Board of Regents of the University of Wisconsin System
Office of the Secretary
1860 Van Hise Hall
Madison, Wisconsin 53706
(608)262-2324

REVISED 10/02/07

September 26, 2007

TO: Each Regent

FROM: Judith A. Temby

PUBLIC MEETING NOTICE

RE: Agendas and supporting documents for meetings of the Board and Committees to be held at University Center, UW-River Falls, South Third Street, River Falls, Wisconsin on October 4 and 5, 2007.

Thursday, October 4, 2007

8:30 a.m. – Campus Tour – University Center South Entrance

10:00 a.m. – All Regents Invited
- UW-River Falls Presentation – *Introduction and Living the Promise: Serving and Sustaining Our Communities*

Riverview Ballroom

11:00 a.m. – All Regents Invited
- 2007-09 Biennial Budget Update and Possible Resolution
- Participation by the UW System in *Liberal Education and America's Promise (LEAP)*

Riverview Ballroom

12:30 p.m. – Lunch – Riverview Ballroom, Section A

1:30 p.m. – Education Committee Meeting
Riverview Ballroom

Business, Finance, and Audit Committee Meeting
St. Croix River Room

Physical Planning and Funding Committee Meeting
Willow River Room

Friday, October 5, 2007

7:30 a.m. – Regents Breakfast with Student Leaders
The Falls Room

9:00 a.m. – Board of Regents Meeting
Riverview Ballroom

Persons wishing to comment on specific agenda items may request permission to speak at Regent Committee meetings. Requests to speak at the full Board meeting are granted only on a selective basis. Requests to speak should be made in advance of the meeting and should be communicated to the Secretary of the Board at the above address.

Persons with disabilities requesting an accommodation to attend are asked to contact Judith Temby in advance of the meeting at (608) 262-2324.

Information regarding agenda items can be found on the web at http://www.uwsa.edu/bor/meetings.htm, or may be obtained from the Office of the Secretary, 1860 Van Hise Hall, Madison, Wisconsin 53706 (608)262-2324.

The meeting will be webcast at http://www.uwex.edu/ics/stream/regents/meetings/ Thursday, October 4, 2007, at 10:00 a.m. until approximately 12:30 p.m., *and Friday, October 5, 2007, at 9:00 a.m. until approximately 12:00 p.m.*

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PARTICIPATION BY THE UW SYSTEM IN *LIBERAL EDUCATION AND AMERICA'S PROMISE (LEAP)*

EXECUTIVE SUMMARY

BACKGROUND

Liberal Education and America's Promise: Excellence for Everyone as a Nation Goes to College is a ten-year campaign launched by the Association of American Colleges and Universities (AAC&U) in 2005. AAC&U is the leading national association concerned with the quality, vitality, and public standing of undergraduate liberal education. Its members are committed to extending the advantages of a liberal education to all students, regardless of academic specialization or intended career. Founded in 1915, AAC&U comprises more than 1,100 accredited public and private colleges and universities of every type and size. All 26 of the University of Wisconsin System's campuses are members.

The mission of the *LEAP* Campaign is to champion the value of a liberal education—for individual students and for a nation dependent on economic creativity and democratic vitality. The campaign seeks to expand public and student understanding of the kinds of learning that will truly enable college students to succeed and make a difference in the 21st century. Launched in 2005, on the occasion of AAC&U's 90th anniversary, *LEAP* is AAC&U's primary vehicle for advancing and communicating about the importance of undergraduate liberal education for all students.

In 2005, AAC&U named the University of Wisconsin (UW) System as its pilot partner in moving the LEAP agenda forward, and Wisconsin became the first pilot state for AAC&U's advocacy and campus-action activities. AAC&U chose Wisconsin based on the strength of earlier work already taking place throughout the UW System in the effort to promote liberal education by:

- making the outcomes of liberal education accessible and valuable to all UW students, regardless of chosen major or type of degree earned;
- sparking public debate about the kinds of knowledge, skills, habits of mind, and values needed to prepare students for their future roles as citizens;
- renewing Wisconsin citizens' understanding of public higher education as a public good, essential to twenty-first-century democracy and civic engagement, and vital to the economic well-being of the state and its citizens;
- demonstrating that the UW System provides each of its students—regardless of economic background—with the outcomes that characterize a high-quality education;
- developing a campaign to promote higher education as the key to a vibrant, knowledge-based economy;
- restoring the state's commitment to fund public higher education with bipartisan support.

The goals of that work have become concomitant with those of the *LEAP* Campaign. As the partnership with AAC&U develops, the UW System is working to make Wisconsin a national model for other states and higher education systems to follow.

In spring 2007, AAC&U released a report entitled *College Learning for the New Global Century*. The Report identifies an emerging national consensus on the objectives and outcomes of a twenty-first century college education, including the enumeration of a distinct set of essential learning outcomes. It also includes the research findings from an employer survey conducted in 2006, and details action and leadership steps to be taken by higher education institutions and the multiple publics whom they serve. The Executive Summary of that Report is being made available for discussion at the October 2007 Board of Regents meeting.

REQUESTED ACTION

For information only; no action is required.

DISCUSSION

As noted in the Executive Summary of *College Learning for the New Global Century*, AAC&U seeks to fill the void arising from the "near-total public and policy silence about what contemporary college graduates need to know and be able to do." Amid the national calls for increased access, affordability and accountability of higher education institutions, the LEAP Campaign believes that equal attention needs to be paid to academic quality and excellence, and how those more elusive concepts can be defined, measured, and documented.

Likewise, the development of the UW System's Strategic Framework to Advance and Advantage Wisconsin will emerge from concerted attention to the core issue of preparing students. Specifically, the Strategic Framework seeks to answer the question, "How can we ensure that students are prepared with the integrative learning skills, multi-cultural competencies and practical knowledge needed to succeed in and contribute to our rapidly changing, increasingly global society?"

The LEAP Campaign in Wisconsin is working to address that very question through a variety of coordinated strategies, focused on campus action, leadership, public outreach and advocacy. The Campus Action strategies work to make the teaching and learning of liberal education goals intentional among faculty, staff and students at UW institutions, through such activities as: (1) the annual UW System Liberal Arts Essay Scholarship Competition, open to undergraduates from throughout the System; (2) the Syllabus Project, in which faculty refer explicitly to liberal education outcomes in their syllabi and discuss them with their students; and, (3) a collaborative conference in fall 2007 co-sponsored by the UW System, WTCS and WAICU focused on helping faculty teach to, and assess liberal education outcomes.

Leadership in LEAP is being exercised by many individuals and groups. Examples include UW System President Kevin Reilly and Board of Regents President Mark Bradley through speeches to audiences in Wisconsin and elsewhere; the Chancellor and Provost at UW-Oshkosh as they engage with their campus in an institution-wide liberal education reform project; the UW System Advisory Group on the Liberal Arts, composed of representatives from all fifteen UW institutions; and Lieutenant Governor Barbara Lawton, a lifelong champion of liberal education and a member of the AAC&U National Leadership Council for LEAP. They and many others are working to engage decision-makers in Wisconsin from politics, business and industry, the Arts, the non-profit sector, and all educational sectors in discussion of the kinds of learning that is essential for all college students. In addition, public advocacy and outreach are ongoing through campus-community dialogues and multiple outreach programs to Wisconsin citizens originating from almost every UW System institution.

Executive Summary
with findings from Employer Survey

College Learning *for the* *New Global Century*

FROM THE NATIONAL LEADERSHIP COUNCIL FOR
Liberal Education & America's Promise

Association of American Colleges and Universities

Membership of the National Leadership Council for Liberal Education and America's Promise

Derek Bok, Interim President, Harvard University

Myles Brand, President, National Collegiate Athletic Association

Mary Sue Coleman, President, University of Michigan

Ronald A. Crutcher (Cochair), President, Wheaton College (MA)

Troy Duster, Director, Institute for the History of the Production of Knowledge, New York University; Chancellor's Professor of Sociology, University of California, Berkeley

Judith Eaton, President, Council for Higher Education Accreditation

James Gentile, President, Research Corporation

Gina Glantz, Senior Adviser to the President, Service Employees International Union

Freeman A. Hrabowski III, President, University of Maryland Baltimore County

Sylvia Hurtado, Director, Higher Education Research Institute, University of California, Los Angeles

Wayne C. Johnson, Vice President of University Relations Worldwide, Hewlett-Packard Company

Roberts Jones, President, Education Workforce Policy, LLC

H. Peter Karoff, Founder and Chairman, The Philanthropic Initiative

George D. Kuh, Chancellor's Professor and Director, Indiana University Center for Postsecondary Research

Barbara Lawton, Lieutenant Governor, State of Wisconsin

Stephen Mittelstet, President, Richland College, Dallas County Community College District

Azar Nafisi, Visiting Fellow, Foreign Policy Institute, Johns Hopkins University

Martha Nussbaum, Ernst Freund Distinguished Service Professor of Law and Ethics, University of Chicago

Peggy O'Brien (Cochair), Senior Vice President, Educational Programming, Corporation for Public Broadcasting

James F. Orr III, Chair, Board of Trustees, the Rockefeller Foundation

Keith J. Peden, Senior Vice President of Human Resources, Raytheon Company

Christi M. Pedra, Chief Executive Officer, Siemens Hearing Instruments

Chellie Pingree, President, Common Cause

Sally E. Pingree, Trustee, Charles Engelhard Foundation

Carol Geary Schneider, President, Association of American Colleges and Universities

Wendy Sherman, Principal, The Albright Group, LLC

Lee S. Shulman, President, the Carnegie Foundation for the Advancement of Teaching

Donald M. Stewart, Visiting Professor, University of Chicago; Former President, the College Board and Spelman College

Deborah Traskell, Senior Vice President, State Farm Mutual Automobile Insurance Company

Stephen H. Weiss, Managing Director, Neuberger Berman, Inc.

Blenda J. Wilson, President and Chief Executive Officer, Nellie Mae Education Foundation

Jack M. Wilson, President, University of Massachusetts System

Ruth Wooden, President, Public Agenda

LEAP

Executive Summary

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College Learning for the New Global Century is a report about the aims and outcomes of a twenty-first-century college education. It is also a report about the promises we need to make—and keep—to all students who aspire to a college education, especially to those for whom college is a route, perhaps the only possible route, to a better future.

With college education more important than ever before, both to individual opportunity and to American prosperity, policy attention has turned to a new set of priorities: the expansion of access, the reduction of costs, and accountability for student success.

These issues are important, but something equally important has been left off the table.

Across all the discussion of access, affordability, and even accountability, **there has been a near-total public and policy silence about what contemporary college graduates need to know and be able to do**.

This report fills that void. It builds from the recognition, already widely shared, that in a demanding economic and international environment, Americans will need further learning beyond high school.

The National Leadership Council for Liberal Education and America's Promise (LEAP) takes that recognition to the next level, asking: What kinds of learning? To what ends? Beyond access to college, how should Americans define "success" in college achievement?

The council believes that the policy commitment to expanded college access must be anchored in an equally strong commitment to educational excellence. Student success in college cannot be documented—as it usually is—only in terms of enrollment, persistence, and degree attainment. These widely used metrics, while important, miss entirely the question of whether students who have placed their hopes for the future in higher education are actually achieving the kind of learning they need for life, work, and citizenship.

The public and policy inattention to the aims, scope, and level of student learning in college threatens to erode the potential value of college enrollment for many American students. It has already opened the door to the same kind of unequal educational pathways that became common in the twentieth-century high school, which set high expectations for some and significantly lower expectations—expressed in a narrower and less challenging curriculum—for others.

"Student success in college cannot be documented—as it usually is—only in terms of enrollment, persistence, and degree attainment."

"In the twenty-first century, the world itself is setting very high expectations for knowledge and skill. In this context, educators and employers have begun to reach similar conclusions—an emerging consensus—about the kinds of learning Americans need from college."

In the twenty-first century, the world itself is setting very high expectations for knowledge and skill. This report—based on extensive input from both educators and employers—responds to these new global challenges. It describes the learning contemporary students need from college, and what it will take to help them achieve it.

Preparing Students for Twenty-First-Century Realities

In recent years, the ground has shifted for Americans in virtually every important sphere of life—economic, global, cross-cultural, environmental, civic. The world is being dramatically reshaped by scientific and technological innovations, global interdependence, cross-cultural encounters, and changes in the balance of economic and political power.

Only a few years ago, Americans envisioned a future in which this nation would be the world's only superpower. Today, it is clear that the United States—and individual Americans—will be challenged to engage in unprecedented ways with the global community, collaboratively and competitively.

These waves of dislocating change will only intensify. The world in which today's students will make choices and compose lives is one of disruption rather than certainty, and of interdependence rather than insularity. This volatility also applies to careers. Studies show that Americans already change jobs ten times in the two decades after they turn eighteen, with such change even more frequent for younger workers.

Taking stock of these developments, educators and employers have begun to reach similar conclusions—an emerging consensus—about the kinds of learning Americans need from college. The recommendations in this report are informed by the views of employers, by new standards in a number of the professions, and by a multiyear dialogue with hundreds of colleges, community colleges, and universities about the aims and best practices for a twenty-first-century education.

Across all these centers of dialogue, a new vision for learning is coming into view. The goal of this report is to move from off-camera analysis to public priorities and action.

What Matters in College?

American college students already know that they want a degree. The challenge is to help students become highly intentional about the forms of learning and accomplishment that the degree should represent.

The LEAP National Leadership Council calls on American society to give new priority to a set of educational outcomes that all students need from higher learning, outcomes that are closely calibrated with the challenges of a complex and volatile world.

Keyed to work, life, and citizenship, the essential learning outcomes recommended in this report (see next page) are important for all students and should be fostered and developed across the entire educational experience, and in the context of students' major

The Essential Learning Outcomes

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Beginning in school, and continuing at successively higher levels across their college studies, students should prepare for twenty-first-century challenges by gaining:

★ Knowledge of Human Cultures and the Physical and Natural World

- Through study in the sciences and mathematics, social sciences, humanities, histories, languages, and the arts

***Focused** by engagement with big questions, both contemporary and enduring*

★ Intellectual and Practical Skills, including

- Inquiry and analysis
- Critical and creative thinking
- Written and oral communication
- Quantitative literacy
- Information literacy
- Teamwork and problem solving

***Practiced extensively**, across the curriculum, in the context of progressively more challenging problems, projects, and standards for performance*

★ Personal and Social Responsibility, including

- Civic knowledge and engagement—local and global
- Intercultural knowledge and competence
- Ethical reasoning and action
- Foundations and skills for lifelong learning

***Anchored** through active involvement with diverse communities and real-world challenges*

★ Integrative Learning, including

- Synthesis and advanced accomplishment across general and specialized studies

***Demonstrated** through the application of knowledge, skills, and responsibilities to new settings and complex problems*

Note: This listing was developed through a multiyear dialogue with hundreds of colleges and universities about needed goals for student learning; analysis of a long series of recommendations and reports from the business community; and analysis of the accreditation requirements for engineering, business, nursing, and teacher education. The findings are documented in previous publications of the Association of American Colleges and Universities: *Greater Expectations: A New Vision for Learning as a Nation Goes to College* (2002), *Taking Responsibility for the Quality of the Baccalaureate Degree* (2004), and *Liberal Education Outcomes: A Preliminary Report on Achievement in College* (2005). *Liberal Education Outcomes* is available online at www.aacu.org/leap.

LEAP

fields. These outcomes provide a new framework to guide students' cumulative progress—as well as curricular alignment—from school through college.

The LEAP National Leadership Council does not call for a "one-size-fits-all" curriculum. The recommended learning outcomes can and should be achieved through many different programs of study and in all collegiate institutions, including colleges, community colleges and technical institutes, and universities, both public and private.

Liberal Education and American Capability

The essential learning outcomes are important for a globally engaged democracy, for a dynamic, innovation-fueled economy, and for the development of individual capability. A course of study that helps students develop these capacities is best described as a liberal—and liberating—education.

Reflecting the traditions of American higher education since the founding, the term "liberal education" headlines the kinds of learning needed for a free society and for the full development of human talent. Liberal education has always been this nation's signature educational tradition, and this report builds on its core values: expanding horizons, building understanding of the wider world, honing analytical and communication skills, and fostering responsibilities beyond self.

"In an economy that is dependent on innovation and global savvy, liberal education outcomes have become the keys to economic vitality and individual opportunity."

However, in a deliberate break with the academic categories developed in the twentieth century, the LEAP National Leadership Council disputes the idea that liberal education is achieved only through studies in arts and sciences disciplines. It also challenges the conventional view that liberal education is, by definition, "nonvocational."

The council defines liberal education for the twenty-first century as a comprehensive set of aims and outcomes (see previous page) that are essential for all students because they are important to all fields of endeavor. Today, in an economy that is dependent on innovation and global savvy, these outcomes have become the keys to economic vitality and individual opportunity. They are the foundations for American success in all fields—from technology and the sciences to communications and the creative arts.

The LEAP National Leadership Council recommends, therefore, that the essential aims and outcomes be emphasized across every field of college study, whether the field is conventionally considered one of the arts and sciences disciplines or whether it is one of the professional and technical fields (business, engineering, education, health, the performing arts, etc.) in which the majority of college students currently major. General education plays a role, but it is not possible to squeeze all these important aims into the general education program alone. The majors must address them as well.

In the last century, higher education divided educational programs into two opposed categories—an elite curriculum emphasizing liberal arts education "for its own sake" and a more applied set of programs emphasizing preparation for work. Today, the practices are changing but the old Ivory Tower view of liberal education lingers. It is time to retire it.

This outmoded view is seriously out of touch with innovations on campus, which increasingly foster real-world experience and applications in all disciplines. But it is especially injurious to first-generation students who, the evidence shows, are the most likely to enroll in narrower programs that provide job training but do not emphasize the broader outcomes of a twenty-first-century education. To serve American society well, colleges, universities, and community colleges must take active steps to make liberal education inclusive.

The LEAP National Leadership Council calls, therefore, for vigorous new efforts to help students discover the connections between the essential learning outcomes and the lives they hope to lead. The goal—starting in school and continuing through college—should be to provide the most empowering forms of learning for all college students, not just some of them.

A New Framework for Excellence

The LEAP National Leadership Council recommends, in sum, an education that intentionally fosters, across multiple fields of study, wide-ranging knowledge of science, cultures, and society; high-level intellectual and practical skills; an active commitment to personal and social responsibility; and the demonstrated ability to apply learning to complex problems and challenges.

The council further calls on educators to help students become "intentional learners" who focus, across ascending levels of study and diverse academic programs, on achieving the essential learning outcomes. But to help students do this, educational communities will also have to become far more intentional themselves—both about the kinds of learning students need, and about effective educational practices that help students learn to integrate and apply their learning.

"It is not possible to squeeze all these important aims into the general education program alone. The majors must address them as well."

In a society as diverse as the United States, there can be no "one-size-fits-all" design for learning that serves all students and all areas of study. The diversity that characterizes American higher education remains a source of vitality and strength.

Yet all educational institutions and all fields of study also share in a common obligation to prepare their graduates as fully as possible for the real-world demands of work, citizenship, and life in a complex and fast-changing society. In this context, higher education needs a broadly defined educational framework that provides both a shared sense of the aims of education and strong emphasis on effective practices that help students achieve these aims.

To highlight these shared responsibilities, **the council urges a new compact, between educators and American society, to adopt and achieve new Principles of Excellence** (see p. 6).

Informed by a generation of innovation and by scholarly research on effective practices in teaching, learning, and curriculum, the Principles of Excellence offer both challenging standards and flexible

The Principles of Excellence

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Principle One

★ Aim High—and Make Excellence Inclusive

Make the Essential Learning Outcomes a Framework for the Entire Educational Experience, Connecting School, College, Work, and Life

Principle Two

★ Give Students a Compass

Focus Each Student's Plan of Study on Achieving the Essential Learning Outcomes—and Assess Progress

Principle Three

★ Teach the Arts of Inquiry and Innovation

Immerse All Students in Analysis, Discovery, Problem Solving, and Communication, Beginning in School and Advancing in College

Principle Four

★ Engage the Big Questions

Teach through the Curriculum to Far-Reaching Issues—Contemporary and Enduring—in Science and Society, Cultures and Values, Global Interdependence, the Changing Economy, and Human Dignity and Freedom

Principle Five

★ Connect Knowledge with Choices and Action

Prepare Students for Citizenship and Work through Engaged and Guided Learning on "Real-World" Problems

Principle Six

★ Foster Civic, Intercultural, and Ethical Learning

Emphasize Personal and Social Responsibility, in Every Field of Study

Principle Seven

★ Assess Students' Ability to Apply Learning to Complex Problems

Use Assessment to Deepen Learning and to Establish a Culture of Shared Purpose and Continuous Improvement guidance for an era of educational reform and renewal.

The Principles of Excellence can be applied by any college, community college, or university. They are intended to influence practice across the disciplines as well as in general education programs.

But the principles and the recommendations that accompany them also provide a framework for shared efforts, between school and college, to develop more purposeful pathways for student learning over time. Collectively, they shift the focus—at all levels of education—from course categories and titles to the quality and level of work students are actually expected to accomplish.

Taken together, the Principles of Excellence underscore the need to teach students how to integrate and apply their learning—across multiple levels of schooling and across disparate fields of study. The principles of excellence call for a far-reaching shift in the focus of schooling from accumulating course credits to building real-world capabilities.

A Time for Leadership and Action

The Principles of Excellence build from an era of innovation that is already well under way. As higher education has reached out to serve an ever wider and more diverse set of students, there has been widespread experimentation to develop more effective educational practices and to determine "what works" with today's college students.

Some of these innovations are so well established that research is already emerging about their effectiveness. The full LEAP report provides a guide to tested and effective educational practices.

To date, however, these active and engaged forms of learning have served only a fraction of students. New research suggests that the benefits are especially significant for students who start farther behind. But often, these students are not the ones actually participating in the high-impact practices.

With campus experimentation already well advanced—on every one of the Principles of Excellence—it is time to move from "pilot efforts" to more far-reaching commitments. The United States comprehensively transformed its designs for learning, at all levels, in the late nineteenth and early twentieth centuries. Now, as we enter the new global century, Americans need to mobilize again to advance a contemporary set of goals, guiding principles, and practices that will prepare all college students—not just the fortunate few—for twenty-first-century realities.

