University of Wisconsin Press.

7. Transactions of the University of Wisconsin System's employe savings bond accounts.

A summary of grants, contracts, leases and agreements, including royalty agreements with the University of Wisconsin Press, will be reported monthly to the Vice President for Finance.

I.2.f. Agreement with Private, For-profit Organizations

Associate Vice President Durcan presented three contractual agreements to the Committee for approval.

Upon the motion of Regent Marcovitz and the second of Regent Brandes, the Committee approved Resolutions I.2.f.(1), I.2.f.(2) and I.2.f.(3).

(1) Contractual Agreement with Medco Research, Inc.

Resolution I.2.f.(1)

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor the University of Wisconsin-Madison, the Board of Regents approves the agreement with Medco Research, Inc. entitled "Study Project AB-02 Biostat Core Budget" ("A Double-Blind, Placebo-Controlled, Multicenter Trial of the Safety and Efficacy of Adenosine Additive to Cardioplegic Solutions for Prevention of Post-Ischemic Myocardial Dysfunction After Coronary Artery Bypass Surgery (CABG) in Patients with Depressed Ventricular Function").

(2) Contractual Agreement with Integrated Therapeutics Group, Inc.

Resolution I.2.f.(2)

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 approves this contractual agreement with Integrated Therapeutics Group, Inc., which will provide \$224,631 in support of the research.

(3) Contractual Agreement with F. Hoffmann-LaRoche, Ltd.

Resolution I.2.f.(3)

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 F. Hoffmann-LaRoche, Ltd. entitled, "Bosentan Project."

I.2.g. Report on Base Salary Adjustments to Recognize Competitive Factors

Associate Vice President Sell explained that ss. 36.09(1)(h) and 36.09(1)(j), *Wis. Stats.*, allow the University System to grant salary increases to recognize competitive factors. No later than October 1 of each year, the Board of Regents must report to the Joint Committee on Finance and the Departments of Administration and Employment Relations concerning the amount of such pay increase granted, and the institutions at which they are granted for the 12-month period ending on the preceding June 30. In 1996-97, increases totaling \$628,159 were granted to 105 individuals at five institutions.

Upon the motion of Regent De Simone and the second of Regent Grebe, the Committee approved Resolution I.2.g.

Resolution I.2.g.

That, upon the recommendation of the President of the University of Wisconsin System, the Report on Base Salary Adjustments to Recognize Competitive Factors Required by Section 36.09(1)(j), *Wisconsin Statutes*, be accepted for transmittal to State Officials.

Because Vice President Bromberg had not yet returned from the Physical Planning and Funding Committee meeting, the Business and Finance Committee recessed at 2:33 and reconvened at 2:38.

I.2.h. Report of the Vice President

Vice President Bromberg introduced Ron Yates, Internal Audit Director, who assumed responsibilities on August 18, following Bill Brunkow's retirement.

Vice President Bromberg reported on an agreement between UW Hospital and the Waisman Center, whereby the Hospital will be doing billings for the Waisman Center. UW-Madison Vice Chancellor Torphy indicated this is a three-year trial, purchase of services agreement between the two entities.

I.2.i. Additional Items Which May Be Presented to the Business and Finance Committee with Its Approval

No additional items were presented to the Committee.

I.2.j. Trust Funds**(1) Revision to Investment Guidelines**

Vice President Bromberg reviewed several proposed revisions to the Investment Guidelines. Revisions to the Long-Term Objectives and Guidelines are: The last two points under item 1.2 (Investment Objectives) are changed to read: The equity *investment return* over a four-year period should exceed the performance of the relevant benchmark plus two (2) percentage points. The fixed income *investment return* over a four-year period should exceed the performance of the relative benchmark plus 100 basis points. The last sentence of item 3.5 (Exceptions) is changed to read, "The

investment in SIFI is limited to 15% of the fixed income portion of the Fund. The second to last paragraph of item 4 (Reports) which required an assessment of the portfolio risk from its own internal monitoring system, is eliminated.

The revision to the Intermediate Term Fund Objectives and Guidelines is to eliminate the next to the last paragraph of item 4 (Reports) which required an assessment of the portfolio risk from its own internal monitoring system.

Vice President Bromberg commented that the guidelines currently make it very difficult for managers to do any kind of investing in derivatives. Because managers are required to develop and report on their own risk management systems, it is redundant for the Board to develop and maintain its own risk management system. To obtain the systems necessary to monitor all System investments would cost up to \$30,000 to build, and then it would have to be constantly maintained and kept up-to-date. The intent now would be to allow the managers to maintain their own systems which are in place, but that staff will closely monitor the managers.

Regent Orr noted that the original guidelines for derivatives allowed the managers to use derivatives for hedge and risk abatement but not for investment. Regent Hempel indicated that in reviewing current and prospective managers recently, it was evident that several of the managers who manage international funds are using hedging against foreign currencies in a way which moderates risk to those portfolios. Because the portfolio has been managed in a more conservative manner, the need for the original monitoring system has decreased and the individual manager's monitoring ability has increased, and there is no longer a need for that requirement to remain in the guidelines.

Regent Orr recalled that Mark Fedenia had, at one time, indicated graduate students would be able to provide service of monitoring risk management issues and inquired if he was comfortable with the guidelines. Mr. Fedenia indicated that he feels the guidelines are adequate given the current limitations put on the managers.

Regent Hempel noted, that for reference purposes, the most recent change to the asset allocation parameters allows investment in stock up to a limit of 85%, and are not that fully invested in stocks at this time. Also a reference has been added to a potential segment of the fund in foreign fixed income investments with a maximum of 15%.

Upon the motion of Regent Brandes and the second of Regent De Simone, the Committee approved Resolution I.2.j.(1).

Resolution I.2.j.(1)

That, upon recommendation of the Regent Business and Finance Committee, the Revisions to the Investment Guidelines be approved.

(2) Proposal for November Public Forum on Trust Fund Investment

Vice President Bromberg introduced Robert Bock, former Dean of the School of Business. They have been working together to identify a service which can be used to assist them in becoming aware of proxy issues as related to socially responsible investing. The Committee expressed appreciation for having this working relationship and noted the value of having the overview to alert them to any potential issues.

The Committee agreed to hold a public forum, most likely in Grainger Hall, the morning of November 6, to review investment issues and to hear public comments on socially responsible investing.

**(4) Closed Session to Consider Trust Fund Matters, as Permitted by s. 19.85(1)(e),
*Wis. Stats.***

Upon the motion of Regent Brandes and the second of Regent De Simone, the Committee adjourned to closed session at 3:04 p.m., to consider trust fund matters as permitted by s. 19.85(1)(e), *Wis. Stats.*

The Business and Finance Committee adjourned at 3:27 p.m.

Donita R. Zintz
Recording Secretary