"The Principles of Excellence call for a far-reaching shift in the focus of schooling from accumulating course credits to building real-world capabilities."

What It Will Take

▶ Make the Principles of Excellence a Priority on Campus

Colleges, community colleges, and universities stand at the center. Many have already implemented pilot programs that address the vision for learning outlined in this report. The goal now should be to move from partial efforts to a comprehensive focus on students' cumulative accomplishment over time, and across different parts of their educational experience.

"Students need to hear now from their future employers that narrow learning will limit rather than expand their options."

The LEAP report describes steps that each institution can take to scale up its efforts and focus campus-wide attention both on the aims of education and on intentional practice to help students achieve the intended learning (see p. 14).

▶ Form Coalitions, across Sectors, for All Students' Long-Term Interests

While the value of strong educational leadership on campus cannot be overstated, raising the quality of student learning across the board will require concerted and collective action at all levels of education. The barriers to higher achievement are systemic, and no institution can overcome them on its own. Leaders at all levels will need to work together to build public and student understanding about what matters in college and to establish higher operative standards across the board for college readiness and college achievement.

▶ Build Principled and Determined Leadership

While everyone has a role to play, three forms of enabling leadership will be absolutely essential to champion and advance the work of raising student achievement across the board.

1. High-profile advocacy from presidents, trustees, school leaders, and employers. These leaders, more than any others, are in a position to build public understanding of what matters in a twenty-first-century education. They should vigorously champion and support the essential learning outcomes with the public and in their outreach to students and families. And, they should make the essential learning outcomes a driving priority for their institutions and communities.

2. Curricular leadership from knowledgeable scholars and teachers. While recognized leaders can make higher achievement a priority, faculty and teachers who work directly with students are the only ones who can make it actually happen. At all levels—nationally, regionally, and locally—they will need to take the lead in developing guidelines, curricula, and assignments that connect rich content with students' progressive mastery of essential skills and capabilities. Equally important, those responsible for educating future teachers and future faculty must work to ensure that they are well prepared to help students achieve the intended learning.

3. Policy leadership at multiple levels to support and reward a new framework for educational excellence. Leaders in state systems and schools, in accreditation agencies, in P–16 initiatives, and in educational associations need to act together to set priorities and establish policies that focus on the essential learning outcomes. As they adopt new standards for assessment and accountability, they need to ensure that these standards are designed to foster cumulative accomplishment and integrative learning over time. And, they need to create an environment that both supports and rewards faculty, teacher, and staff investments in more powerful forms of learning.

▶ Put Employers in Direct Dialogue with Students

Students are flocking to college in order to expand their career opportunities. They need to hear now from their future employers—at career fairs, on campus Web sites, and even through podcasts on their iPods—that narrow learning will limit rather than expand their options. When both senior executives and campus recruiters underscore the value of the essential learning outcomes, students will have strong incentives to work steadily toward their achievement.

▶ Reclaim the Connections between Liberal Education and Democratic Freedom

The essential learning outcomes and the Principles of Excellence are important to the economy, certainly. But they are also important to American democracy.

As Americans mobilize determined leadership for educational reform, we need to put the future of democracy at the center of our efforts. An educational program that is indifferent to democratic aspirations, principles, and values will ultimately deplete them. But a democracy united around a shared commitment to educate students for active citizenship will be this nation's best investment in our long-term future.

Liberal Education and America's Promise

With this report, the LEAP National Leadership Council urges a comprehensive commitment, not just to prepare all students for college, but to provide the most powerful forms of learning for all who enroll in college.

Working together, with determination, creativity, and a larger sense of purpose, Americans can fulfill the promise of a liberating college education—for every student and for America's future.

"The LEAP National Leadership Council urges a comprehensive commitment, not just to prepare all students for college, but to provide the most powerful forms of learning for all who enroll in college."

Appendix

Do Employers Value Liberal Education?

As part of the LEAP initiative, AAC&U commissioned Peter D. Hart Research Associates to conduct a series of focus groups and a national survey of employers.* The findings reveal strong support among employers for an increased emphasis on providing all students with a set of "essential learning outcomes" recommended by the LEAP National Leadership Council. Employers interviewed for this survey reject the trend toward narrow technical training at the college level; they believe that, to succeed in the global economy, students need more liberal education, not less.

Employers also stress the importance of providing students with versatile knowledge and skills. In particular, they want to see significantly more emphasis on helping students put their knowledge and skills to practical use in "real-world" settings.

Selected Findings from National Survey of Employers

- Fifty-six percent of employers think colleges and universities should focus on providing all students with *both* a well-rounded education—broad knowledge and skills that apply to a variety of fields—*and* knowledge and skills in a specific field. Eleven percent of employers favor a primary focus only on providing a well-rounded education, and just 22 percent favor a narrow focus on providing skills and knowledge mainly in a specific field.

- Fully 63 percent of employers believe that recent college graduates do not have the skills they need to succeed in the global economy. Employers recognize that colleges and universities play a major role in the nation's economic success and ability to drive innovation, but they see significant room for improvement in the level of preparation of today's graduates.

**In November/December 2006, Peter D. Hart Research Associates, Inc., interviewed 305 employers whose companies have at least twenty-five employees and report that 25 percent or more of their new hires hold at least a bachelor's degree from a four-year college. The margin of error for this survey is +/-5.7 percentage points. In January 2006, Hart Research also conducted three focus groups among business executives—one each in Milwaukee, Wisconsin; Fairfax, Virginia; and Atlanta, Georgia. This research focused only on preparation for economic success. The results, therefore, do not reveal respondents' views on education for citizenship or personal development. Hart Research also interviewed 510 recent graduates of a four-year college. The margin of error for this survey is +/-4.4 percentage points. The complete findings from the focus groups and the national surveys of employers and recent graduates can be found online at www.aacu.org/leap.*

Percentage of Employers Who Want Colleges to "Place More Emphasis" on Essential Learning Outcomes

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Knowledge of Human Cultures and the Physical and Natural World

• Science and technology	82%
• Global issues	72%*
• The role of the United States in the world	60%
• Cultural values and traditions (U.S./global)	53%*

Intellectual and Practical Skills

• Teamwork skills in diverse groups	76%*
• Critical thinking and analytic reasoning	73%
• Written and oral communication	73%
• Information literacy	70%
• Creativity and innovation	70%
• Complex problem solving	64%
• Quantitative reasoning	60%

Personal and Social Responsibility

• Intercultural competence (teamwork in diverse groups)	76%*
• Intercultural knowledge (global issues)	72%*
• Ethics and values	56%
• Cultural values/traditions—U.S./global	53%*

Integrative Learning

• Applied knowledge in real-world settings	73%

Note: These findings are taken from a survey of employers commissioned by the Association of American Colleges and Universities and conducted by Peter D. Hart Associates in November and December 2006. For a full report on the survey and its complete findings, see www.aacu.org/leap.

*Three starred items are shown in two learning outcome categories because they apply to both.

LEAP

- The majority of employers surveyed think colleges and universities should place more emphasis on helping students develop the ability to apply knowledge and skills to real-world settings through internships or other hands-on experiences. Several focus group participants were especially critical of colleges and universities for providing an education that is too theoretical and disconnected from the real world. Or as one executive says, colleges and universities equal "delayed reality."

"Disconnected . . . I've seen kids come out of school, and my perception is, you know, they're able to read *The Economist* or they're able to go online and see something or they're able to . . . program or build something in a lab, but it doesn't really have an application to the real world."

—Male, Fairfax Business Executive

- A majority of employers think that colleges and universities should place more emphasis on skills and areas of knowledge that are cultivated through a liberal education. Figure 1 below shows the percentage of employers who would like to see colleges and universities "place more emphasis" on specific intellectual skills and areas of knowledge.

FIGURE 1

PROPORTION OF EMPLOYERS WHO SAY COLLEGES AND UNIVERSITIES SHOULD PLACE MORE EMPHASIS THAN THEY DO TODAY ON LIBERAL EDUCATION OUTCOMES

Concepts and new developments in science and technology	82%
Teamwork skills and the ability to collaborate with others in diverse group settings	76%
The ability to apply knowledge and skills to real-world settings through internships or other hands-on experiences	73%
The ability to effectively communicate orally and in writing	73%
Critical thinking and analytical reasoning skills	73%
Global issues and developments and their implications for the future	72%
The ability to locate, organize, and evaluate information from multiple sources	70%
The ability to be innovative and think creatively	70%
The ability to solve complex problems	64%
The ability to work with numbers and understand statistics	60%
The role of the United States in the world	60%
A sense of integrity and ethics	56%
Cultural values and traditions in America and other countries	53%
Civic knowledge, civic participation, and community engagement	48%
Proficiency in a foreign language	46%
Democracy and government	42%

- Employers strongly endorse the concept of liberal education. When presented with a description of liberal education (see fig. 2) and asked how important they feel it is for colleges and universities to provide this type of education, employers overwhelmingly recognize it as important.

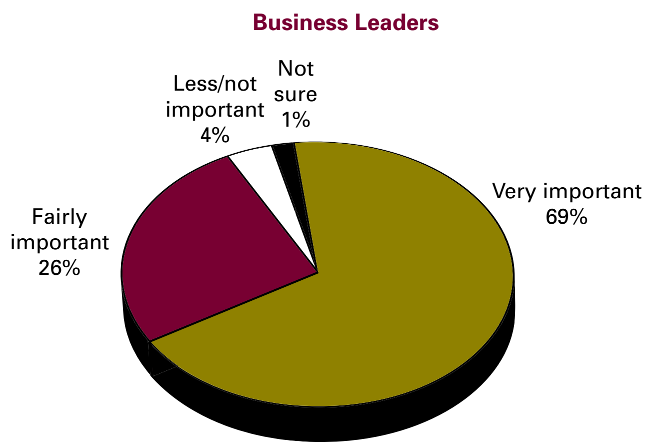
FIGURE 2

ASSESSMENT OF LIBERAL EDUCATION

How important is it for today's colleges and universities to provide the type of education described below?

This particular approach to a four-year college education provides both broad knowledge in a variety of areas of study and more in-depth knowledge in a specific major or field of interest. It also helps students develop a sense of social responsibility, as well as intellectual and practical skills that span all areas of study, such as communication, analytical, and problem-solving skills, and a demonstrated ability to apply knowledge and skills in real-world settings.

Seventy-six percent of employers would recommend this type of education to a young person they know.



In sum, the great majority of employers believe that, to be well prepared for the changing global economy, today's college students will need to acquire cross-disciplinary knowledge of science and society, a broad range of high-level intellectual and practical skills, intercultural competence, ethical integrity, and the ability to apply their learning to real-world problems.

Employers do not necessarily use the vocabulary of "liberal education." But when asked about the learning students need from college, they give responses that address all the broad areas of knowledge and skill that are central to a strong liberal education.

Campus leaders can use these survey findings to build public and student understanding that, in this global century, the learning outcomes that characterize liberal education have become essential, not elective. In an economy fueled by innovation, they have become the essential passport to economic opportunity.

The question confronting higher education is whether it can and will meet this challenging standard for inclusive excellence.

The Essential Learning Outcomes:
What Individual Colleges, Community Colleges, and Universities Can Do

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

Vision

The institution—through dialogue with the wider community—articulates a vision for student accomplishment that addresses the essential learning outcomes and the Principles of Excellence in ways appropriate to mission, students, and educational programs.

Resources

Campus leaders—including presidents, trustees, and senior leaders—advance this vision through their strategic planning, fundraising, resource allocation, and staffing.

Integrative Learning

The institution creates an intellectual commons where faculty and staff work together to connect the essential outcomes with the content and practices of their educational programs, including general education, departmental majors, the co-curriculum, capstone projects, and assessments.

Intentional Students

The institution teaches students how to integrate the essential learning outcomes within a purposeful, coherent, and carefully sequenced plan of study.

Accomplishment

Faculty and staff work to develop student knowledge and capabilities cumulatively and sequentially, drawing on all types of courses—from general education and the majors to electives—as well as non-course experiences. Capstone projects or portfolios make student accomplishment visible.

Evidence

Faculty and staff members work together—across courses and programs—to assess students' cumulative progress, to audit the connections between intended learning and student accomplishment, to share findings about effective educational practices, and to advance needed change.

Recognition

Faculty and staff reward systems are organized to support collaborative work—"our work"—as well as individual excellence, and to foster a culture of shared focus and collaborative inquiry about students' progress and cumulative learning across the multiple parts of the college experience.

LEAP

Association
of American
Colleges and
Universities

1818 R Street, NW, Washington, DC 20009

ISBN 978-0-9779210-6-5

The complete text of the LEAP report is available online at www.aacu.org. To order print copies, or to learn about other AAC&U publications, visit www.aacu.org, e-mail pub_desk@aacu.org, or call 202.387.3760.

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REVISED 10/02/07

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.1. Education Committee - Thursday, October 4, 2007
Riverview Ballroom, University Center
University of Wisconsin-River Falls

8:30 a.m. All Regents

- Campus Tour – University Center South Entrance

10:00 a.m. All Regents – Riverview Ballroom

- UW-River Falls Presentation – *Introduction and Living the Promise: Serving and Sustaining Our Communities*

11:00 a.m. All Regents – Riverview Ballroom

- 2007-09 Biennial Budget Update and Possible Resolution
- Participation by the UW System in *Liberal Education and America's Promise (LEAP)*

12:30 p.m. Lunch – Riverview Ballroom, Section A

1:30 p.m. Education Committee – Riverview Ballroom

a. Approval of the minutes of the September 6, 2007, meeting of the Education Committee.

b. UW-River Falls Presentation – *Living the Promise: The Global Connection*.

c. UW-Stout: Summary of Academic Quality Improvement Program Accreditation Review by the North Central Association Higher Learning Commission, and Institutional Report on General Education.

d. Report of the Senior Vice President:
   1. Update on Routine Committee Work;
   2. Education Committee Priorities for 2007-08.

e. Additional items may be presented to the Education Committee with its approval.

REPORT ON HIGHER LEARNING COMMISSION ACCREDITATION THROUGH THE ACADEMIC QUALITY IMPROVEMENT PROGRAM UW-STOUT

EXECUTIVE SUMMARY

BACKGROUND

The process of institutional accreditation and re-accreditation by the Higher Learning Commission (HLC) of the North Central Association provides UW System institutions an independent assessment of their academic quality and institutional health. The Education Committee is customarily provided summary institutional reports on recent Higher Learning Commission accreditation visits, followed by a presentation and discussion in the committee meeting with representatives of the institution involved. In conjunction with the HLC report, *Academic Information Series 1 (ACIS-1)* requires that the institution also report to the Education Committee on their General Education program. This report should include discussion of: (1) the institution's philosophy of general education, including specific goals for the general education curriculum; (2) an overview of the current general education program; (3) a description of how the general education curriculum provides students with opportunities to achieve institutional goals; and (4) a description of an ongoing assessment process for reviewing and improving the general education program.

In 1999, the North Central Association (NCA) established an alternative to the traditional HLC accreditation cycle. AQIP, the Academic Quality Improvement Program, infuses the principles and benefits of continuous improvement into the culture of colleges and universities by providing an alternative process through which an already-accredited institution can maintain its accreditation from the Higher Learning Commission. Based on the Malcolm Baldrige National Quality Award Program, the AQIP model's review process delivers useful feedback to participating institutions while providing assurance of institutional quality to NCA and other audiences. UW-Stout, with its long history of continuous quality improvement, was accepted into AQIP in 2002 after receiving the Malcolm Baldrige National Quality Award.

For the past five years, UW-Stout has participated in AQIP's strategic planning forums, reporting annually on action projects and documenting processes and results in an AQIP Systems Portfolio. In May 2007, an AQIP evaluation team visited the University of Wisconsin-Stout. Subsequent to the visit, the Evaluation Team reviewed UW-Stout's AQIP Systems Portfolio, Quality Program Summary and Federal Compliance Packet and declared UW-Stout to be in full compliance with all AQIP criteria and with all HLC accreditation standards. Information documenting UW-Stout's participation in AQIP can be found at: http://www.uwstout.edu/aqip/

REQUESTED ACTION

This item is presented for information only and no action is required.

DISCUSSION AND RECOMMENDATIONS

Following its campus review in May 2007, the AQIP Evaluation Team confirmed that UW-Stout meets the core components of each of the nine major AQIP criteria. These criteria include: (1) helping students learn; (2) accomplishing other distinct objectives; (3) understanding student and stakeholder needs; (4) valuing people; (5) leading and communicating; (6) supporting institutional operations; (7) measuring effectiveness; (8) planning continuous improvement; and (9) building collaborative relationships. The University was also found to be in compliance with the five major criteria for HLC accreditation including: mission and integrity; preparing for the future; student learning and effective teaching; acquisition, discovery and application of knowledge; and engagement and service.

Overall, UW-Stout's AQIP experience has been extremely positive. The AQIP Evaluation Team noted several exemplary activities while on campus, including, but not limited to: the continuous improvement approaches exhibited throughout the organization; the innovative use of teaching and learning technology; a broad-based and inclusive strategic planning process; the integration of planning and budgeting; and a "data driven" campus culture. The team also identified several opportunities for improvement, including the areas of succession planning for leadership positions, refinement of data collection, and the documentation of decentralized quality improvement practices to identify internal best practices. During the closing session of the site visit, the AQIP Evaluation team leader commented that "UW-Stout is its own benchmark in many areas when it comes to continuous improvement in higher education." Following the visit, UW-Stout's Provost was asked to serve on the panel of individuals who determine which institutions receive AQIP accreditation.

For UW-Stout, there are numerous benefits to the AQIP reaccreditation process compared to the traditional HLC reaccreditation process. The traditional process focuses on a site visit that occurs every ten years. Much documentation is created in preparation for the site visit but typically there is little activity between site visits unless specific improvement actions have been mandated by the HLC. Under the traditional model, an institution receives feedback on their performance once every ten years following the site visit. In contrast, AQIP requires institutions to engage in improvement actions on an annual basis. AQIP institutions receive timely and efficient feedback on their performance on an annual basis through action project reviews, participation in AQIP Strategy Forums, system portfolio reviews and site visits. The entire campus continues to be engaged in quality improvement through participation in AQIP-related activities each year.

AQIP REVIEW OF GENERAL EDUCATION

The AQIP Evaluation team looked at UW-Stout's General Education program within the context of Criterion One: helping students learn. Specifically, the team noted: "The institution uses a participatory process for determining common student learning objectives that draws on input from program directors, the General Education Committee, and advisory committees that include faculty, students, alumni and employers." In addition, the reviewers noted that the results of the general education assessment tools demonstrated favorable trends in many areas.

INSTITUTIONAL OVERVIEW WITH A FOCUS ON GENERAL EDUCATION

UW-Stout's mission provides the context for Criterion One: helping students learn. As a special mission institution in the University of Wisconsin System, UW-Stout is characterized by a distinctive array of academic programs leading to professional careers. In the spring of 2007, UW-Stout was designated by the Board of Regents as the University of Wisconsin System's first polytechnic campus. Academic programs are presented through an approach to learning involving theory, practice and experimentation. UW-Stout integrates the humanities, the arts, the natural, physical and social sciences, and technology into its undergraduate programs. Experiences in these areas provide a foundation for the major field of study, promote continuing personal and professional growth, and prepare the student to deal constructively with future opportunities.

The General Education Program provides the core of what it means to be a well-educated university graduate. The goal is to promote human excellence through a broad foundation of skills and knowledge required to realize a meaningful personal, professional, and civic life. The General Education Program is intended to enable students to contribute to and live responsibly in a diverse, interconnected, and technologically sophisticated global community. A common core of general education objectives has been developed for the undergraduate curriculum (*see Figure 1*) to outline the pattern of general knowledge and skills UW-Stout expects all students to possess upon completion of their programs.

In addition to the general education objectives, each undergraduate and graduate program has identified specific program objectives unique to the individual degree program. These objectives, validated by program advisory committees and approved through the campus curriculum process, reflect specific skills and knowledge that are based upon professional or accreditation standards in each field. UW-Stout ensures that student learning expectations, practices and objectives align with its mission, vision, values and goals through a number of established processes. As part of the approval process, all new programs must clearly identify their relationship to the UW-Stout mission. Academic programs, including the General Education Program, and support units must also articulate their relationship to the university mission during the program/unit review process.

General Skills and Abilities:

- Develop effective reading, writing, speaking and listening skills and be able to utilize contemporary information and communication systems.
- Formulate logical and mathematical reasoning related to various branches of knowledge.
- Acquire knowledge and skills essential to one's physical and mental well being.
- Think creatively, analyze critically, synthesize clearly and act responsibly.
- Develop a critically examined value system and a personal code of ethics.

General Knowledge, Appreciation and Values:

- Recognize and appreciate the collective heritage, ideas and values of a multicultural world and demonstrate sensitivity to socio-cultural diversity and the interdependence of groups in a global society.
- Understand and appreciate the creativity and imagination expressed in the fine and performing arts to provide a basis for lifelong aesthetic experience.

Comprehend and value the natural and physical sciences and their impacts on society.

- Recognize and appreciate the inter-relationship between the ideological, sociological and technological adaptive systems and their impact on the human experience and the environment.
- Understand the development and consequences of the behavior of individuals, groups and institutions in the context of major social, economic and political forces.
- Cultivate a historical and political consciousness.
- Recognize the ongoing and connected nature of human experience over the course of a lifetime.

Figure 1 UW-Stout General Education Objectives

Key program offerings at UW-Stout include 30 undergraduate programs, 19 graduate programs, 46 minors, 12 specializations, and 12 certificate programs. The General Education program requires students to complete courses in seven categories: Communication Skills; Analytic Reasoning Skills; Health and Physical Well-Being; Natural Sciences; Social and Behavioral Sciences; Humanities and the Arts; and Technology. Interdisciplinary studies are also recognized as a part of the general education program.

UW-Stout is also known for its extensive use of technology in the formal instructional context. One of UW-Stout's enduring goals is to promote active learning and in fulfillment of that goal, the university became a wireless laptop campus in 2002.

New technology is incorporated into programs and courses based upon program needs identified in the initial program development or subsequent program modification or revision. These changing needs are identified through student feedback, advisory committee input, alumni and employer survey feedback, the formal program review process and the annual planning process.

UW-Stout determines common student learning objectives through faculty governance processes. The general education objectives were developed by the General Education Committee and approved by the Faculty Senate. Program directors, with the assistance of advisory committees (which include faculty, students, alumni and employers), identify and update specific objectives. In addition, many UW-Stout degree programs are designed to meet external accreditation standards, in addition to the AQIP criteria.

ASSESSMENT OF STUDENT LEARNING

UW-Stout's assessment program is comprised of a comprehensive process that includes entry-level, course-level, general education and program–level assessment components.

Entry-level assessment is designed to evaluate entry-level student competency in English, math and foreign language skills in order to identify developmental needs and to ensure that students are appropriately placed in courses and programs.

Course-level assessment begins with a standard format for course design that includes course description, course objectives, content outline and assessment methods. This information is used to develop the course syllabus which is shared with the students at the beginning of each course. Instructors use formative assessment measures, such as quizzes, short papers and student questionnaires, to gain immediate feedback about teaching effectiveness and student learning. This feedback is used to make mid-course adjustments and improvements.

Effective teaching is determined and documented through evaluation of instruction. This evaluation is multifaceted and may include student, department chair, peer and self-evaluation. Students provide feedback through course evaluations, and department chairs and/or departmental personnel committee members observe classroom teaching. The process is well-defined and communicated in the faculty and academic staff personnel handbooks. To obtain annual contract renewal, tenure or promotion, faculty members must provide evidence of effective teaching. Effective teaching is evaluated through student course evaluations, peer evaluations, department chair evaluations and through analyses of grades, pass rates and student learning outcomes.

General Education Assessment occurs as students progress through the general education curriculum. There are three components to the general education assessment system: the ACT CAAP test; course-embedded assessment; and a senior survey of general education competencies. Results of these assessments are used to improve teaching and learning in the general education curriculum as well as related support services, such as writing and math laboratories.

The ACT CAAP test is administered to juniors and seniors on an annual basis to assess student learning in the general education curriculum. Annual administration began in 2004. Results are used to facilitate improvements in teaching, learning, faculty development, and student support services. For example, although writing scores have increased since the late 1990s, they are still below the national average. In an effort to increase scores, the campus has recently implemented a writing center for students and increased faculty development programming in this area.

In addition to the ACT CAAP test, seniors complete a self-assessment of their general education knowledge. This instrument was designed by UW-Stout, and the items mirror the approved general education objectives. Although the ACT CAAP test and General Education Senior Level Assessment provide UW-Stout with an overall evaluation of the effectiveness of the general education curriculum, it has been challenging for instructors to use these data to improve teaching and learning in specific courses. In 2004, the campus implemented a third component to the general education assessment model, course-embedded assessment. Each general education course is required to submit documentation of this process on an annual basis. Reports include course objectives, number of students assessed, methods, results and implications for teaching and learning. All instruments and rubrics used in this process were created by UW-Stout instructors. Reports are reviewed annually by members of the General Education Committee and the Provost’s Office.

Program assessment or “Assessment in the Major” occurs throughout the program and is based upon student academic achievement of the identified student learning objectives for each program. UW-Stout began requiring all programs to develop assessment plans and assess student learning outcomes in the early 1990s. Each program utilizes a number of direct and indirect methods to assess student learning and progress. Program directors share this information with faculty members who teach in the program. The results are used to make modifications in course content, course sequencing, or teaching methods. The results may also be used to improve laboratories or support services.

The direct measures of student achievement that UW-Stout collects and analyzes regularly include assessment of student learning outcomes in both the general education curriculum and in all major programs. UW-Stout also monitors pass rates in specific courses and student progress, retention and graduation rates in each academic program. Indirect measures of student performance include placement data, and alumni and employer follow-up studies.

UW-Stout obtains information on how well prepared graduates are for employment through the following feedback mechanisms: program advisory committees; faculty assessment of student learning outcomes; licensure and certification exam results; annual graduate placement and salary surveys; alumni follow-up surveys;

and employer follow-up surveys. The results of these surveys are analyzed and shared with program directors to use in planning program modifications.

SUMMARY

UW-Stout data on student academic achievement indicates that students are meeting desired learning outcomes, both in general education and in academic programs. These data, which can be segmented by program and by various student segments, provide faculty and staff with feedback to identify and close gaps based on student and employer requirements. In addition to AQIP, UW-Stout belongs to several consortia and professional organizations that share comparative data and best practices in helping students learn including the National Consortium for Continuous Improvement in Higher Education (*NCCI*) and the Baldrige Award Recipient Association (*BAR*). Mission-similar peers are used to provide comparative data in key areas such as student learning in specific programs, retention and job placement.

RELATED REGENT POLICIES

University of Wisconsin System Academic Planning and Program Review (November 10, 1995), Academic Informational Series #1 (ACIS-1.0 revised June 2006)

87-1, Principles on Accreditation of Academic Programs (3/6/87).

92-7, Academic Quality Program--Assessment (9/11/92).

REVISED 10/02/07

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business, Finance, and Audit Committee

Thursday, October 4, 2007
UW-River Falls University Center
St. Croix River Room

8:30 a.m. Campus Tour – All Regents Invited

10:00 a.m. All Regents

- UW-River Falls Presentation – *Introduction and Living the Promise: Serving and Sustaining Our Communities*

11:00 a.m. All Regents

- 2007-09 Biennial Budget Update and Possible Resolution
- Participation by the UW System in *Liberal Education and America's Promise (LEAP)*

12:30 p.m. Lunch

1:30 p.m. Business, Finance, and Audit Committee – St. Croix River Room

a. Approval of Minutes of the September 6, 2007 Meeting of the Business, Finance, and Audit Committee

b. UW-River Falls Presentation – *Living the Promise: Investing in our Futur*e

c. Information Technology (IT) Update
(1) Oversight and Reporting Structure
(2) Common Systems 2007-08 Expenditure Plan
(3) IT Roadmap

d. Trust Fund Items
(1) Investment Policy Statement
(2) 2007 Proxy Season Voting Results
(3) Follow Up on Changes to the Strategic Asset Allocation Plan

e. Committee Business
(1) 2007-09 Operating Budget Update
(2) Financial Management of Auxiliary Operations (including Auxiliary Reserves Report)
(3) Committee Goals and Priorities for 2007-08

f. Report of the Vice President

g. Additional items, which may be presented to the Committee with its approval

INFORMATION TECHNOLOGY (IT) UPDATE

EXECUTIVE SUMMARY

BACKGROUND

At its May 2007 meeting, the University of Wisconsin Board of Regents passed resolution I.2.e.(3) accepting the recommendations of a report prepared by the UW System Office of Operations Review and Audit and requesting that the two recommended reports, an inventory of major IT projects and a status report on major IT project implementation, be presented annually to the Business, Finance, and Audit Committee.

The Committee also asked that these reports be shared with the Co-Chairs of the Legislature's Joint Committee on Finance as a way to keep them abreast of significant UW System information technology activity and provide assurance that the UW Board of Regents is exercising appropriate oversight of this area of operations.

REQUESTED ACTION

This item is for information only.

DISCUSSION

The attached documents comprise the 2007-08 information technology update and status report to the Board of Regents Business, Finance and Audit Committee:

1) **Common IT Systems Governance Structure and Definitions**
   This document presents the organization structure related to information technology oversight and governance. It also provides a brief description of the responsibilities of each of the parties.

2) **Inventory, status and 2007-08 expenditure plan for major IT Systems**
   This document provides an inventory of major IT projects within the UW System under the auspices of the Common Systems Review Group. It presents the status of each listed project and notes the 2007-08 spending plan recommended by the Common Systems Review Group and approved by UW System and campus leadership.

3) Common Systems Roadmap

This document is the end result of a facilitated session of the Common Systems Review Group (CSRG) and is expected to provide guidance for the future of information technology in the University of Wisconsin System.

The ***Common Systems Roadmap*** has four parts. The first part, "*Three Interacting Elements in Leveraging Technology*," graphically depicts the inter-relationship between the technology infrastructure built over the past ten years by the Common Systems Review Group, the policies and practices the UW System must address to make the most effective use of the technology infrastructure in achieving its goals, and the academic and administrative innovations which will become possible in the next decade. The CSRG has taken the liberty of imagining some of the possible innovations as the technology tools and policies come into alignment. Especially significant is the possibility of using collaboration across institutions to offer students a more extensive curriculum than they can get at any single institution, and offer it whenever and wherever students need it.

The second part, "*Timeframes for Leveraging Technology,*" sets out five- and ten-year goals for achieving academic and administrative innovations. The technology infrastructure, the business of the CSRG, is being built each year, but it is already well defined and supportive of collaboration. Rethinking policies, processes and practices may well take longer, and CSRG will identify areas that need reformulation to make the best use of the technology investments, and ask other administrators to examine those areas. Finally, CSRG believes that ten years out—or earlier—the technology and the policy realignment will provide the opportunity to create highly scalable online programs, support improved knowledge management, and enhance student choice, access, affordability and success.

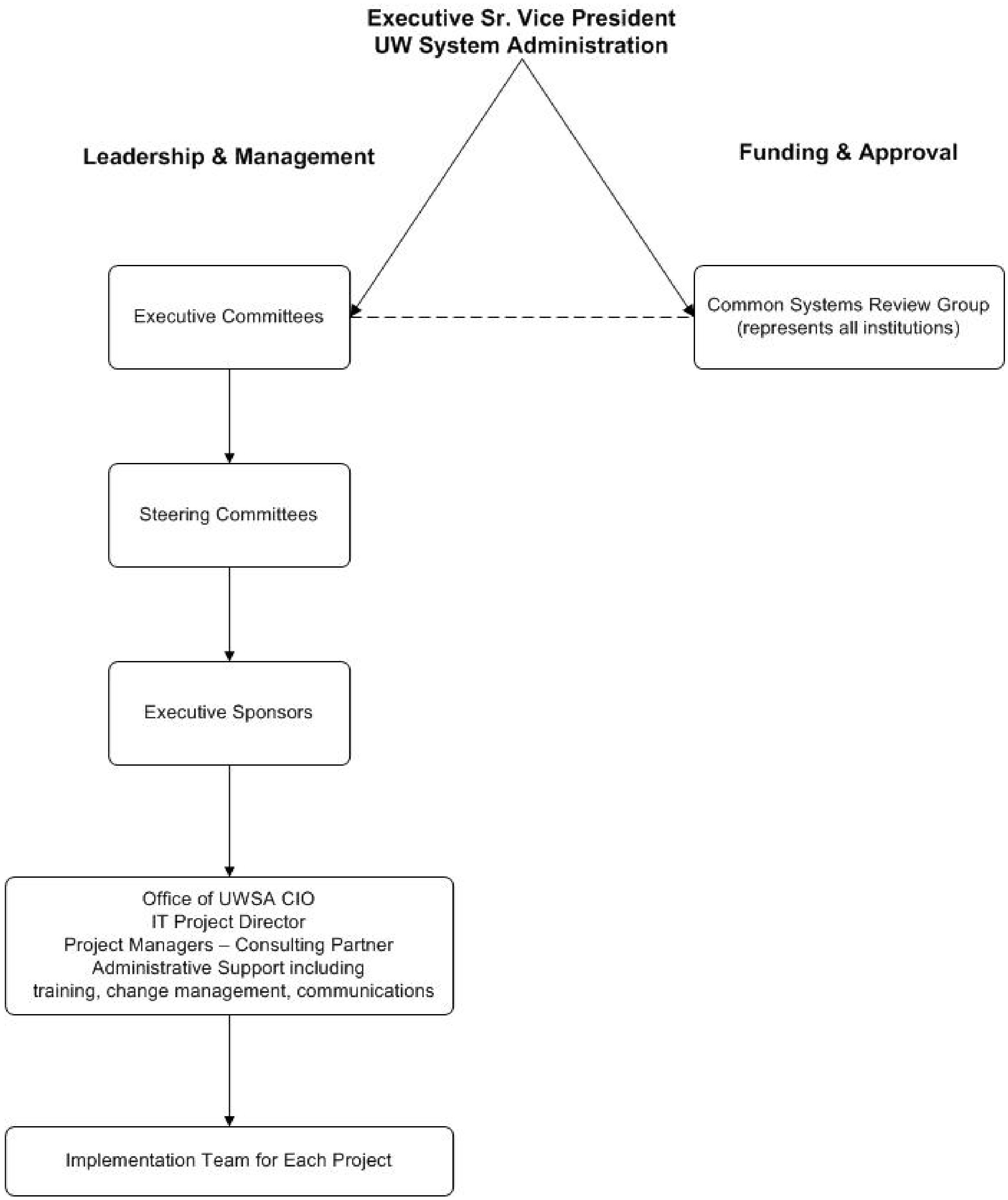
The third part, "*Technologies to Watch and to Leverage*," catalogs technologies with the potential to add value for UW System institutions across administrative and academic services. Many of these technologies are already being employed at individual institutions, but they are not currently supported collaboratively by CSRG. The catalog is by no means exhaustive. Rather, it is a template that serves as a reminder of the need to scan the environment every year or two for applications that may potentially improve support for the core mission of the institutions.

The fourth part, "*Common Systems Roadmap*," portrays the current portfolio of systems supported by CSRG, services that may be examined within the next year, and challenges for the immediate future. These two pages are meant to provide a snapshot of the common systems in 2007 with pertinent information about current challenges and decision points on the Common Systems Review Group's agenda in the next twelve months.

RELATED REGENT POLICIES

None.

Common IT Systems Governance Structure



Common IT Systems Governance Structure

Definitions

Common Systems Review Group [CSRG]

Sets strategic goals, prioritizes and approves all project plans, makes budget recommendations to the chancellors for all "common IT systems" projects. The CSRG represents each institution at the level of Chief Business Officer, Chief Academic Officer, or Chief Information Officer.

Executive Committees

Executive committees are responsible for initiating and monitoring common IT systems implementations, and for providing governance oversight when they move from implementation to production. Executive committees are made up of senior administrators from UW System Administration and UW institutions familiar with the enterprise system. They make project and budget recommendations to the Common Systems Review Group.

Steering Committees

Steering committees provide leadership during the implementation phase of all large enterprise systems. These committees meet very frequently (usually bi-weekly). Membership is comprised of executives responsible for the enterprise business units affected by implementation, project management, and IT executives. They make executive decisions concerning the project, and budget recommendations to the Executive Committee.

Executive Sponsors

Executive sponsors have direct responsibility for project implementation. They are members of the Steering Committee, meet regularly with the UWSA Project Director and the Project Managers to ensure that the project plan, timeline and budget are all on target.

IT Project Director

Reports to the UW System CIO and manages all aspects of the Project Management Office. Works with all project managers to carry out project plans and to ensure inter-operation of all projects and enterprise systems.

Implementation Teams

Responsible for Common IT System implementation. Led by an experienced project manager.

Operations and Projects Under the Auspices of the Common Systems Review Group FY08			
Operations	**Purpose**	**Status**	**FY08 Budget Plan**
Application Tools: FirstLogic, Hyperion, Informatica	Application tools for data matching, reporting, and extracting.	Operational.	$ 395,022
Data warehousing	Support for a systemwide data warehouse that includes data views for human resources, accounting, benefits, payroll, budget, student records, time tables, and admissions.	Operational.	$ 102,724
HR Legacy System	The UW System Service Center provides appointment, payroll and benefits operational services to all UW institutions and System Administration.	Operational.	$1,771,700
Identification, Authentication, and Authorization (IAA)	A central management tool for users' identification, using a single user name and password to access different UW applications.	Operational.	$ 294,394
Kronos	Automated process for student employee timekeeping.	Operational.	$ 391,920
Learning Management System (Desire2Learn)	Hosting and application support for the delivery of courses. Supports learning systemwide.	Operational.	$ 958,407
PeopleSoft Shared Financial System (SFS)	Hosting and application support for financial functions, such as general ledger, purchasing, accounts payable, accounts receivable, asset management, and billing.	Operational. Additional modules are being implemented at Madison, Milwaukee, and Extension to support Grants and Expense Management.	$4,262,371
PeopleSoft Student Administration System (SAS)	Serves as the platform for student services functions, including financial aids, student records, admissions, and registration.	Operational at 10 UW institutions.	$2,394,172

Operations and Projects Under the Auspices of the Common Systems Review Group FY08			
Planning Projects	**Purpose**	**Status**	**FY08 Budget Plan**
HRS Planning Project	Project planning for potential implementation of the PeopleSoft Human Capital Management system.	Project launched in June 2007 and will be completed in July 2008.	$1,600,000
Identity Management and Security Infrastructure	Planning, procurement and initial implementation of identity management and security components. The infrastructure will facilitate and control access to critical online applications and resources. Security components protect information on computer systems and networks.	Planning efforts began in spring 2007 and will be ongoing throughout FY08. RFP issued summer 2007.	$1,500,000
Supply management planning project	Project planning for implementation of PeopleSoft Enterprise Supplier Relationship Management and related modules.	Project will launch in late fall 2007 with completion in summer 2008.	$ 600,000

Common Systems Roadmap

Common Systems Review Group
University of Wisconsin System

Prepared by Strategic Initiatives, Inc

Strategic Initiatives Inc.
MANAGEMENT CONSULTANTS

<u>*Contents*</u>

I. Three Interacting Elements in Leveraging Technology
II. Timeframes for Leveraging Technology
III. Technologies to Watch and Leverage
IV. Common Systems Roadmap

Common Systems Review Group
August 2007

Darrell Bazzell
Vice Chancellor, Administration
UW-Madison

Rita Cheng
Provost/Vice Chancellor
UW-Milwaukee

William Colclough
Interim Provost/Vice Chancellor
UW-La Crosse

David Dumke
Chief Information Officer
UW-Stevens Point

Jack Duwe
Deputy Chief Information Officer
UW-Madison

Lane Earns
Provost/Vice Chancellor
UW-Oshkosh

Mary Halada
Vice Chancellor, Administration & Finance
UW-River Falls

Sue Hammersmith
Provost/Vice Chancellor
UW-Green Bay

Jan Hanson
Vice Chancellor, Administration & Finance
UW-Superior

John Heyer
Interim Provost/Vice Chancellor
UW-Whitewater

Bob Jokisch
Special Assistant to Senior Vice President For Academic Affairs
UW System Administration

John Krogman
Chief Information Officer
UW-Platteville

Diane Moen
Vice Chancellor, Admin. & Student Services
UW-Stout

Petra Roter
Vice Chancellor for Student Affairs
UW-Oshkosh

Andy Soll
Vice Chancellor, Business & Student Services
UW-Eau Claire

William W. Streeter
Vice Chancellor, Admin. & Fiscal Affairs
UW-Parkside

Marv Van Kekerix
Provost/Vice Chancellor
UW-Extension

Steve Wildeck
Vice Chancellor, Admin & Financial Services
UW-Colleges

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Associate Vice President
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The University of Wisconsin Common Systems Roadmap

A Ten-Year View

Introduction

Never have university students been more engaged with technology than those enrolled today. Our entering students have not known the world without the internet. Through the rapid transmission of information possible with our new technology, our students now study, learn, and communicate with their faculty and fellow students. They register and conduct business transactions on line. Their faculty and support staff are hired and paid through new technology systems. Advising transcripts and grades are communicated on line. Traditional paperwork is yielding to electronic forms for processing transactions and communication. For the academic enterprise the age of the "handout" has passed, as faculty today post lecture outlines, syllabi, and classroom materials in secure environments on the internet for their students to access.

The academic experience has become so highly dependent on our information systems that universities must place budgetary priority on investments in the implementation and maintenance of robust systems. Keeping rapidly changing technology up-to-date has become a critical challenge to today's university, and as a result, technology costs contribute significantly to the rising costs of operating our universities. Whereas ten years ago, campuses worked to identify themselves as "fully wired" to attract students, now a competitive university must strive to be "fully wireless."

The provision of robust common technology systems across the University of Wisconsin campuses helps the UW System fulfill its academic mission. By sharing common systems, campuses will provide students, faculty and staff, more efficient and better quality technology systems than what they could afford on their own. Meeting the individual needs of our diverse campuses, however, presents significant challenges. The challenges include prioritization and support for a host of large enterprise systems, business re-engineering, funding and on-going support. The University of Wisconsin has tasked the Common Systems Review Group to tackle these challenges.

The Common Systems Review Group (CSRG) was created in 1998 to provide oversight and leadership for large information technology systems used by all or most of the fifteen institutions in the University of Wisconsin System. Each UW institution has a voting representative on CSRG, either a Chief Academic Officer, a Chief Business Officer or a Chief Information Officer. By 2007 the CSRG had a portfolio of seven major common systems. CSRG hired Strategic Initiatives, Inc. in 2007 to help it develop a long range vision, or information technology roadmap, to enable better decisions about adopting or rejecting new applications, to understand how ongoing applications might fit together to offer the best value for the investment, and to demonstrate how large cross-institutional IT projects might enable the UW System to better achieve its long-term academic and business goals.

CSRG has chosen a ten-year time period for its roadmap, knowing full well that by 2017 the UW will be using technologies to achieve operating strategies that have yet to be invented. Taking the long view is not about predicting the future of technology—it is about understanding how technology must support the educational, research, social and business goals of the state and the University of Wisconsin over the long term. The CSRG understands very well that it must see the long view while making budget decisions about the following year.

The Common Systems Roadmap is *not* a strategic plan. It is, like any other roadmap, a graphical view of many possible ways to get to a destination. The CSRG has determined that the likely destination involves a growth agenda, a substantial increase in the number of students including non-traditional students over the next ten years, with the possibility of less state investment per student, but with the expectation that the quality of a UW education will remain as high as it is today. To help maintain or improve quality, increase access, and reduce cost per student, technology investments must enable UW System institutions to help accomplish the following:

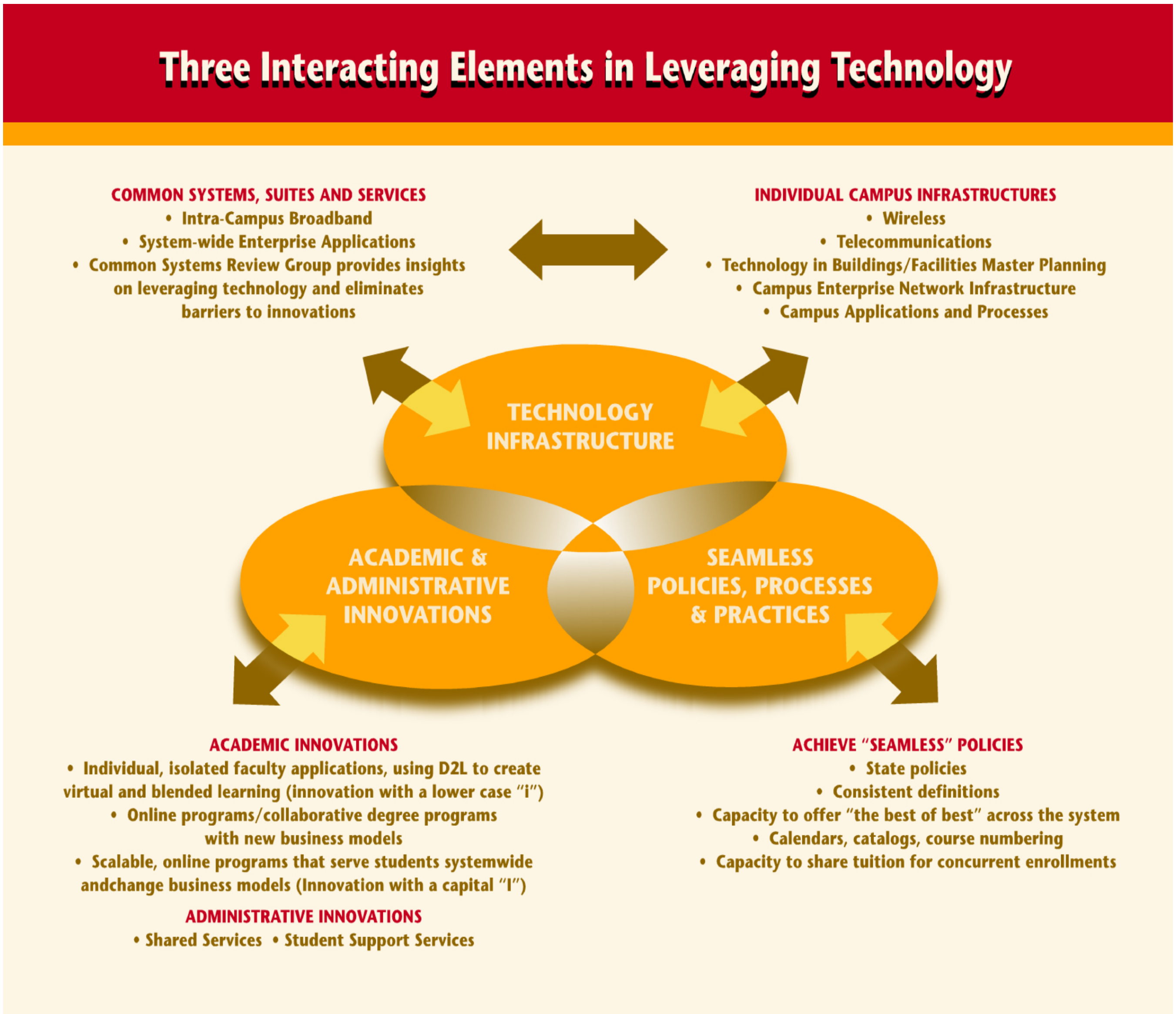
- Deliver high quality education to students wherever and whenever they desire it.
- Improve knowledge management and data driven decision making to better facilitate student access and learning.
- Add measurable value to faculty, staff and students by "cutting red tape," improving service, and enabling all faculty and staff to work more efficiently and effectively.
- Improve business processes to benefit faculty, staff and administrators across all institutions.
- Reduce the risks inherent in supporting twenty- and thirty-year old legacy systems with their use of technology that few professional IT workers understand, and that require large investments in programming to keep current.

The ***Common Systems Roadmap*** has four parts. The first part, "*Three Interacting Elements in Leveraging Technology*," graphically depicts the inter-relationship between the technology infrastructure built over the past ten years by the Common Systems Review Group, the policies and practices the UW must address to make the most effective use of the technology infrastructure in achieving our goals, and the academic and administrative innovations which will become possible in the next decade. The CSRG has taken the liberty of imagining some of the possible innovations as the technology tools and policies come into alignment. Especially significant is the possibility of using collaboration across institutions to offer students a more extensive curriculum than they can get at any single institution, and offer it whenever and wherever students need it.

The second part, "*Timeframes for Leveraging Technology,*" sets out five- and ten-year goals for achieving academic and administrative innovations. The technology infrastructure, the business of the CSRG, is being built each year, but it is already well defined and supportive of collaboration. Rethinking policies, processes and practices may well take longer, and CSRG will identify areas that need reformulation to make the best use of the technology investments, and ask other administrators to examine those areas. Finally, CSRG believes that ten years out—or earlier—the technology and the policy realignment will provide the opportunity to create highly scalable online programs, support improved knowledge management, and enhance student choice, access, affordability and success.

The third part, "*Technologies to Watch and to Leverage*," catalogs technologies with the potential to add value for UW institutions across administrative and academic services. Many of these technologies are already being employed at individual institutions, but they are not currently supported collaboratively by CSRG. The catalog is by no means exhaustive. Rather, it is a template for reminding us that we need to scan the environment every year or two for applications that may potentially improve support for the core mission of our institutions.

The fourth part, "*Common Systems Roadmap,*" portrays the current portfolio of systems supported by CSRG, services that we may be examining within the next year, and challenges for the immediate future. These two pages are meant to provide a snapshot of the common systems in 2007 with pertinent information about current challenges and decision points on the Common Systems Review Group's agenda in the next twelve months.


Three Interacting Elements in Leveraging Technology
COMMON SYSTEMS, SUITES AND SERVICES
• Intra-Campus Broadband
• System-wide Enterprise Applications
• Common Systems Review Group provides insights on leveraging technology and eliminates barriers to innovations
INDIVIDUAL CAMPUS INFRASTRUCTURES
• Wireless
• Telecommunications
• Technology in Buildings/Facilities Master Planning
• Campus Enterprise Network Infrastructure
• Campus Applications and Processes
TECHNOLOGY INFRASTRUCTURE
ACADEMIC & ADMINISTRATIVE INNOVATIONS
SEAMLESS POLICIES, PROCESSES & PRACTICES
ACADEMIC INNOVATIONS
• Individual, isolated faculty applications, using D2L to create virtual and blended learning (innovation with a lower case "i")
• Online programs/collaborative degree programs with new business models
• Scalable, online programs that serve students systemwide andchange business models (Innovation with a capital "I")
ADMINISTRATIVE INNOVATIONS
• Shared Services • Student Support Services
ACHIEVE "SEAMLESS" POLICIES
• State policies
• Consistent definitions
• Capacity to offer "the best of best" across the system
• Calendars, catalogs, course numbering
• Capacity to share tuition for concurrent enrollments

Three Interactive Elements in Leveraging Technology

This graphic captures the CSRG vision for common systems. The first element, "Technology Infrastructure," goes beyond common systems to include individual campus technologies. The graphic envisions a robust, efficient support for immediate business and academic needs while eliminating barriers to innovation in the future. The common technology infrastructure is designed to ensure the possibility for high quality, high value applications and services for students, faculty and staff at every one of the twenty-six campuses of the University of Wisconsin without regard to size or geographical location.

To enable maximum value for our investments in technology infrastructure, the CSRG envisions the achievement of "seamless" policies. This second element, aligning policies, processes, and practices across all UW institutions, is work beyond anything that the CSRG can undertake. Yet, without that alignment, the technology infrastructure loses value, becomes more costly to implement and maintain, and hinders the potential for future innovation. CSRG sees this interacting element as the domain of administrators at all levels across the UW System.

CSRG believes the third and most important element in leveraging technology is innovation. Many innovations that improve quality and add value will be possible with a robust technology infrastructure leveraged by policy and practice alignment across the UW System. CSRG is suggesting possible areas for innovation, including improved student support services, scalable online programs, and shared business services. These suggestions are not meant to be prescriptive. They represent a potential vision for the future if we can leverage our technology investments in a thoughtful and strategic fashion. CSRG is making the case that common technology systems that do not lead to innovations fail to achieve the value on investment possible with 21st century technologies. Moreover, CSRG believes leveraging the common systems will help the University of Wisconsin achieve the goals the Board of Regent sets out in its strategic planning efforts.

Timeframes for Leveraging Technology

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
			Scan market for options and evaluate		*Oracle fully moves to Fusion*	*Oracle continues to support Pre-Fusion Applications*				

Inflection Points – Evaluation of New Directions

Technology Infrastructure

Administrative ERP
SIS, SFS, HRS, Interfaces/Middleware → 2011/12 → Oracle Fusion

Learning Management Systems
D2L → 2010 →

Library Systems ("One System, One Library")
Ex Libris Voyager → Evolution → 2011/12 →

Broadband Network
DOA/Badgernet → 2010/11 → Next Generation Research and Education Network

Summary: *The UW System is 10 years into its campaign to establish Common Systems. The technology infrastructure is in place today to support first-generation academic/administrative innovation. By 2011/12 the platforms will be even more capable.*

Policies, Processes, and Practices

- Consistent Data Definitions
- Seamless Policies, and Services
- Capacity to offer the "best of the best" across the UW System
- Capacity to share tuition for concurrent enrollment
- Eliminate/mitigate certain State requirements/policies

→ **5-year Horizon** — Seamless Policies & Practices

Summary: *In order to achieve substantial enterprise-wide innovations, UW System needs to resolve significant policy, data definition, and tuition sharing issues. These can be substantially resolved over five years with aggressive leadership and focus.*

Academic/Administrative Innovations

- Individual faculty innovations → TODAY
- Online programs/collaborative degree programs with new business models → TODAY
- Second Generation Innovation: Scalable online programs that change business models
  - Incentives for scalable innovation
  - Seamless policies
  - Enhance student choice, access, affordability, success

→ **10-year Campaign** — Scalable Online Programs

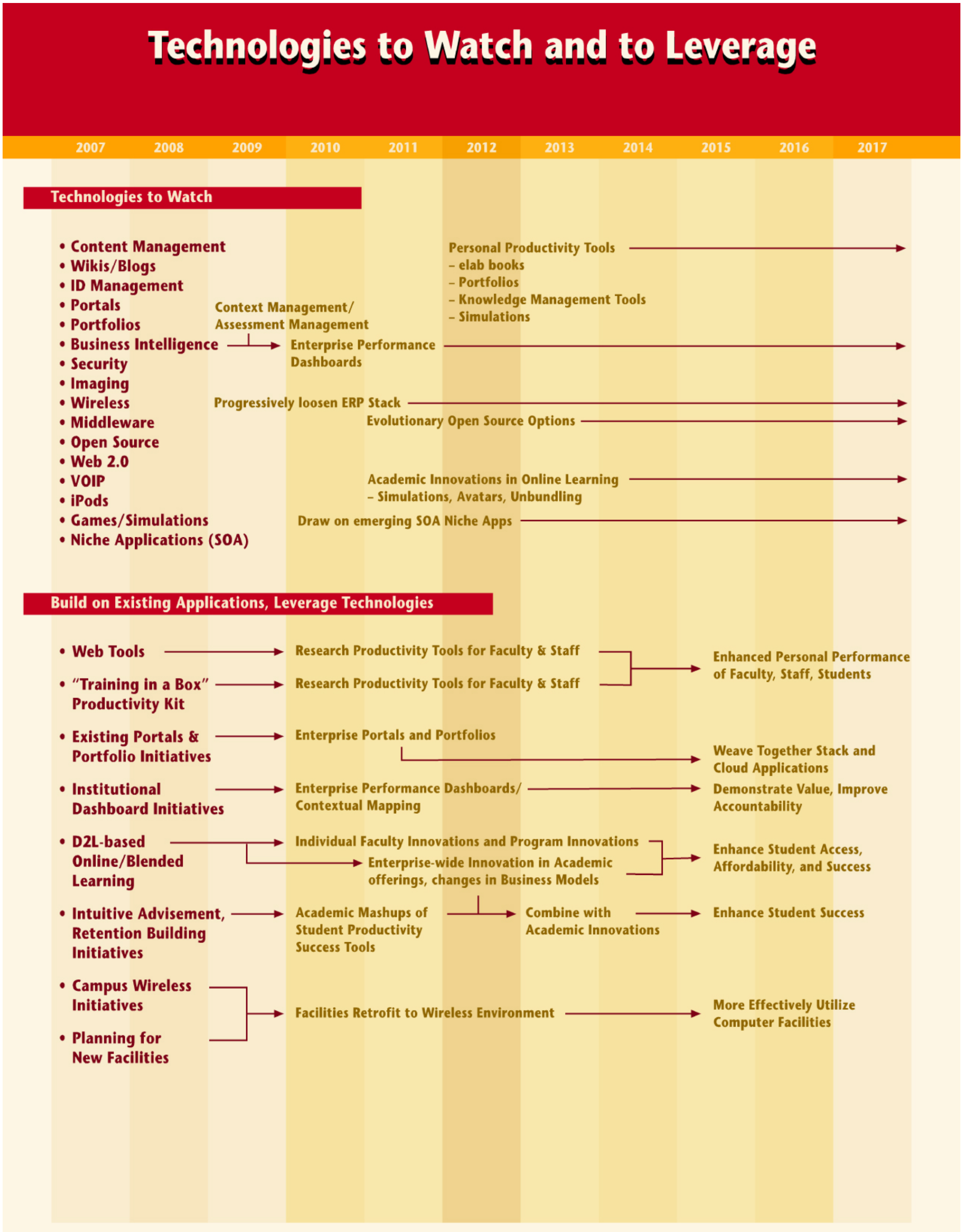
Summary: *To fully achieve the benefits from its technology infrastructure and business processes, the UW System needs to leverage academic and administrative innovations. UW is undertaking academic innovations today, using its existing IT infrastructure. To achieve enterprise innovations that will change business models, UW must provide incentives for innovations that scale and change its business models and practices.*

Timeframes for Leveraging Technology

Timeframes for Leveraging Technology casts the *Three Interacting Elements in Leveraging Technology* in a ten-year graphical picture from 2007 to 2017. The top third of the picture depicts our best estimate for the evolution of our current portfolio of technology applications. Inflection points are estimates of critical decision points for particular enterprise systems. These inflection points will be further explained in the *Common Systems Roadmap* graphic. If the timeline were to be extended backwards, we would see that the creation of the common systems infrastructure portfolio goes back to 1997, the beginning of the implementation of the library automation system.

The second third of the page sets a target timeline for bringing institutional policies and procedures into alignment in order to effectively leverage our technology investments. CSRG is estimating that policy changes will be ongoing, but targets a five-year horizon to accomplish much of this task.

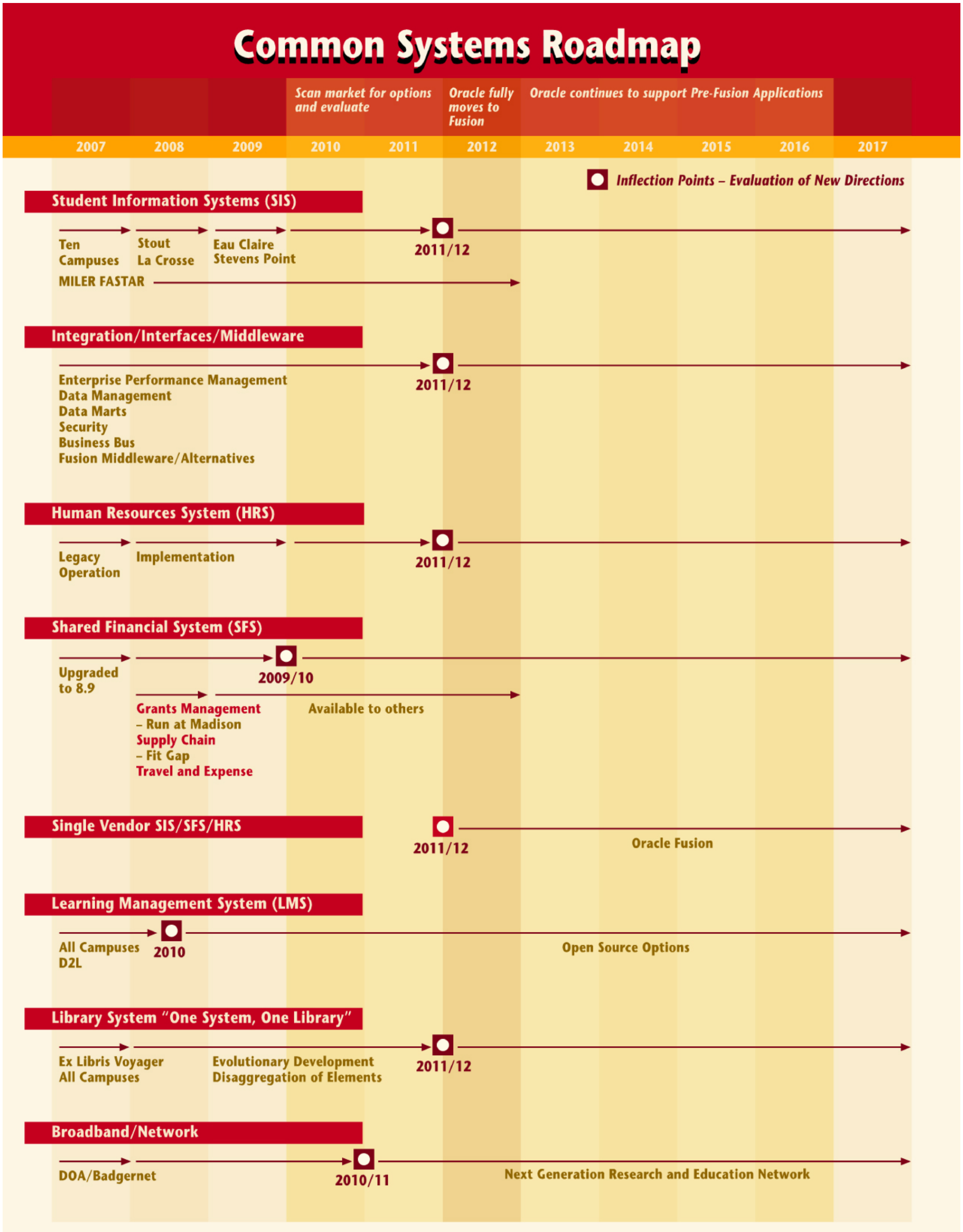
The final piece of the timeframe looks out ten years to what CSRG is calling "second generation innovation." By this we mean using current and future technologies to remain competitive and cost-effective in providing high-quality education to an increasing number and diversity of University of Wisconsin students. There are many possible ways to accomplish this, including scaling up online programs and reducing administrative overhead. Technology can certainly enable the University of Wisconsin to extend its instructional reach and enhance the quality of student and academic support services. The comprehensiveness and flexibility of the technology we employ will allow faculty and administrators much greater opportunity to achieve our mission outcomes.


Technologies to Watch and to Leverage
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Technologies to Watch
• Content Management
• Wikis/Blogs
• ID Management
• Portals
• Portfolios
• Business Intelligence
• Security
• Imaging
• Wireless
• Middleware
• Open Source
• Web 2.0
• VOIP
• iPods
• Games/Simulations
• Niche Applications (SOA)
Context Management/
Assessment Management
Enterprise Performance
Dashboards
Personal Productivity Tools
– elab books
– Portfolios
– Knowledge Management Tools
– Simulations
Progressively loosen ERP Stack
Evolutionary Open Source Options
Academic Innovations in Online Learning
– Simulations, Avatars, Unbundling
Draw on emerging SOA Niche Apps
Build on Existing Applications, Leverage Technologies
• Web Tools
Research Productivity Tools for Faculty & Staff
• "Training in a Box"
Productivity Kit
Research Productivity Tools for Faculty & Staff
Enhanced Personal Performance
of Faculty, Staff, Students
• Existing Portals &
Portfolio Initiatives
Enterprise Portals and Portfolios
Weave Together Stack and
Cloud Applications
• Institutional
Dashboard Initiatives
Enterprise Performance Dashboards/
Contextual Mapping
Demonstrate Value, Improve
Accountability
• D2L-based
Online/Blended
Learning
Individual Faculty Innovations and Program Innovations
Enterprise-wide Innovation in Academic
offerings, changes in Business Models
Enhance Student Access,
Affordability, and Success
• Intuitive Advisement,
Retention Building
Initiatives
Academic Mashups of
Student Productivity
Success Tools
Combine with
Academic Innovations
Enhance Student Success
• Campus Wireless
Initiatives
• Planning for
New Facilities
Facilities Retrofit to Wireless Environment
More Effectively Utilize
Computer Facilities

Technologies to Watch and to Leverage

This graphic, even updated annually, will always be behind the technology curve. Its purpose is to remind us that technologies are tools that provide opportunity to improve teaching and learning. We believe that some of the “technologies to watch” may add substantial value to students’ education, to faculties’ ability to deliver more effective teaching, and to administrators’ efforts to better support the enterprise. We know, for example, that security of sensitive information will remain critical, and that CSRG must continue to monitor emerging and effective technologies to stay ahead of hackers.

In addition, CSRG will have opportunities to leverage the value of the enterprise systems we currently have with emerging “collateral” applications. New, easy-to-use business intelligence tools are coming on the market that allow administrators to harvest data generated by the large enterprise systems and portray that data in an actionable format in what is referred to as a “digital dashboard.” These collateral applications may provide enormous added value at relatively low cost and CSRG will need to pay attention to them over the course of the next ten years.


Common Systems Roadmap
Scan market for options and evaluate
Oracle fully moves to Fusion
Oracle continues to support Pre-Fusion Applications
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Inflection Points – Evaluation of New Directions
Student Information Systems (SIS)
Ten Campuses
Stout La Crosse
Eau Claire Stevens Point
2011/12
MILER FASTAR
Integration/Interfaces/Middleware
2011/12
Enterprise Performance Management
Data Management
Data Marts
Security
Business Bus
Fusion Middleware/Alternatives
Human Resources System (HRS)
Legacy Operation
Implementation
2011/12
Shared Financial System (SFS)
Upgraded to 8.9
2009/10
Grants Management – Run at Madison
Supply Chain – Fit Gap
Travel and Expense
Available to others
Single Vendor SIS/SFS/HRS
2011/12
Oracle Fusion
Learning Management System (LMS)
All Campuses D2L
2010
Open Source Options
Library System "One System, One Library"
Ex Libris Voyager All Campuses
Evolutionary Development Disaggregation of Elements
2011/12
Broadband/Network
DOA/Badgernet
2010/11
Next Generation Research and Education Network

Common Systems Roadmap (continued)

Areas for Exploration

2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

Portals

Campus Portals → Explore options for other campuses, and enterprise portal options of other systems

Context Management and Assessment Management

Explore Context/Assessment, Management Tools, and Options → Consider leveraging with portals/portfolios

TMA Facilities Management

Existing System → Succeeded by a "mashup" of different applications

Imaging

Existing Prototype → Explore expansion to other campuses

Productivity Tools

User Productivity Kit → Explore expansion to other applications

Portfolios

Existing Departmental Portfolios → Explore enterprise portfolios options

Intrusive Advising Tools/Retention Management

Existing Prototype → Explore tools to enhance Retention Management

Current Challenges for Technology Roadmap

- Definitional Consistency Needed Across All Campuses
- "Seamless" Processes Needed to Encourage Concurrent Enrollment
- Agreements for Tuition Sharing Needed to Enable Concurrent Enrollment
- Consistent Business Policies, Processes, and Policies Needed Across the System
- Involvement of ICT Perspective in Facilities Design and Campus Master Planning
- Campus Telecommunications Solutions Require Fresh Perspectives
- Need to Resolve Issues with State Government Systems (IBIS Enterprise System) and Policies

Common Systems Roadmap

The Common Systems Roadmap catalogs eight major projects with significant UW investment. To fully understand this "high level" roadmap, it is necessary to know a few facts about what the projects have in common and a few facts about each individual project that add value and differentiate them from each other. For a description of the individual projects, see the white paper, *Changing Perspectives on Technology* (April 23, 2007).

These projects are vital to the management and delivery of teaching, research and public service in the University of Wisconsin. All of them are necessary at every institution, and if they had to be undertaken individually at every institution, the total cost would exceed the cost of implementing and managing them collaboratively. Finally, enabling disparate systems to communicate with each other, guaranteeing a high level of security across all the institutions, and providing a high standard of service for students, faculty and staff across the UW System would be much more difficult, if not impossible, to manage in a model where each institution procured and implemented all of these systems independently. Across the country, higher education systems are moving towards collaboration in implementing enterprise systems. The California State Universities, the University of Georgia System, the Minnesota State Colleges and Universities (MnSCU) and the North Carolina System are all examples of this common systems effort.

The current CSRG project portfolio includes:

- Student Information Systems: these systems enable students to register for courses, obtain financial aid, pay bills, monitor their courses to ensure they have all the prerequisites for graduation, arrange advising help, and provide many other tools to enable faculty and students to work more effectively.
- Shared Financial System: this system enables UW institutions to manage more efficiently the business of the university, including purchasing, general ledger, payables, billing, and grants management among other processes.
- Human Resource System: when implemented this system will allow more efficient management of payroll, benefits, recruitment, appointments, and employee self-service. Human Resource System will be integrated with the Student Information and Shared Financial systems to improve information sharing and reduce duplication of effort.
- Learning Management System: provides tools that facilitate all aspects of faculty instruction and student learning in a Web environment.
- Library System: enables students, faculty and staff to locate and obtain books, journals, media and other learning materials wherever they might be within the UW System.
- Integration/Interfaces/Middleware: these systems facilitate the flow of information across the Student Information, Financial, Human Resource, Learning Management and Library systems. They provide security against personal data theft, help guarantee data integrity, and establish

permissions for those people who are allowed access to our academic and administrative systems.

- Broadband network: Although not part of the responsibility of CSRG, the broadband network is a shared resource among all UW institutions. It is used for research and education, and is being built with an architecture that will provide dramatic savings as compared with commercial costs when UW institutions require more network capacity.
- Single vendor SIS/SFS/HRS: Oracle/PeopleSoft is the vendor of our three largest and most complex systems. Oracle plans to better integrate its product suites with a new technical architecture sometime around 2011 or 2012. This new architecture, named "Fusion," will require the UW to decide when and if it will make the investment to move to Fusion.

The "inflection" points represent approximate critical decision times in the lifecycle of the enterprise system. For example, the inflection point for the broadband network is 2010/2011, the end of the current BadgerNet Converged Network (BCN) contract that is used by most of our institutions. The inflection point for most of our enterprise administrative systems is 2011/2012, the proposed date at which Oracle's new "Fusion" architecture becomes available.

Common Systems Roadmap – Areas for Exploration

The Roadmap also includes applications currently used by some campuses that may have longer-term and wider application across all our institutions. For example, many institutions have invested heavily in "portal" technology. A portal is a one-stop shop for students, faculty and staff, linking many of the services that they are interested in on one or two web pages. Not all UW institutions have adopted a portal. While all might agree that it has value, there is not agreement on a single portal for all institutions.

The "current challenges for technology roadmap" section identifies some of the potential inhibitors to leveraging the technologies we have implemented or will be implementing. Many of the challenges originate with legacy policies and processes that have served individual institutions very well but may serve to inhibit a more tightly knit and collaborative system. Thus, policies and processes are one of the critical "three interacting elements" that may limit how we use technology to achieve our goals.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS INVESTMENT POLICY STATEMENT

EXECUTIVE SUMMARY

BACKGROUND

Although the existing Board of Regents policy document entitled "*Investment Objectives and Guidelines*" (Regent Policy 31-9) contains some elements of a robust Investment Policy Statement (IPS), it lacks many other important components. The preparation and maintenance of the IPS is one of the most critical functions of the investment fiduciary. The IPS should be viewed as the business plan and the essential management tool for directing and communicating the activities of an investment portfolio.

REQUESTED ACTION

No action at this time. Given the length and complexity of the Investment Policy Statement, this is to be considered a "first reading" of the proposed draft. It is anticipated that following a period of commentary, a final draft will be submitted for adoption at the December Board of Regents meeting.

DISCUSSION

The proposed IPS is intended to more clearly delineate the roles and responsibilities of various parties and incorporate and describe the following key elements: overall fund objectives and constraints, approved asset classes and investment strategies, targets and acceptable ranges for asset allocations, spending distribution policies, and qualitative discussions of topics such as overriding investment philosophies, beliefs, and expectations.

RELATED REGENT POLICIES

All Regent Policies found in Section 31: Trust and Investment Policies

UNIVERSITY OF WISCONSIN SYSTEM
TRUST FUNDS

INVESTMENT POLICY STATEMENT

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
Investment Policy Statement

Preface

Introduction and Background. The invested Trust Funds of the University of Wisconsin System (UW Trust Funds) currently consist predominately of gifts from individuals via wills or other trusts, as well as outright gifts from living donors, corporations (including matching gift programs), and external foundations and trusts. Such bequests and gifts come to the Board of Regents of the University of Wisconsin System (the Board) whenever the donor and documentation name the beneficiary as either the Board of Regents, directly, or any UW Systems institution, without specifically identifying a UW-related foundation. (UW-related foundations are independent entities with separate governing boards.) These gifts or donations originate as either, 1) "true endowments," where the donor has restricted the use of "principal" and may or may not have imposed additional restrictions as to purpose (in accounting parlance, "restricted – nonexpendable" gifts), or 2) "quasi-endowments," where the donor has placed no restriction on use of principal and may or may not have imposed restrictions as to purpose (in accounting parlance, either "restricted – expendable" or fully "unrestricted" gifts).

The Board is the principal and ultimate fiduciary of the UW Trust Funds. A fiduciary is defined as someone who oversees and/or manages the assets of, or for the benefit of, another person and who stands in a special relationship of trust, confidence, and/or legal responsibility. A summary of the primary fiduciary and management responsibilities of the Board is provided in **Appendix 1.** As noted there, the Board has delegated to its Business, Finance, and Audit Committee (the Committee), many oversight and management functions. Specific roles and responsibilities of all relevant parties are discussed later.

Purposes. "The preparation and maintenance of the Investment Policy Statement (IPS) is one of the most critical functions of the investment steward. The IPS should be viewed as the business plan and the essential management tool for directing and communicating the activities of the [investment] portfolio. It is a formal, long-range, strategic plan that allows the steward to coordinate the management of the investment program in a logical and consistent framework. All material investment facts, assumptions, and opinions should be included."[1] Furthermore, the IPS should provide the guiding principles for all aspects of the management of entrusted assets, and the premises on which these principles rest.

Organization and Format. The IPS is organized into these four major sections:

- **Premises** – which discusses the underlying bases (primarily various objectives, assumptions, and beliefs) for the policies and their implementation
- **Investment Policies** – which describes specific policies adopted to attain identified objectives while conforming with the major premises
- **Implementation** – which describes by whom and how the policies are to be implemented
- **Evaluation –** which describes how success will be monitored and evaluated
- **Appendices** – which provide greater detail on various policy elements discussed at a broader level in the main body of the document

In general, the main body of the IPS is intended to provide higher level elements expected to change only infrequently. The appendices are intended to provide details or lower level elements, which may require more frequent revisions and refinements, due to changing economic and market conditions, the investment opportunity set, industry "best practices," etc. Incorporating these items into appendices will allow for them to be more clearly and easily revised.

[1] *Fiduciary360*, "Prudent Practices for Investment Stewards," p. 29.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
Investment Policy Statement

Regarding format, the following conventions are used: the major section headings are designated by Roman numerals (e.g., **I.**); major sub-sections are designated by capital letters (e.g., **A.**); headings for specific topics within major sub-sections appear in **Boldface**; headings for subsidiary topics therein appear in ***Italicized Boldface***; headings for each topic therein (sub-sub-topic) appear in *Italics*; and headings for paragraphs therein, where helpful, appear in Regular Typeface. Finally, within the text, *italicized* words or sentences are used to add emphasis; quotation marks (other than for direct quotes) are used when introducing a term or phrase that, although perhaps common in the investment and endowment fields, may not be familiar to the general reader.

Review of the IPS. Given the centrality of the IPS itself in ensuring that the Board meets its fiduciary responsibilities and effectively oversees the management of the investment program, it is imperative that the Board review the IPS on an on-going basis. Although long-range and strategic in nature**, t**he IPS should nevertheless be considered a living document; revisions and further refinements may be required as and when goals, constraints, or external market conditions change significantly.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
Investment Policy Statement

I. Premises

A. Investment Objectives, Constraints, and Competencies

Creation of Distinct Investment Funds. Recognizing that assets invested with UW Trust Funds may have distinctly different investment time horizons, three separate investment pools (or funds) have been created. To accommodate endowed assets (where the "principal" is to be preserved into perpetuity) and other long-term investments, the "Long Term Fund" has been created. To accommodate fully expendable assets that may have a shorter or immediate investment time horizon, the "Intermediate Term Fund" and "Income Fund" have been created (collectively, the Funds). Each of these Funds are accounted for on a unitized basis, similar to a mutual fund, where investors buy and sell Fund units representing proportional shares of the Funds' underlying investments. The investment objectives and constraints for each of the Funds are inherently different and are therefore discussed separately below. There are, however, certain general constraints applicable to all Funds.

General Investment Constraints. Two potential investment constraints – tax considerations and external legal/regulatory requirements – are generally relevant to all UW Trust Fund assets. As a tax-exempt organization, the UW System's investment returns are not subject to taxation; therefore, tax considerations become essentially irrelevant in the investment decision-making process. However, given the UW's tax status, tax-exempt securities (e.g., municipal bonds) should be excluded from investment consideration. (It should be noted that under certain circumstances, a tax-exempt organization's investments can generate Unrelated Business Income (UBIT). Therefore, for investment vehicles and strategies that could potentially generate UBIT more commonly used in higher ed , an expectation should be that they seek to minimize it.) The current external legal/regulatory frame-work, to which generally all assets are subject, is also described in **Appendix 1.**

Long Term Fund

Investment Return Objectives. Used primarily for investing endowed assets, the principal return objective of the Long Term Fund is to achieve, net of administrative and investment expenses, *significant and attainable* "real returns;" that is, nominal returns net of expenses, over and above the rate of inflation. By distributing a significant real return stream, disbursements for current expenditure will grow with the rate of inflation so as to maintain their purchasing power and support level into perpetuity. Other secondary investment return objectives for the Fund are to outperform various market and peer group benchmarks. Details on these benchmarks are provided in later sections.

Spending Policy. The "spending policy" for an endowment provides guidance and a methodology for determining what amounts are to be distributed for annual spending purposes. The policy should help ensure that the purchasing power of the corpus is maintained. The current spending policy for the Long Term Fund is provided in **Appendix 2.**

Usage, Constraints, and Other Considerations
Investment Time Horizon. With over 95 percent of the accounts in the Fund classified as endowments, the appropriate investment horizon is extremely long term. The Fund should therefore be managed as an "endowment fund," where the "principal" is to be preserved into perpetuity.

Fund Size. At roughly $350 million as of June 30, 2007, the Fund is large enough to participate in virtually all asset classes. However, smaller percentage allocations to certain asset classes may necessitate the use of commingled vehicles rather than separate accounts. Commingled vehicles preclude the application of individualized investment guidelines.

Dependence on and Variability of Distributions. Expenditures from UW Trust Funds do not represent a significant portion of overall UW campus budgets. However, specific departments and programs may rely heavily on Trust Fund resources. As such, extreme variability in the value of the annual distributions is not desirable. Therefore, risk objectives (i.e., volatility of returns) and the spending rate methodology should take this into account.

Liquidity Requirements and Cash Flow Analysis. Generally, the Fund has an obligation or liability to pay out the spending rate, plus expenses, offset by new contributions. To a limited extent, some "quasi-endowments" or "expendable" assets are invested in the Long Term Fund, which results in the occasional need to liquidate Fund principal as well. Over the past six-year period ended June 30, 2007, the Fund experienced average net quarterly cash flows of only -0.6 percent of assets. The limited nature of quarterly withdrawal requirements coupled with the perpetual time horizon of the Fund suggests that significant allocations can be made to "illiquid" asset classes.

Investment Risk Objectives. A primary risk objective is to minimize the probability that the desired return objective is not achieved, particularly over the intermediate to long term. Another objective, as suggested above, is to limit extreme volatility of spending distribution levels in the shorter term, which by extension implies limiting extreme volatility of returns in the shorter term. To address both of these shorter and longer term concerns, the Fund should seek to minimize its expected volatility for any given targeted return level. However, it is also recognized that expected volatilities, as represented by standard deviations assuming "normal distributions," do not provide a complete picture of portfolio risk. Therefore, another risk objective of the Fund is to maintain meaningful "hedges" against major economic events or traumas that can lead to "fat-tail" negative outcomes.

Intermediate Term Fund

Investment Return Objectives. The primary objective of the Intermediate Term Fund is to provide competitive investment returns consistent with very moderate levels of volatility (ideally, equal to or lower than that expected from an intermediate, investment-grade bond portfolio) and low probability of loss of "principal." Furthermore, the Fund should seek to maximize its expected return for any given targeted level of volatility. Other investment objectives for the Fund are to outperform various market and peer group benchmarks. (Details on these benchmarks are provided in later sections).

Usage, Constraints, and Other Considerations.
Investment Horizon. Over 90 percent of the Fund is represented by "quasi-endowments," where the expected investment horizon is approximately two to five years. Some ten percent of the Fund appears to represent unspent Income Fund balances that have been swept into the Intermediate Fund; these assets should be considered to have an even shorter investment horizon.

Fund Size. At approximately $60 million as of June 30, 2007, were the Fund considered on a "stand-alone" basis, it would likely not be large enough to participate in some "alternative" asset classes such as Private Equity and Absolute Return, where investment minimums may be quite high. However, since the Long Term Fund participates in these alternative asset classes, investment minimums would likely not be an issue.

Dependence on and Variability of Distributions. Historically this Fund, invested entirely in U.S. Bonds, distributed all of its interest income to the Income Fund for spending purposes. However, since all of the assets of the Intermediate Term Fund are considered fully expendable (i.e., principal can be completely spent down too), the level and variability of such spending distributions are essentially irrelevant.

Liquidity Requirements and Cash Flow Analysis. The Fund permits withdrawals and contributions on a quarterly basis; however, the quarterly cash flows are less certain since all assets are fully expendable. An analysis of the Fund over the three-year period ending June 30, 2007, indicates that *quarterly* net withdrawals have been as high as *-6.4 percent* of the Fund, while net contributions have been as high as +8.7 percent. Net quarterly cash flows have averaged +/-3.5 percent of the Fund, but have been essentially zero over the entire period. (i.e., contributions have roughly equaled withdrawals). However, during this time, all of the Fund's interest income was being distributed to the Income Fund for spending. Therefore, the Fund may exhibit higher withdrawals going forward if it becomes partly invested in non- or low- income-generating asset classes.) Given the quarterly cash flow uncertainty of this Fund, the fact that all assets are in theory immediately expendable and that the expected average investment horizon is only two to five-years, "illiquid" asset classes do not make sense.

Investment Risk Objectives. The primary risk objectives for the Fund are to provide moderate levels of return volatility (ideally, equal to or lower than that expected from an intermediate, investment-grade bond portfolio) and low probability of loss of "principal."

Income Fund

Investment Risk and Return Objectives. The primary objective of the Income Fund is to provide competitive investment returns consistent with the need for preservation of "principal" and immediate liquidity. Expected risk and return for the Fund should also be similar to high-quality "money market" funds.

Usage, Constraints, and Other Considerations.
Investment Horizon. The Fund is used primarily for the following: 1) spending distributions from the Long Term Fund (these amounts become currently expendable income); 2) other monies which are needed for expenditure, generally within the next twelve to eighteen months; and 3) pending investment of new monies awaiting investment in long-term Funds.

Liquidity Requirements. This Fund essentially permits withdrawals and contributions on a daily basis. Only short-term, highly liquid investments are appropriate here.

State of Wisconsin Requirement. By statute, this Fund must reside with the State as part of its agency-commingled State Investment Fund, and it is managed by the State of Wisconsin Investment Board. Other than performance reporting and certain benchmark comparisons discussed later, *this document excludes any further discussion of the Income Fund, as it falls outside of the purview of the UW Board of Regents and UW Trust Funds staff.*

Internal Competencies. The specific policies contained in the IPS should also take into account internal competencies and limitations, given the size, structure, and governance of the UW Trust Funds. These are broadly categorized and discussed below under "Strengths" and "Weaknesses."

Potential Strengths.
Asset Base. The relatively modest size of assets under management should allow for participation in investment opportunities which have more limited capacity. Funds can be either too small or too large to effectively participate in some markets and opportunities. UW Trust Funds' size may often fall in the "sweet spot" in this regard.

Committee and Board Composition. The relatively small size of the Committee may facilitate more effective and timely decision-making. Also, the Committee and Board are made up of State government-appointed members with diverse and varied personal and professional backgrounds, including UW students. This diversity of backgrounds and expertise may enhance deliberation and decision-making by providing for unique and fresh perspectives.

Reputation. Many investment management firms and service providers prefer to have prestigious institutional clients, and the UW System is so perceived. Also, the prestige of the UW should help to attract and retain talented investment staff.

Academic Expertise. Although infrequently tapped, the UW System includes academicians with expertise in relevant fields such as investments, economics, and accounting. (Applied graduate student investment programs are one example of such academic expertise.)

Potential Weaknesses.
Asset Base. The modest size of assets under management may limit, to some extent, the level of resources devoted to internal investment capabilities and staffing, as their costs are charged against invested assets.

Compensation of Investment Professionals. Compensation levels and types (e.g., base salary, performance-based incentives) may not be considered competitive enough to attract and retain talented investment staff.

Committee and Board Composition. The Committee is not purely an "Investment Committee," and there is no requirement for its members to have any investment experience or expertise. In fact, for the most part, members have historically not had investment-related backgrounds. Also, Committee membership likely changes more frequently than is typical among investment committees of other endowments and foundations.

B. Core Investment Philosophy and Beliefs

Nature of Capital Markets, Investment Risks and Returns. When one seeks to truly "invest," the objective is not just to get one's money back (or even just enough to maintain the same purchasing power), but to actually make more money, to make a profit, to have increased the "real" value of your assets. To do this, one must be willing to accept some level of investment risk. Unfortunately, there are no "risk-free" assets capable of generating returns sufficient to support the desired spending levels of an endowment. In free and open capital markets, capital will flow to higher risk investment opportunities only if they are priced to provide the *potential* for higher returns. "Potential" for higher returns is emphasized here, because the higher returns are not a certainty; if they were certain, they would not be riskier. The *expected average* return may be higher, but the range of possible outcomes is much wider (including the possibility of complete loss) versus a "safer" investment. Some investment risks, however, can and should be mostly *diversified away*, as these risks are not on average compensated for. An example of such a risk is the "idiosyncratic" or "non-systematic" risk that comes from investing in a particular company, or even industry. These are risks peculiar to that company or industry. The power of diversification works to largely eliminate many of these risks. There are other types of risk that *cannot* be diversified away; they are referred to as "systematic" or "market" risks. But fortunately, these risks are compensated for on average. Some examples of systematic or broad market risks are the following:

- Equity market
- Bond market (or interest rate)
- Inflation
- Deflation
- Economic trauma
- Geopolitics
- Illiquidity

It may be possible to hedge against some of these risks, but they cannot be completely eliminated simply through investment diversification. However, since these broad risk factors affect different markets and asset classes in different ways and to varying degrees, *diversification among many different asset classes and markets can greatly reduce overall portfolio risk.* It is important to keep in mind, though, that *all* investment returns derive from economic activity and productivity – from the creation (or destruction) of "real" wealth, real goods, and services. Whether it is corporate profits or interest income, the corporations and borrowers are engaged in economic activity, which if successful, will allow them to repay their lenders or share the wealth with their owners. With this perspective in mind, it is clear that broad (increasingly, global) economic activity is the ultimate risk factor, and that each of the systematic risks listed above can significantly impact this economic activity. In summary, the principal premise put forward here is that investment risk is inherently neither good nor bad, but all aspects and sources of potential risk must be understood, monitored, managed, and, in the end, embraced in order to achieve attractive and commensurate returns.

Market Efficiency. As originally formulated, the concept of "market efficiency" referred to its "informational efficiency;" that is, whether market prices fully reflect all available information, and that assets are then appropriately priced relative to "fully-informed" perceptions of their risk. In such a world, all assets should provide similar perceived-risk-adjusted returns. However, the concept of an efficient market has also come to refer more nebulously to a market where assets are always priced at "fair value." What is "fair value" though? It means that an asset is not "mispriced." Mispriced relative to what? The only time it can be said with certainty that one asset is mispriced is if there is an identical asset that is selling for a different price (this is called an "arbitrage" opportunity and they, of course, will always be pounced upon). The premise put forward here regarding market efficiency is that markets some times do a very poor job in even roughly pricing risk appropriately. In that sense, the general belief is that prices for individual assets, and even entire sectors and markets, do sometimes veer far from "fair" or "intrinsic value," and that these mispricings can be exploited through active management. However, it is also important to state the additional premise that some markets are inherently less efficient in this sense. This can be because they simply receive less attention (e.g., stocks of small companies vs. stocks of small companies), or because there is much less public information available about them (e.g., commercial real estate or private equity).

Alpha and Beta Concepts. The concepts of "alpha" and "beta" in a portfolio management context have become a common part of investment vernacular. Although they are frequently overused or misused, institutional investors and fiduciaries should have a basic understanding of these concepts. As applied to a single security, the term "beta" is generally used to denote that component of expected return attributed to the security's sensitivity to movements in the overall market. For example, if a security has an estimated (or historical) beta of 1.2, it would be expected to move on average, 20 percent more than the market overall; that is, it would be 20 percent more volatile. The beta for the overall market in question is always set at 1.0, so the beta measures for individual securities are *relative* to the market. Beta is therefore to be viewed as a standardized measure of "systematic" risk which cannot be diversified away. The term "alpha" in a single security context is used to denote any expected excess return; that is, expected return over (or under) that predicted by the security's beta. (In mathematical terms, the equation is denoted as follows: expected return = (market return x beta) + alpha.) This expected excess return would exist only if the security was "mispriced" or "inefficiently priced." In an overall portfolio context, the term beta is generally used to denote the return achievable by simply investing passively in a particular market, such that only systematic risk is incurred. The term alpha here has come to simply denote excess return, if any, over and above that of the market in question. Positive (or negative) alpha can only be realized through active investment management, that is, consciously deviating from a given market benchmark.

Portable Alpha. A investment technique that has become increasingly in vogue is referred to as "portable alpha." The idea behind it is that alpha and beta sources within a portfolio context can be "decoupled." More typically, institutional portfolios have had to find alpha only from where they have placed their beta (market or asset class) allocations. For instance, if an investor wanted a beta exposure of say 50 percent in U.S. large-cap equities, any alpha (excess return) for that allocation would have to come from active management within that large-cap portfolio. Therefore, beta and alpha were inextricably tied together. As an example of "portable alpha" here would be as follows: the investor gets cheap beta exposure to U.S. large-cap equities through S&P 500 futures; actual dollars are used to fund a U.S. small-cap equity manager, where there is, in theory, greater alpha potential; and, finally, the small-cap beta exposure is hedged away by selling small-cap futures short ("short selling" is discussed later). The result is that the small-cap manager's pure alpha, if any, has been "ported" onto the large-cap beta exposure. Whereas return expectations from an active large-cap portfolio might have been the S&P 500 return + 100 basis points, the portable alpha structure might be expected to produce S&P 500 + 300 basis points. The premise put forward here, is that portable alpha is a logical and potentially attractive active management strategy. However, if and when it is entertained, its complexities and risks must be fully understood and easily managed.

Active vs. Passive Management. Consistent with the premises on market efficiency, the belief put forward here is that active management may be desirable (as opposed to passive or indexed management), especially in less efficient markets. However, if active management is to be pursued by hiring external managers, one must be adept at selecting superior managers, because active management is a zero-sum game – one manager's positive alpha is another manager's negative alpha. One good indication of market efficiency, as well as a good indictor as to whether active management should be pursued, is the dispersion of returns among managers within an asset class. For example, the dispersion of returns between "top-quartile" and "bottom quartile" private equity or real estate managers is huge, whereas the dispersion between the top and bottom investment-grade bond managers is negligible.

Hedge Funds. Hedge funds are largely unregulated vehicles that can represent "the ultimate" in active management, where there are few if any constraints imposed. For instance they are commonly believed to use extensive leverage, sell short, use derivatives, and otherwise invest in anything, anywhere – the more exotic the better. Nevertheless, a premise is that a diversified portfolio of skilled hedge fund managers, operating within prudent constraints and with strong risk-control capabilities, can add a level of diversification and return potential from active management to an otherwise well-diversified portfolio. Due diligence standards, must, however be of the highest order given hedge fund managers' greater flexibility.

Market Neutral and Absolute Return Funds. A type of hedge fund strategy that may be of particular interest is a so-called "market neutral" or "absolute return" strategy. Here, the intent is that its investment returns will exhibit little or no correlation to the movements in the major capital markets. The returns, in theory, should come primarily from pure active management, or alpha if any; any beta exposures are in theory hedged away. If, again, skilled managers following such strategies can be sourced, these types of hedge funds would provide an excellent additional source of portfolio diversification.

Capitalization-Weighted Benchmarks. It is recognized that the market benchmarks are most widely used are "capitalization-weighted." Capitalization-weighted indexes are comprised of a particular market's securities, weighted by their total capitalization value (i.e., total shares outstanding times current market price). Some academicians and practitioners have suggested that there are some fundamental flaws to cap-weighted benchmarks. First among those suggested, is that cap-weighting on average results in an overweighting of overvalued stocks, and "growth" stocks in general, and an underweighting of undervalued stocks, and "value" stocks in general. Schemes such as equal-weighting (which has its own drawbacks) or weightings based on some "fundamental" business measures (e.g., sales, market share, etc.) have been suggested as better alternatives. For the time being, the premise in this regard is that capitalization-weighting remains a sound basis for benchmark construction.

Primacy of Asset Allocation. The single most significant decision in the investment process is that of asset allocation; that is, deciding how assets are to be allocated among the major investment categories (or asset classes). Studies indicate that well over 90 percent of a portfolio's return can be explained simply by its asset allocation.

Mean-Variance Optimization and its Limitations. "Mean-variance optimization" programs are a very commonly used tool for conducting asset allocation analyses. They are designed to solve the following question given the inputs discussed above: Which portfolios will provide the highest expected average return for any expected level of volatility, or conversely, which portfolios will provide the lowest expected volatility at any expected level of return? Forward-looking capital market assumptions for various asset classes are essential in determining which portfolios will exhibit desirable risk/return profiles. These same assumptions are also the key inputs to "mean-variance optimization." They are: 1) expected returns, 2) standard deviations, and 3) correlations. Although there are very significant limitations to mean-variance optimization (e.g., there is uncertainty associated with the assumptions; there is significant sensitivity to small changes in assumptions; covariances change over time and under more extreme conditions; it assumes that the simple "point-estimates" of assumptions are known with certainty and that the outcome is therefore known with certainty; outcomes, therefore, do not reflect the probabilities that significantly different outcomes may occur; etc.), the analysis is at least a useful and informative exercise. For instance, it prompts an investor to carefully review expected returns and volatilities of various asset classes, their implied risk premiums, and their relationship to each other and whether these make intuitive sense for capital markets. They also help encourage investors to "stretch" in terms of giving consideration to new or more non-traditional asset classes. Also, mean-variance optimization can lend some quantitative support to what intuitively seems to make good sense and indicate whether one is at least "heading in the right direction." On the other hand, it is important to note that unless some constraints are employed in the modeling (i.e., reasonable minimums and maximums by asset class), an optimizer will generate many, if not mostly, portfolios that are intuitively unacceptable (e.g., 50 percent or more to Real Assets or Private Equity). Therefore, some "reasonable" constraints should normally be devised.

Specification and Primary Roles of Asset Classes. Although there are certain standard broad classifications (e.g., equities and bonds), there remains some controversy over what constitutes a distinct asset class. However, the criteria given below provide a good starting point for asset class specification:

- *Assets within an asset class should be relatively homogenous.* Assets within an asset class should have similar attributes. [And they should be subject to the same principal risk factors.]
- *Asset classes should be mutually exclusive.* [That is, they should not overlap.]
- *Asset classes should be diversifying.* For risk-control purposes, an included asset class should not have extremely high expected correlations with other asset classes or with a linear combination of the other asset classes. Otherwise the included asset class will be effectively redundant in a portfolio because it will duplicate risk exposures already present. In general, a pair-wise correlation above 0.95 is undesirable.
- *The asset classes as a group should make up a preponderance of world investable wealth.*
- *The asset class should have the capacity to absorb a significant fraction of the investor's portfolio without seriously affecting the portfolio's liquidity.* Practically, most investors will want to be able to reset or rebalance to a strategic asset allocation without moving asset class prices or incurring high transaction costs.[2]

Asset classes should also be grouped into certain "super-categories" based on the primary roles those asset classes are expected to play within the overall portfolios. It is recognized that expected returns, volatilities, and pair-wise correlations are inherently imperfect representations of true underlying risks and returns. Therefore, optimal portfolios generated using only these inputs may lack some needed judgmental, qualitative assessment of broad risk factors, and risk control. This is where it may also be helpful to consider what levels of assets might be prudently devoted to each such "super-category."

The following broad asset classes, grouped by "super-categories," are consistent with the above criteria and are deemed appropriate for the UW Trust Funds:

Growth and High-Yielding Assets. (i.e., higher risk "return drivers")
U.S. Equities
Non-U.S. Equities
Emerging Market Equities
Private Equity (e.g., venture capital, leveraged buyouts, other private capital)
High Yield Debt (e.g., high yielding corporate debt or bank loans, emerging market debt)

Event-Risk and Deflation-Hedge Assets. (i.e., lower risk, "catastrophe insurance"-like)
U.S. Bonds (pure U.S. Treasuries are perhaps ideal here)
U.S. Cash
Absolute Return (this "asset class" is best represented by "market-neutral" hedge funds)

Real and Inflation-Hedge Assets. (i.e., physical assets and inflation-protected financial assets)
U.S. TIPS (Treasury Inflation Protection Securities)
Real Assets (e.g., private/public real estate, timber, commodities, possibly infrastructure)

Market indexes selected to be broadly representative of each of these asset class (and in most cases to suggest appropriate passively managed alternatives), are provided in later sections or appendices.

[2] Sharpe, Chen, Pinto and McLeavy. "Asset Allocation." *Portfolio Management.* CFA Institute, Ch.5.

Meaningful Asset Class Allocations. Another basic premise regarding asset classes and their inclusion in a portfolio is that the allocation must be significant enough to provide its desired attributes in a meaningful way. Allocations of less than 5 percent of portfolio assets to a particular asset class do not make sense.

Tactical Asset Allocation. "Tactical asset allocation" involves making tactical shifts away from long-term strategic asset allocations. The crux of this strategy involves the following: some form of current valuation of asset classes or markets as a whole, determination of the "fair" risk-adjusted valuation (whether an "equilibrium" or average historical value, etc.), determination of the current level of over- or under-valuation and what this implies for expected returns going forward. Based upon relative levels of over-/under-valuation and expected future returns (for some period) among the asset classes/markets available, under- and over-weightings versus some strategic norm or benchmark are implemented. This is no different than what an active long-only stock picker does, but he does it at the individual security level; the asset allocator does it at the asset class level. Risk-controlled active asset allocation strategies should provide opportunities to add alpha over and above what a static, strategic asset allocation can be expected to provide. Desirable managers for a global active asset allocation mandate should have all of the following characteristics: a strong, dedicated and utterly defensible conviction that it can be done successfully; a long and strong track record that supports this conviction; a sophisticated risk-control platform; strong global presence and expertise; and very bright people and leadership that reflect a strong cultural continuity. If such managers can be found, a global active asset allocation strategy should be considered for incorporation into the Long Term Fund's portfolio, in some manner and at some level. (Note, when this strategy is employed with a global focus, it if often referred to as "global tactical asset allocation," or GTAA.)

Opportunistic Investment Category. The concept behind an "Opportunistic" investment category is as follows. On occasion, unusual and exceptional investment opportunities may present themselves which could meaningfully improve the risk/return profile of the Funds. Such an investment opportunity will likely represent one of the following situations: 1) it does not quite fit into any currently acceptable asset class or strategy (at least as they are presently defined), or 2) investing in the opportunity would shift the Fund's strategic asset allocations beyond what is normally acceptable. Also, such investments will normally not represent permanent positions; i.e., they will likely have either a term associated with them (e.g., a limited partnership vehicle) or they will eventually be divested or otherwise unwound. A limited place should be reserved for such unusual opportunities for the Long Term Fund.

Currency. Currency is not considered to be an asset class or an "investment" at all for that matter, as there are normally, and on average, no expected returns from holding or being exposed to, a foreign currency. Also, unhedged foreign-denominated assets generally provide somewhat higher levels of diversification (i.e., somewhat lower correlations) in a broad portfolio context. Therefore, for the most part, and unless significant skill in currency exposure management can be demonstrated, assets denominated in foreign currencies should not be hedged.

Leverage. The use of borrowed funds, or explicit leverage, in investing is inherently neither good nor bad. It becomes good or bad depending on how it is used, how much is used, and what is being levered (e.g., what the nature of the collateral is). It is important to remember that many "traditional" types of investing involve substantial leverage; for example, stocks of companies that have significant debt, or stocks/interests in commercial real estate investment entities that have considerable debt. The intent in using debt is to lever up the returns going to the reduced level of equity being invested. Of course the leverage works both ways; if there are losses, they fall entirely onto the equity (assuming that losses are not severe enough to impair the repayment of the debt). The premise put forward here is that the use of leverage *within the context of an investment strategy/portfolio itself*, may be prudent and desirable depending on how it is used, how much is used, and what is being levered (e.g., what the nature of the collateral is).

Derivatives. A derivative is defined as an instrument that derives its value from some underlying asset, reference rate (such as an interest rate), or index. It is recognized that derivatives involve certain risks as do all investments, but that their risk ensues primarily from how they are used in the context of an overall portfolio. Therefore, as with leverage, derivatives are inherently neither good nor bad, as they can be put to either good or bad purposes. The primary risk of derivative strategies comes from the potential to leverage a position or to invest/speculate without committing capital. The use of derivatives to create economic leverage should generally be prohibited. Other uses of derivatives, if employed, should be well-defined, clearly understood, and generally seek to reduce portfolio risk and/or costs.

Short Selling. "Short selling" is the practice whereby a security is "borrowed" and sold at today's price; the security is then repurchased by the short seller in the market at a later date to replace the security borrowed from the lender's account. As opposed to owning the security (or being "long" the security) if its price is expected to rise, one might sell the security short (or be "short" the security) if its price is expected to fall. Short sales are conducted through a broker: not only are the proceeds from the short sale kept on account with the broker, the short seller must also post margin (essentially, collateral) to ensure that the trader can cover any losses sustained if the security price *rises* during the period of the short sale. Whereas the maximum loss for a long position is the amount invested, the maximum loss from a short position is in theory unlimited (if the price were to rise to infinity). Although short sellers face particular challenges, risk-controlled short selling within an overall portfolio context can be rewarding if the manager has real skill in identifying both under- and over-valued securities. In fact, numerous academic studies have shown that by being allowed to combine long and short positions, a skilled manager is better equipped to translate his insights into profitable portfolio positions. One example of long/short portfolio strategies is a "130/30" strategy, where the manager is permitted to go up to 130 percent long and 30 percent short, such that the net long exposure is 100 percent. Effectively, such a portfolio can be no more risky than a traditional 100 percent long portfolio and yet provide more opportunities for alpha.

Securities Lending. Securities lending is taking the other side of the short sale (securities borrowing) described above. Many, if not most, large institutional investors, usually through their custodian bank, actively lend securities they own. The objective is to earn a modest level of incremental income from the program in one of the following ways: 1) if the borrower posts other securities as collateral, the lender simply receives a fee, usually quoted in basis points per annum of the original market value of the loaned security, or 2) if cash is posted as collateral, the revenue generated from lending is derived from the difference or "spread" between interest rates that are paid (the "rebate rate") and received (the "reinvestment rate") by the lender. It is recognized that the primary risk in securities lending is not that the borrower will default, due to required collateralization and margin maintenance, but that in the case of cash collateralization, the expected interest spread is not earned. If a securities lending program is to be approved, the risks must be fully understood and commensurate with expected incremental returns.

Strategic Partnering. Given certain internal constraints and competencies, "partnering" with fewer excellent managers capable of providing wide-ranging research and consultative feedback is desirable. Therefore, a focus in investment manager selection should be to employ at least some managers that can become such "strategic partners."

Flexible Yet Disciplined. The overall management process for the UW Trust Funds' investment program should be flexible enough to allow for capturing investment opportunities *as they occur*, yet maintain reasonable parameters to ensure prudence and care in execution.

C. Other Premises

Corporate Activism and Social Responsibility. As an owner of stocks of public corporations, ownership rights should generally be exercised in a manner consistent with maximizing the value of the ownership interests. The voting of proxies, and the introduction of proxy proposals, is one important ownership right. Furthermore, while acknowledging that the primary fiduciary responsibility of the UW Trust Funds is to maximize financial gain on its investments, considerations of the "social responsibility" of the entities in which it may invest can still be entertained. The current policies related to proxy voting and "social responsibility" are summarized in **Appendix 3.**

Large Unrestricted Gifts. Large gifts where the donor does not restrict principal ("quasi-endowments") should become Board-designated endowments so as to provide for more perpetual support to the UW, unless compelling arguments for complete expenditure can be made. The current policy details are provided in **Appendix 4.**

Investing with a Wisconsin Focus. The Board's primary fiduciary responsibility for UW Trust Funds is to maximize financial return, given an appropriate level of risk. The Trust Funds generally are not managed internally but are managed by external investment firms. These investment managers, for both public and private investments, have the ability to invest in Wisconsin-based companies and start-ups to the extent they deem them to be desirable and appropriate investments. Furthermore, the sources of Trust Funds' assets are generally bequests and donations to benefit programs and activities as specified by the donors. Investing these funds with a Wisconsin focus would not provide any "additional" benefits for these programs and activities. In this case, the fiduciary responsibility is clearly to choose among the best investment options available without any bias as to where they are located.

II. Investment Policies

A. Asset Allocations, Policy Portfolios, and Benchmarks

Strategic Asset Allocations.
Purpose. As noted earlier, determining and implementing the overall strategic asset allocations for the Funds is the first and most important step in implementing the investment program. The strategic, or policy, asset allocations should represent the long-term "equilibrium" or "normal" asset class positions for the portfolios, positions that under normal conditions are expected to best meet the Funds' objectives for both investment returns *and* risk.

Frequency of Asset Allocation Reviews. Given their focus on long-term capital market assumptions, in-depth asset allocation reviews need not be conducted on a set schedule. However, it is anticipated that in-depth reviews will be made at least once every three years. Also, the spending policy for the Long Term Fund should generally be review in conjunction with an asset allocation review.

Sources of Data and Assumptions. Trust Funds will rely heavily on input from its "strategic investment partners" for the capital market assumptions required in an asset allocation analysis. Such assumptions are intended to be conscious of not only long-term historical relationships and averages, but also projected long-term capital market conditions based upon current economic and financial environments. Asset class return expectations should also be "internally consistent" and reflect a "build-up" of the following components: inflation + the risk-free real rate of return + various risk-premiums depending on the riskiness of the asset class in question. Furthermore, in the case of equities, return expectations are also viewed as being comprised of the following "building blocks:" earnings per share growth (which for equities overall should equal nominal GDP growth) + dividend yield + return impact from change in the price-to-earnings (P/E) ratio.

Reliance on Models and Judgment. Strategic asset allocation reviews will rely heavily on the use of "mean-variance optimization" models (discussed more in the *Premises* section). Other statistical tools may also be utilized, such as "Monte Carlo Simulations," to help predict probabilities of various outcomes. However, as these models and programs have significant limitations (also discussed earlier), results should be tempered with substantial amounts of judgment. Such judgmental factors are to be fully discussed as part of any reviews and recommendations of strategic asset allocations.

Departures from Strategic Asset Allocation Targets.
Setting Asset Allocation "Ranges." Strategic asset allocation analyses are generally intended to produce a desirable portfolio with *precise percentage targets* for each asset class. A common and acceptable practice is, however, to adopt permissible allocation ranges about these precise targets. This allows for some "tactical flexibility" for controlled deviations and limits, to some extent, the need for constant rebalancing. Asset allocation ranges are to be incorporated into approved asset allocations plans.

Global Tactical Asset Allocation. As discussed earlier in the *Premises* section, a core investment belief is that entire markets or asset classes can become significantly under- or over-valued, and that such inefficiencies can be exploited by capable and disciplined managers. Allocations to GTAA managers or strategies, if any, are to be fully described and incorporated into approved asset allocations plans. It is expected that any GTAA component will take one of two forms: 1) a dedicated portion of Fund assets will be allocated to a manager(s), or 2) an overlay strategy for the entire Fund will be employed. Furthermore, the GTAA program, if any, is to be designed so that overall Fund deviations from strategic asset allocation targets will normally be within permissible ranges. As with any active asset management strategy, GTAA is to be pursued in a risk-controlled fashion and only to the extent that truly skilled and capable managers can be sourced

Opportunistic Investment Category. Also as discussed earlier in the *Premises* section, another core belief is that unusual investment opportunities may present themselves from time to time which would either 1) not quite fit into any currently acceptable asset class or strategy, or 2) shift the Fund's strategic asset allocations beyond what is normally acceptable. To the extent that such "opportunistic investing" is permitted, it is to be incorporated into approved asset allocations plans. Absent any unusual opportunities or strategies, the allocation to Opportunistic investments will be zero. When an opportunistic investment is to be made, it is generally to be funded either by a roughly proportional reduction in all other asset classes, or the asset class most resembling the opportunistic investment is to be used as the primary funding source.

Current Asset Allocation Targets by Fund.
Long Term Fund. The current strategic asset allocation or "policy portfolio" for the Long Term Fund, without the incorporation of Global Tactical Asset Allocation or Opportunistic categories, is provided in **Appendix 5.** *Therefore, this appendix provides the long-term strategic allocation, absent any allowance for significant tactical shifts or "opportunistic" investments.* To the extent that GTAA and/or Opportunistic categories are to be incorporated, the combined target asset/category allocations are provided in **Appendix 6.** Asset class benchmarks are also provided in each Appendix.

Intermediate Term Fund. The current strategic asset allocation or "policy portfolio" for the Intermediate Term Fund is provided in **Appendix 7**. Asset class benchmarks are also shown.

B. Other Investment and Risk Management Policies

Rebalancing. Rebalancing to target asset allocations, or to within permissible ranges, is a key risk management practice, given again the primacy of asset allocation to achieving and maintaining the desired risk/return profile. Furthermore, to the extent that multiple managers, investment styles (e.g., growth vs. value, large- vs. small-cap, etc.), or "sub-asset classes" are employed within a particular broad asset class category, rebalancing should generally take place at these levels as well. Details of the current rebalancing policies are provided in **Appendix 8.**

Sector, Security, Individual Investment Concentration. Generally, limits on various investment concentration levels are not to be set at the broad policy level. However, it is expected that virtually all investment managers, strategies, and vehicles selected will employ diversification sufficient to eliminate a majority of "non-systematic" or idiosyncratic risks. Concentration levels will also be monitored closely, and in the case of "separate accounts," individualized investment guidelines will address this as well as other aspects of risk management.

Individualized Investment Guidelines. In the case of "separately-managed accounts," individualized investment guidelines are to be developed. These guidelines will vary depending on the asset class, style, and strategies involved, as well as the perceived capabilities of the investment manager in question. When commingled funds of any kind are contemplated, the funds' documented investment guidelines, and expected investment practices, are to be carefully reviewed to determine their acceptability.

Regarding Specific Investment Strategies and Vehicles. Certain guidelines, restrictions, and expectations are expected to be broadly applicable most, if not all, investment managers and portfolios. These are discussed below.

Leverage. Generally, portfolios devoted to "traditional asset classes" (e.g., equities and fixed income) using "long-only" strategies are to be prohibited from using economic leverage. Notwithstanding this general prohibition, leverage may be used in Private Equity; Real Estate, and other similar Real Assets; Absolute Return, and other Hedge Fund strategies; and in the conduct of a "Securities Lending Program" (if such a program exists, it is to be fully described in an Appendix to the IPS). In these cases, leverage levels, limits, and practices are to be carefully reviewed as part of the initial and on-going due diligence process when investing in commingled vehicles. For separately-managed accounts, individualized investment guidelines are to address leverage.

Derivatives. The use of derivatives to create economic leverage is to be prohibited in traditional asset class portfolios. Furthermore, for any given portfolio, derivatives are generally to be limited to those whose value is directly linked to investments which would otherwise be permissible for that portfolio. Generally, derivatives are expected to be used primarily to reduce portfolio risks, provide needed liquidity, or to affect transactions more cost-effectively. For commingled vehicles; policies, practices, and limits on the use of derivatives are to be carefully reviewed as part of the initial and on-going due diligence process. For separately-managed accounts, individualized investment guidelines are to address the use of derivatives.

Short Selling. For commingled vehicles; policies, practices, and limits on short selling, if permitted at all, are to be carefully reviewed as part of the initial and on-going due diligence process. For separately-managed accounts, individualized investment guidelines are to address the practice of short selling, if permitted at all.

Foreign Currency Exposure. In general, the expectation will be that portfolios with assets denominated in foreign currencies will not hedge the foreign currency exposure either back into U.S. dollars or into another currency. To the extent that managers have demonstrated consistent skill in actively managing currency exposures, such activities may be considered. For commingled vehicles; policies, practices, and limits on currency exposure management are to be carefully reviewed as part of the initial and on-going due diligence process. For separately-managed accounts, individualized investment guidelines are to address currency exposure management.

Trading. Investment managers will be expected to execute all transactions at the lowest possible cost, which includes explicit commissions, bid/ask spread, and estimated market impact; in aggregate, this is referred to as obtaining "best execution." The use of "soft dollar" arrangements, where higher commissions are paid to a broker in exchange for research or other services, is generally to be prohibited or strongly discouraged, as such research or services may not in fact directly benefit the portfolio in question.

Manager Concentration. Recognizing that one element of risk is "manager risk," the risk that any particular investment manager may experience serious investment-related or organizational problems, manager-level concentration will be thoughtfully considered. Generally, acceptable manager concentration levels will depend greatly upon the asset class and investment strategy involved, as well as the expected level of "tracking error."

Risk Metrics and Budgeting. The broad framework for risk management consists of the following key elements: the strategic asset allocation, other investment polices and individualized investment manager guidelines, and the benchmarks used for measuring performance objectives. However, certain risk metrics and budgeting practices are also to be employed to more quantitatively measure and control portfolio risk, particularly when active investment management is employed. These are discussed below.

Total Risk. The basis for the "risk budget" at the total portfolio level is the risk (volatility) of the Fund's "policy portfolio" benchmark. Thus the risk budget begins with the risk of the benchmark index, which assumes passive (or, in most cases, indexed) management within each asset class and no deviations (intentional or otherwise) from benchmark asset class weights. The "total risk" at the Fund level is to be defined as the annualized standard deviation of its monthly returns.

Budget. Total risk for the Long Term Fund is to be maintained at a level equal to the square root of the sum of the squares of the actual "benchmark risk" (described above) and the "active risk" budget (described below). As this precision is not practically achievable, the total risk is generally expected to be managed within a 20 percent range of the budgeted level. For example, if the total risk budget is 10 percent, the allowable range is 8 percent to 12 percent.

Active Risk. Active risk ensues from any deviations away from the Fund-level policy benchmarks or from the compositions of the benchmarks for each asset class. The budget for active risk is to be consistent with the tolerance for active risk and the expectations for excess returns from active management. The active risk at the Fund level is to be defined and measured as the "tracking error," which is the annualized standard deviation of the difference between monthly Fund returns and monthly policy portfolio benchmark returns.

Budget. The active risk, or tracking error, budget for the Long Term Fund is to be 5 percent annual standard deviation, and is expected to be generally managed within a range of 4 percent to 6 percent.

Note on Private Equity. Both total risk and active risk for the Long Term Fund is to be computed without the impact of Private Equity. Therefore, only for the risk budgeting purpose here, Fund and policy allocation benchmark performance calculations assume there is no Private Equity component.

III. Implementation

A. Roles and Responsibilities

Board of Regents. The full Board retains these specific responsibilities:
- Approve the Investment Policy Statement, which includes these key elements:
  - Asset allocations for each Fund
  - Spending policy for the Long Term Fund
  - Proxy voting and policy, and "social responsibility" policies
- Annually elect all UW Trust Funds-related officers (i.e., the Trust Officer and any Assistant Trust Officers, which includes the Director of the Office of Trust Funds)

Business, Finance, and Audit Committee. The Board delegates all other management and administration responsibilities for the UW Trust Funds to its Business, Finance, and Audit Committee. The Committee, in turn, is authorized, with the approval of the Board, to delegate such powers and responsibilities regarding the management and administration to the Trust Officer or other administrative officers or employees of the UW System as the Committee deems appropriate. The Committee retains these specific roles and responsibilities:
- Recommend to the full Board an Investment Policy Statement, which includes these key elements:
  - Asset allocations for each Fund
  - Spending policy for the Long Term Fund
  - Proxy voting and policy, and "social responsibility" policies
- Recommend to the full Board the UW Trust Funds-related officers (i.e., the Trust Officer and any Assistant Trust Officers, which includes the Director of the Office of Trust Funds)
- Otherwise oversee and monitor all other aspects of the management and administration of UW Trust Funds which have been delegated to others

Office of Finance.
Vice President for Finance/Trust Officer. Primary responsibilities of the Vice President for Finance are the following:
- In general, oversee the management and administration of the Office of Trust Funds
- Perform other duties as required by law or assigned by the Board or Committee

Office of Trust Funds.
Director/Assistant Trust Officer. Primary responsibilities of the Director of the Office of Trust Funds are the following:
- In general, implement, conduct, oversee, and monitor all other aspects of the management and administration of the UW Trust Funds, including all specific policies and practices contained herein or otherwise approved by the Committee and Board
- So as to be particularly clear regarding this important function, the Director is responsible for hiring (and terminating) external investment managers (subject to the selection process discussed later), provided, however, that he/she provides to the Committee a due diligence memo regarding each prospective hire (or termination) at least 15 business days in advance of the manager's initial funding (or termination); should any Committee member voice opposition within that timeframe, the decision will be delayed pending further due diligence
- Submit periodic reports to the Committee (reporting/communication standards are discussed later)
- Manage and monitor all external and internal expenses and fees
- Manage and maintain all UW Trust Funds records
- Work with donors, estates, and trusts in taking in and properly establishing new Trust Funds accounts

Other Investment Staff. Conduct all investment management-related and administrative functions as assigned by the Director of the Office of Trust Funds.

Accounting, Recordkeeping, and Administrative Staff. Primary responsibilities are the following:
- In general, maintain all accounting and recordkeeping systems related to the various unitized investment pools, or Funds, and for all accounts participating in those pools
- Assist benefiting campuses and departments in their utilization of Trust Funds accounts

General Counsel's Office. Primary responsibilities are the following:
- Help ensure compliance with all applicable laws and regulations
- Provide assistance on any legal matters pertaining to bequests and other trust-related gifts
- Provide assistance on matters pertaining to investment-related contracts and agreements (external counsel may be hired under some circumstances)

Office of Procurement. Primary responsibilities are the following:
- Assist in the procurement of investment-related and other product/service providers, particularly where an RFP and competitive-bid process is warranted

Investment Managers. Primary responsibilities are the following:
- Manage the portfolio or commingled vehicle in conformance with their individualized investment guidelines or the guidelines of the commingled vehicle
- Provide the following information, at a minimum, to the Office of Trust Funds on a monthly basis (or quarterly for some asset classes): 1) portfolio holdings and valuations, 2) transaction summary, and 3) investment returns for the most recent period and since inception
- For separately-managed accounts, work with the custodian to reconcile any discrepancies regarding portfolio market valuations or calculated investment returns
- For commingled vehicles, provide safekeeping for underlying assets and interests
- Notify the Office of Trust Funds immediately upon any of the following events: a material change in the organization or the management of the portfolio; in the manager's judgment, the consequences of financial/economic developments may have a material adverse impact on the portfolio; the firm becomes subject to legal or regulatory enforcement actions or other investment-related litigation
- Ensure the availability of a senior-level officer(s) for annual due diligence meetings
- Ensure the availability of senior-level officers and/or investment professionals for due diligence meetings at the offices of the manager upon request

Custodian. Primary responsibilities are the following:
- Provide safekeeping for all UW Trust Funds assets, held in separately-managed accounts
- Provide monthly portfolio holdings, valuation, and transaction reports in a timely fashion
- Provide performance reporting and other analytics as requested and available under the custodial contract, or otherwise contracted for
- Notify the Office of Trust Funds immediately when there is a material change in the organization or its processes and procedures, or when there are any concerns regarding portfolio transactions or valuations
- File on behalf of UW Trust Funds, participation in class action lawsuits pertaining to Fund investments

B. Investment Manager Selection, Retention, and Termination

Selection Process. Under all circumstances, the Office of Trust Funds is to conduct a thorough and documented due diligence process in the selection of investment managers or specific investment vehicles. In addition, in those cases where there are multiple providers of a desired investment product or service, UW and State procurement policies and practices are to be followed. This will typically involve a "bid process," including a Request for Proposal and public notification of the impending vendor search. It is recognized, however, that for certain investment opportunities, a competitive search process is not appropriate or even possible. Examples might include opportunities in various alternative asset classes, such as Private Equity, Real Estate, Timber, or Opportunistic investments. In many of these cases, the investment structure is a limited partnership with one-time opening and closing dates.

Major Selection and Retention Criteria. Provided below are areas which should be of particular focus in the investment manager selection process. It should be noted that these same areas should be the focus of on-going evaluations.

- Level of integrity and honesty
- Cogency of investment thesis and implementation processes
- Ownership structure and diffusion of ownership and profit interests
- Firm culture and history
- Cogency of strategic direction for the firm
- Importance of the product to the manager's business
- Assets in the desired product/strategy, especially relative to the opportunity set
- Willingness to close products/strategies to maintain performance levels
- Alignment of interests (e.g., do managers co-invest significantly?)
- Risk control and management capabilities
- Sources of investment research and ideas (internal/proprietary vs. external)
- "Strategic partnering" potential
- Institutional focus
- Investment fees
- Long-term, risk-adjusted investment performance

Investment Vehicle Structures. There is to be no particular preference for the structure of an investment vehicle. Examples of different structures include separately-managed accounts, institutional mutual or other such commingled funds, limited partnerships, and limited liability companies. When there are opportunities to choose among different structures for a desired investment product, all aspects of their differences should be weighed in the decision-making process. Important differences might involve the following: investment minimums, fees and other costs, fee structure, liquidity, and legal/contractual provisions and protections.

Contracts. For separately-managed investment accounts, contracts or "investment management agreements" (IMAs) will generally be put into place. Individualized investment guidelines will also generally be made part of such IMAs. Such contracts or IMAs will be open-ended, with no set termination date; however, UW will retain the right to terminate for any reason with a 30-day advance notice to the manager. (It is important to note that for separate accounts, the assets reside with the UW Trust Funds' custodian and are so-titled.) For vehicles such as limited partnerships, the contractual agreements are to be carefully reviewed by Counsel to ensure their appropriateness. Where possible, "side-letter" agreements which provide further protections or clarifications should be contemplated.

Termination Criteria. Essentially, termination is to be considered when a manager no longer adequately meets an established standard(s) under the selection and retention criteria. Additionally, any change in firm ownership, or in regard to key investment personnel, should be grounds for immediate reevaluation.

C. Avoiding Conflicts of Interest

General Expectations. It is expected that no UW officials will make, participate in making, or influence a decision in which the official has a financial interest. Also, the explicit separation of roles and responsibilities of the various fiduciaries as provided herein is intended to ensure sound investment practice and protect against real or perceived conflicts of interest, especially with regard to the selection of individual investments or investment managers. In particular, this involves the separation of investment policy-making and investment implementation.

Code of Ethics. The Office of Trust Funds adopts the Chartered Financial Analyst (CFA) Institute Code of Ethics and Standards of Professional Conduct for its internal investment staff. These are found at the following Web address: http://www.cfainstitute.org/centre/ethics/code/index.html and are incorporated by reference. Furthermore, external investment managers and professionals will be expected to either adopt the CFA Code or have similar codes of conduct in place.

IV. Evaluation

A. Monitoring and Measuring Success

Performance Expectations and Benchmarks.
Asset Class Level. Performance benchmarks for individual asset classes can be found in the Appendices which also provide Fund asset allocations (**Appendices 5, 6** and **7**).

Investment Manager Level. Each individual investment manager will be assigned an appropriate performance benchmark, which in many cases will be the same benchmark used for the entire asset class. In some cases, benchmarks which reflect a more appropriate sub-set of the broader asset class may be assigned. Performance comparisons relative to these benchmarks will be made not only on an absolute basis, but also on a risk-adjusted basis. Therefore, not only will investment returns be compared to benchmarks, but so too will various measures of portfolio risk (e.g., beta, duration, standard deviation of returns, Sharpe ratios, tracking error, information ratio, etc.). Finally, each investment manager will be compared to the median of an appropriate peer group, where available.

Fund Level.
Long Term Fund. Comparative benchmarks for the Long Term Fund as a whole are to be the following:

- Policy Allocation Index – calculated by replacing investment manager returns with their benchmark returns, which is to help gauge the success (or failure) of active management
- "70/30" Benchmark – defined as 55 percent S&P 500, 15 percent MSCI EAFE, and 30 percent Lehman Aggregate Bond Indexes, which is to represent a more traditional portfolio
- Spending Rate + HEPI + Expenses – which is to represent the "hurdle" rate for sustaining the endowment's purchasing power
- NACUBO Median – which is to reflect the average performance of similar-sized university endowments

  Opportunistic Investment Category. There is no appropriate market or peer benchmarks for this investment category. However, the performance objective for the category as a whole is to provide long-term returns of at least 300 basis points over the expected return achievable from the Fund's strategic policy portfolio, to do this on a better risk-adjusted basis, and to reflect medium to low correlation of returns with the broad public stock and bond markets.

Intermediate Term Fund.

- Policy Allocation Index – calculated by replacing investment manager returns with their benchmark returns, which is to help gauge the success (or failure) of active management
- Lehman Intermediate Aggregate Bond Index – which is to represent a more traditional intermediate "expendables" fund

On-Going Investment Manager Due Diligence. Due diligence does not end upon hiring an investment manager but is to continue throughout the life of the relationship. At a minimum, this on-going process is expected to include the following elements:

- Annual in-depth meetings with key investment and/or firm-level representatives
- In-depth meetings at managers' offices once every two to three years
- Attendance at client conferences and educational forums when available
- Open telephonic or electronic communication with key personnel as needed

Monitoring and Managing Expenses. As mentioned earlier in the *Implementation* section, it is the responsibility of the Office of Trust Funds to monitor and manage both external and internal expenses related to the administration and management of the Trust Funds. External fees for investment management and other products and services are to be reasonable and competitive with similar products or services available. Expenses relating to internal investment, administrative, and accounting activities are to be managed to reasonable and acceptable levels, as these expenses too are charged against the investment Funds.

B. Reporting and Communication Standards

Reporting Expectations. The following reports are to incorporate the performance evaluation and benchmarking information discussed previously. These reports are to be provided to the Board and the Committee on a routine basis:

- Quarterly Investment Reviews – which are to include detailed market commentaries and investment performance data
- Annual Report – which is to provide annual data on sources and uses of the Funds, annual financial statements for the Trust Funds as whole (consistent with the UW System's audited financial statements), and information on the annual and internal expenses of the Office of Trust Funds
- Annual Endowment Peer Benchmarking Report – which is to provide investment performance data and other points of comparison for peer institutions
- Annual Investment Manager Due Diligence Reports – which are to be brief reports summarizing the most recent annual due diligence meetings, and are to highlight in any of concern
- Annual Proxy Voting Reports - which are to provide the Committee with voting recommendations on proxy proposals and the voting results

These reports, with the exception of the manager due diligence reports, are also to be made publicly available via the Trust Funds' web site.

Other Communication Expectations. It is expected that if there is any significant adverse development in the management of the Funds during any interim periods, the Director of the Office of Trust Funds will immediately communicate such information to the Trust Officer/Vice President for Finance, who may then direct that it be communicated to the Committee Chair.

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Appendix 1

PRIMARY FIDUCIARY AND MANAGEMENT RESPONSIBILITIES OF THE BOARD

Wisconsin Statutes, Board policies and the terms of the gifts, grants, and bequests themselves provide the basic framework within which UW Trust Funds are managed and its fiduciary responsibilities are established. This appendix outlines the principal provisions in these areas.

Statutory Provisions.
Section 36.29, Wisconsin Statutes. Section 36.29, Wis. Stats., authorizes the Board to accept gifts, grants and bequests for the benefit or advantage of the UW System, and to administer the funds comprised of such donations. This statute also establishes several restrictions and requirements with respect to these funds:

(1) Gifts, grants and bequests must be executed and enforced according to the provisions of the legal instrument establishing the donation, including all provisions and directions in such an instrument for the accumulation of the income of any fund or rents and profits of any real estate without being subject to the limitations and restrictions provided by law in other cases, except that no such income accumulation can be allowed to produce a fund more than 20 times as great as that originally given;

(2) No investment of the funds of such gifts, grants, or bequests shall knowingly be made in any company, corporation, subsidiary, or affiliate that practices or condones through its actions discrimination on the basis of race, religion, color, creed, or sex;

(3) The board may not invest more than 85% of trust funds in common stocks;

(4) Any grant, contract, gift, endowment, trust or segregated funds bequeathed or assigned to an institution or its component parts for any purpose whatsoever shall not be commingled or reassigned.

UMIFA, s. 112.10, Wisconsin Statutes. The Uniform Management of Institutional Funds Act ("UMIFA"), codified in s. 112.10, Wis. Stats., applies to the endowment funds of institutions, including governmental organizations and universities, organized and operated exclusively for educational, religious, charitable or other eleemosynary purposes. UMIFA describes the investment authority of an institution's governing board, allows for the delegation of investment management to committees of the governing board and to outside investment advisors, and establishes the standard of conduct for management decisions concerning the endowment funds.

In general, UMIFA grants broad authority to the governing board to invest and reinvest institutional funds, unless otherwise limited by the applicable gift instrument or law. The governing board of an institution may delegate its investment authority to its committees, its officers, or employees of the institution, or to other outside investment managers or advisors. The governing board may also appropriate for expenditure a portion of the appreciated assets of the fund, and make other expenditures as permitted by law, relevant gift instruments or the institutional charter. With respect to investing, delegating investment authority, and making appropriations of appreciated assets, UMIFA establishes the standard of fiduciary conduct that the governing board must follow, requiring that the board "exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision." Section 112.10(6), Wis. Stats.

UMIFA further permits the release of any restrictions on the use or investment of funds, if the donor gives written consent. If the consent of the donor cannot be obtained by reason of death, disability, unavailability or impossibility of identification, the governing board may apply to a state circuit court for release of such a restriction.

Board Bylaws and Policies.
Bylaws and Regent Policy Document 31-2. The Board has, through its Bylaws, delegated authority to the Business, Finance, and Audit Committee to "have charge of consideration of all matters related to . . . trust funds, ..." (Chapter III, Section 3, Regent Bylaws.) In addition, the Committee has been delegated the authority to hire investment counsel, subject to Board approval, and to give discretionary authority to investment counsel in the purchase and sale of securities, "within guidelines determined by the Committee." The Board's Trust Officer (the Vice President for Business and Finance) has the duty to "receive, manage, and maintain records of all trust funds" to perform other duties required by law or assigned by the Board or Business, Finance, and Audit Committee (Chapter II, Section 8, Regent Bylaws).

Complementing these provisions in the Bylaws, Regent Policy Document (RPD) 31-2 expressly empowers the Committee to manage the Trust Funds, providing, in relevant part:

> The management and administration of University Trust Funds, . . . is delegated to the [Business, Finance, and Audit] Committee; the said Committee is authorized and empowered to do all things necessary within the limitations imposed by law or by the terms of the specific gifts and bequests accepted by the Board of Regents to administer the funds so received and under the control of the Regents in an efficient and prudent manner; the Business and Finance Committee is authorized, with the approval of the Board, to delegate such powers and responsibilities regarding the management and administration of University Trust Funds to the Trust Officer or other administrative officers or employees of the University as the Committee may in its judgment deem appropriate; the Committee is authorized to employ investment counsel; and the Trust Officer of the Regents is directed to keep a separate record of the actions taken by the Business and Finance Committee on all matters relating to University Trust Funds and to distribute memoranda of such actions as soon as practicable to all members of the Board of Regents for their confidential information.

Compliance with Donor Terms. It is incumbent upon the Board to ensure that gifts and bequests be “executed and enforced according to the provisions of the instrument making the same,” s. 36.29, Wis. Stats. However, donor-imposed terms and conditions can sometimes impose practical problems; contravene current University policies; or, in some cases, no longer be legal. As the vast majority of bequests coming to the Board of Regents are unsolicited gifts from deceased donors who have not worked with the University in crafting their gift instrument, the opportunity to prevent such problematic donor terms is limited. When such issues arise, whether in working with a living donor before the gift is made or “after the fact,” the Trust Funds Office consults with the Office of General Counsel to determine appropriate actions consistent with Regent policy and applicable law.

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Appendix 2

SPENDING POLICY FOR THE LONG TERM FUND

The "spending policy" for an endowment specifies the methodology for determining what amounts are to be distributed for annual spending purposes. The policy should help ensure that the purchasing power of the endowment's corpus is maintained.

Current Policy. *(Effective July 1, 2005.)* A "rate" of distribution (percent of assets) that reflects an achievable and sustainable level of *real* investment returns is to be determined. *Real* investment returns are those achieved over and above the relevant rate of inflation. The most relevant rate of inflation for University-related costs is the Higher Education Price Index (HEPI). HEPI is expected to roughly equal the Consumer Price Index (CPI) plus one percent over time. The spending rate should also be applied in a manner that helps smooth the volatility of the dollar level of annual distributions that may otherwise result from Fund market value fluctuations.

The spending rate is to be *four percent (4%)* per annum. This percentage is to be *applied to a trailing three-year moving average of Fund market valuations* (12 quarterly valuations) to determine the dollar value of the annual distribution. Investment income from the Fund plus proceeds from security sales as needed may be used to provide the required distribution. Realized annual investment returns above (below) the spending rate, will increase (decrease) the market value of the Fund's corpus.

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Appendix 3

SUMMARY OF POLICIES ON PROXY VOTING AND "SOCIAL RESPONSIBILITY"

It should be noted that this appendix provides concise *summaries* of the various relevant Regent Policy documents; that is, the policies are not quoted in their entirety here.

Regent Policy 31-10: Procedures and Guidelines for Voting Proxies

"Routine" proxies will be voted by the respective external portfolio managers in accordance with each manager's proxy voting guidelines.

Routine issues include:
- Election of directors, unless the nominee has been found guilty in a criminal action
- Election of auditors
- Elimination of preemptive rights
- Adding or amending indemnification provisions in charters or by-laws
- Authorization to issue common stock under option and incentive plans, and other corporate purposes
- Outside director compensation (cash plus stock plans)
-

"Nonroutine" issues will be reviewed with the Business and Finance Committee to develop a position on how the proposals should be voted.

Non-routine issues include:
- Issues dealing with discrimination as defined in Ch 36.29 WI STATS and Regent Policies 31-6 and 31-7
- Issues dealing with the environment as defined in Regent Policy 31-5
- Issues relating to substantial social injury as defined in Regent Policy 31-13
- Stockholder proposals opposed by management and not supported by the portfolio managers
- Amendments to corporate charter or by-laws which might affect shareholder rights
- Acquisitions and mergers

Regent Policy 31-5: Investments and the Environment

- Recognition of UW's, state and federal governments' commitments to environmental protection.
- Expectation that companies invested in will evidence similar commitment.
- Persons/groups with evidence of a company not meeting these expectations can detail their concern and evidence to the Business and Finance Committee.
- Committee may then afford company opportunity to respond before deciding on any action.

Regent Policy 31-6: Investment of Trust Funds

- In accordance with state statutes, investments in any entity that practices or condones discrimination on the basis of race, religion, color, creed or sex shall be divested.

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Regent Policy 31-7: Interpretation of Policy 31-6 Relating to Divestiture

- In effect, any entity that employs persons in nations, which by their laws discriminate as described in 31-6, shall be divested of.

Regent Policy 31-13: Investment and Social Responsibility

- Primary fiduciary responsibility is to maximize financial return, given an appropriate level of risk.
- Acknowledgement of importance of public concerns about corporate policies/practices that discriminate or cause "substantial social injury" and these concerns will be taken into account.
- To enhance Board awareness of social concerns, a proxy review service will be subscribed to, so as to highlight relevant shareholder proposals and key issues.
- The Business and Finance Committee will hold an annual forum to solicit public input.
- For donors who place a high priority on socially responsible investing, use of special investment vehicles will be explored.

Regent Policy 31-16: Sudan Divestment

- The Board wishes to join in concert with other institutional investors, states and other municipalities, and the U.S. government in restricting and discouraging business activity that provides support to the current government of Sudan, or otherwise abets acts of genocide or “ethnic cleansing” occurring in that country.
- Assets held in *separately managed accounts* shall not be invested in companies (“targeted companies”) which either directly or through an affiliated instrumentality meet the following criteria:
  - Provide revenues to the Sudanese government through business with the government, government-owned companies, or government-controlled consortiums.
  - Offer little substantive benefit to those outside of the Sudanese government.
  - Have either demonstrated complicity in the Darfur genocide or have not taken any substantial action to halt the genocide.
  - Provide military equipment, arms, or defense supplies to any domestic party in Sudan, including the Sudanese government and rebels.
- Non-investment in such companies will require divestment of current holdings and the screening out of such companies’ securities so as to prevent future investment in them.
- *Investment is permissible* in companies which, either directly or through an affiliated instrumentality, provide services clearly dedicated to social development for the whole country.
- Where invested assets are held in *commingled* or *mutual fund accounts*, letters are to be submitted to the contracted investment management firms requesting that the manager consider either adopting a similar Sudan-free investment policy for the existing fund, or consider creating a comparable separate commingled fund devoid of companies targeted as a result of this resolution. In the event that the manager introduces a comparable separate Sudan-free fund, the Board shall direct that all assets in the existing fund be transferred into the newly available, Sudan-free fund.

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Appendix 4

POLICY ON QUASI-ENDOWMENTS

Regent Policy 31-15: Policy on Quasi-Endowments

"That, upon recommendation of the President of the University of Wisconsin System, all new quasi-endowments greater than $250,000 where the donor is silent as to the expenditure of principal be identified as designated endowments, with only the income from the trust available for expenditure in accordance with the terms of the trust agreement. (However, where the donor explicitly states that the principal of the gift be made available for expenditure, this policy will not apply.) If an institution wants an exception to this proposed rule, the request for exception, with appropriate justification, should be contained in the institution's recommendation for acceptance and be incorporated in the Regent resolution. If at a later date, the institution wishes to seek an exception to the Regent imposed restriction, it should submit a request to the Office of the Vice President for Finance for consideration at the next meeting of the Business and Finance Committee."

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Appendix 5

ASSET ALLOCATIONS AND BENCHMARKS FOR THE LONG TERM FUND

Asset Allocations. (*Effective September 7, 2007.)*

	Target Strategic Allocations	Allowable Ranges
Global Tactical Asset Allocation	**N/A**	**N/A**
Growth and High-Yielding Assets		
U.S. Equities	**15.0%**	**10% - 20%**
Non-U.S. Equities	**12.5%**	**9% - 16%**
Emerging Market Equities	**10.0%**	**7% - 13%**
Private Equity	**10.0%**	**7% - 13%**
High Yield Debt	**7.5%**	**5% - 10%**
	55.0%	**40% - 70%**
Event Risk- and Deflation-Hedge Assets		
U.S. Bonds	**10.0%**	**7% - 13%**
U.S. Cash	**0.0%**	**0% - 10%**
Absolute Return	**10.0%**	**7% - 13%**
	20.0%	**15% - 35%**
Real and Inflation-Hedge Assets		
U.S. TIPS	**7.5%**	**5% - 10%**
Real Assets	**17.5%**	**12% - 23%**
	25.0%	**17% - 35%**
Opportunistic	**N/A**	**N/A**
	100.0%	

Asset Class Benchmarks. *(Effective September 7, 2007.)*

Asset Class	Benchmark
U.S. Equities	Russell 3000 Index
Non-U.S. Equities	MSCI EAFE Index
Emerging Market Equities	S&P/IFC Investable Composite
Private Equity	Composite of the following using actual portfolio weights:
Buyouts	Cambridge Private Equity Index
Venture Capital	Cambridge Venture Capital Index
High Yield Debt	Merrill Lynch High Yield BB/B
U.S. Bonds	Lehman Intermediate U.S. Treasury Index
U.S. Cash	1-Month Treasury Bill
Absolute Return	1-Month Treasury Bill + 300 basis points
U.S. TIPS	Lehman TIPS Index
Real Assets	Composite of the following using actual portfolio weights:
Private Real Estate	NCREIF Property Index
Public Real Estate	MSCI U.S. REIT Index
Timber	NCREIF Timber Index
Commodities	DJ-AIG Commodities Index (of spot prices)

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Appendix 6

TARGET ASSET ALLOCATIONS FOR THE LONG TERM FUND WITH GLOBAL TACTICAL ASSET ALLOCATION INCORPORATED

Asset Allocations. *(Effective September 7, 2007)*

	Target Allocations	Allowable Ranges
Global Tactical Asset Allocation	25.0%	23% - 27%
Growth and High-Yielding Assets		
U.S. Equities	**10.0%**	**7% - 13%**
Non-U.S. Equities	**8.0%**	**6% - 10%**
Emerging Market Equities	**6.5%**	**5% - 8%**
Private Equity	**10.0%**	**7% - 13%**
High Yield Debt	**5.0%**	**3% - 7%**
	39.5%	**30% - 50%**
Event Risk- and Deflation-Hedge Assets		
U.S. Bonds	**6.5%**	**5% - 8%**
U.S. Cash	**0.0%**	**0% - 10%**
Absolute Return	**6.5%**	**5% - 8%**
	13.0%	**10% - 25%**
Real and Inflation-Hedge Assets		
U.S. TIPS	**5.0%**	**3% - 7%**
Real Assets	**17.5%**	**12% - 23%**
	22.5%	**15% - 30%**
Opportunistic	**0.0%**	**0% - 10%**
	100.0%	

Additional Benchmarks. *(Effective September 7, 2007.)*

Strategy	Benchmark
Global Tactical Asset Allocation	60% MSCI World Index, 20% Citigroup 3-Month T-Bill, 20% Lehman Aggregate Bond Index
Opportunistic	There is no appropriate market index for this strategy; however, performance expectations are discussed in the *Evaluation and Review* section.

Note: Given a dedicated allocation to GTAA, the strategic asset allocation targets shown in the prior appendix are applicable *only to that portion of the Fund not dedicated to GTAA.* Therefore, incorporating the GTAA component as a targeted allocation for the entire Fund requires that the dedicated Fund allocations to individual asset classes be adjusted proportionally downward. However, the desired allocations for those asset classes *not* represented at all in the portion of the Fund given over to GTAA are *not* adjusted but remain at their strategic allocation levels for the entire portfolio. Asset classes not currently represented in the GTAA component are Private Equity and Real Assets (this is due largely to their illiquidity and/or unusual ownership structure).

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Appendix 7

STRATEGIC ASSET ALLOCATIONS FOR THE INTERMEDIATE TERM FUND

Asset Allocations. *(Effective September 7, 2007.)*

	Target Strategic Allocations	Allowable Ranges
Growth and High-Yielding Assets		
U.S. Equities	**7.5%**	**6% - 9%**
Non-U.S. Equities	**7.5%**	**6% - 9%**
Emerging Market Equities	**0.0%**	**0% - 3%**
Private Equity	**0.0%**	**0%**
High Yield Debt	**5.0%**	**4% - 6%**
	20.0%	**15% -25%**
Event-Risk and Deflation-Hedge Assets		
U.S. Bonds	**40.0%**	**30% - 50%**
U.S. Cash	**10.0%**	**5% - 15%**
Absolute Return	**10.0%**	**8% - 12%**
	60.0%	**45% - 75%**
Real and Inflation-Hedge Assets		
U.S. TIPS	**20.0%**	**15% - 25%**
Real Assets	**0.0%**	**0%**
	20.0%	**15% - 25%**
	100.0%	

Asset Class Benchmarks. *(Effective September 7, 2007.)*

Asset Class	Benchmark
U.S. Equities	S&P 500 Stock Index
Non-U.S. Equities	MSCI EAFE Index
Emerging Market Equities	S&P/IFC Investable Composite
High Yield Debt	Merrill Lynch High Yield BB/B
U.S. Bonds	Lehman Intermediate Aggregate Bond Index
U.S. Cash	1-Month Treasury Bill
Absolute Return	1-Month Treasury Bill + 300 basis points
U.S. TIPS	Lehman TIPS Index

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Appendix 8

REBALANCING POLICY

General Policy and Practices. To maintain desired risk tolerance profiles, portfolio rebalancing to at least within allowable asset class exposures will be conducted no less frequently than quarterly. The purpose of rebalancing is to control risk and maintain the policy asset allocations within the ranges approved by the Committee and the Board. Minimizing transaction costs will be the focus when implementing rebalancing activities, and new cash flow will be utilized to the extent possible. Also, to the extent that multiple managers, strategies, styles, or "sub asset classes" are employed within a broad asset class, rebalancing to their target allocations should also take place. Rebalancing activities, or lack thereof, are to be regularly reported to the Committee.

Use of Derivatives. In unusual circumstances, derivatives may be used to affect certain rebalancings, when doing so by buying and selling actual portfolio holdings is deemed impractical, too costly, and/or too time-consuming. However, it is anticipated that such derivative positions would not be long-term in nature but would be unwound upon being able to transact in the underlying physical securities.

Illiquid Asset Classes. It is recognized that withdrawing from or adding to certain illiquid asset classes (e.g., Private Equity, Private Real Estate, Timber, etc.) for regular portfolio rebalancing purposes is generally not possible or practical. Therefore, these asset classes will generally be excluded from the regular rebalancing activities. However, on a longer-term basis, efforts will be made to maintain these asset classes at their targeted, or range-bound, levels.

Tactical Considerations. Maintaining or developing asset allocations *within the permissible ranges* will be at the discretion of the Director of the Office of Trust Funds. Generally, such decisions will be based on perceived relative valuations of asset classes and are expected to be consistent with the views of the Global Tactical Asset Allocation manager(s) and other "strategic partners."

"Ramping Up" and "Ramping Down" Asset Allocations. It is also recognized that as the Funds need to either add new asset classes or exit existing asset classes as a result of changes to the strategic asset allocation, taking considerable time to accomplish these changes may be required or warranted. This could be due either to the nature of the asset class (e.g., Private Equity) and/or concern about then-current valuation levels. In these cases, the Director of the Trust Funds Office has discretion as to the timing of these shifts and how assets are to be deployed in the interim. This may result in cases where actual asset allocations are not within their permissible ranges; however, such deviations are to be temporary in nature.

UW SYSTEM TRUST FUNDS
2007 PROXY VOTING SEASON RESULTS

EXECUTIVE SUMMARY

BACKGROUND

As provided in Regent Policy 92-4, to the extent that public equity securities are held in separately managed accounts, UW System Trust Funds actively votes its shareholder proxies on "non-routine" items related to corporate governance and social issues including discrimination, the environment, and social injury (as addressed in Regent Policies 74-3(a), 78-1, 78-2, and 97-1). Voting recommendations for such proxies were provided to the Business and Finance Committee for their approval earlier this year. The report given here provides information on the actual results of those specific voting efforts, as well as an overview of the year's proxy season in its entirety.

REQUESTED ACTION

This item is for informational purposes only.

DISCUSSION

The 2007 proxy season saw the filing of 346 proposals related to social issues, with half of them coming to votes. Investor support for shareholder proposals on social and environmental proposals has ticked up notably in 2007, and if the trend holds, could reach its highest point since the Institutional Shareholder Services proxy service first began tracking vote results in 1973. Through the end of June, 174 social issue proposals resulted in shareholder votes, 109 were withdrawn, and 63 were allowed to be omitted by the SEC.

As in 2006, the categories of proposals that have won strong support included the following requests of companies: expand or report on their fair employment policies; disclose and monitor their political contributions; report on sustainability. These categories received, on average, the support of 20 percent or more of votes cast. In a new trend, more investors are favoring proposals asking companies to track and reduce their greenhouse gas emissions. Those proposals received almost 20 percent average support this year. [Voorhes & Mathiasen, ISS 2007] In contrast, categories of proposals that received low shareholder support for the 2007 proxy season included the following: to review or improve animal welfare; for tobacco companies to restrict their marketing or to support smoking bans. These proposals averaged less than six percent support.

Proponents have withdrawn 109 resolutions so far in 2007, setting the stage to top the all-time high of 113 in 2005. While some proponents have traditionally been willing to withdraw resolutions for little more than the promise of continued discussion, the majority of the withdrawals in 2007 have taken place after the target companies agreed to fully implement the proposals. Most notable among these were proposals asking companies to disclose their political contributions. Twenty-two companies agreed to fully disclosure political contributions this proxy season. In addition, 13 proposals in the global warming campaign were withdrawn, reflecting the increasing inclination of the corporate world to respond on that issue. [Voorhes & Mathiasen, ISS 2007]

The number of resolutions the SEC agreed companies could omit was up slightly in 2007. The staff of the SEC has issued "no action" letters allowing companies to omit 63 social issue resolutions, up from 56 in all of 2006. As usual, the "ordinary business" exclusion accounted for most of the 2007 social issues omissions.

UW Trust Funds submitted voting instructions for 60 proposals (including "non-routine" corporate governance proposals), compared with 37 and 76 proposals for the past two years, respectively. Of the proxies submitted for voting by the Trust Funds, 35 came to votes, 18 were withdrawn, six were omitted, and one is pending.

The primary submissions for the UW Trust Funds on social issues involved the environment and global climate change (11), sustainability (five), and animal welfare (four). For corporate governance issues, the UW's primary submissions involved political donations (13), poison pill reporting (seven), and future golden parachutes reporting (five).

The full report, *2007 Proxy Voting Season Results*, giving more detail on the actual voting results and the entire proxy season, is attached.

RELATED REGENT POLICIES

Regent Policy 92-4: Procedures and Guidelines for Voting Proxies.
Regent Policy 74-3(a): Investments and the Environment
Regent Policy 78-1: Investment of Trust Funds
Regent Policy 78-2: Interpretation of Policy 78-1 Relating to Divestiture
Regent Policy 97-1: Investment and Social Responsibility

UW SYSTEM TRUST FUNDS
2007 PROXY VOTING SEASON RESULTS

Introduction

This report summarizes the results of the shareholder proposals for the 2007 proxy season. The UW System Trust Funds actively participates in voting on issues involving "non-routine" items related to corporate governance, and social issues including discrimination, the environment, and social injury as addressed in Regent Policies 74-3 (a), 78-1, 78-2, and 97-1. An attachment to this report gives the detailed listing of the specific UW Trust Funds votes for the 2007 season, as well as the overall results for each shareholder proposal.

Regarding the outcome for a given shareholder proposal, there are three possibilities: the resolution comes to a vote, is withdrawn, or is omitted. If the proposal comes to a vote, the following guidelines apply: First-year proxy proposals must win at least three percent support to qualify for resubmission an additional year, second-year proposals must get at least six percent, and proposals in their third-year or more must receive at least ten percent. Any proposal which fails these support levels may not be resubmitted at the company for another three years. It is important to note that shareholder proposals are phrased as a request and are intended to open a dialogue between shareholders and company management; that is, they are generally not binding on the company regardless of the level of support received. A withdrawn proposal generally indicates that an agreement was reached between the proponent and the company, usually in the form of a concession made by the company. For most shareholder activists, success in working out agreements that enable them to withdraw resolutions is a greater victory than a high vote of support. A proposal may be omitted by the Securities and Exchange Commission (SEC) at the request of the involved company. The SEC's shareholder proposal rule lists 13 substantive reasons why shareholder resolutions can be omitted, ranging from vagueness to irrelevance.

UW Trust Funds subscribes to Institutional Shareholder Services (ISS) for proxy research and voting data. The data and statistics included in this report have been provided by ISS.

2007 Proxy Season Summary

The 2007 proxy season saw the filing of 346 proposals related to social issues, with half of them coming to votes. Investor support for shareholder proposals on social and environmental proposals has ticked up notably in 2007, and if the trend holds, could reach its highest point since the ISS proxy service first began tracking vote results in 1973. Through the end of June, 174 social issue proposals resulted in shareholder votes, 109 were withdrawn, and 63 were allowed to be omitted by the SEC (a summary table is included below). Of the 174 proposals that have been voted on, 42 received greater than 15% support. Final or preliminary vote results are in for 152 of the voted proposals.

As in 2006, the categories of proposals that have won strong support included the following requests of companies: expand or report on their fair employment policies; disclose and monitor their political contributions; report on sustainability. These categories received, on average, the support of 20 percent or more of votes cast. In a new trend, more investors are favoring proposals asking companies to track and reduce their greenhouse gas emissions. Those proposals received almost 20 percent average support this year. [Voorhes & Mathiasen, ISS 2007] In contrast, categories of proposals that received low shareholder support for the 2007 proxy season included the following: to review or improve animal welfare; for tobacco companies to restrict their marketing or to support smoking bans. These proposals averaged less than six percent support.

Proponents have withdrawn 109 resolutions in 2007, setting the stage to potentially top the all-time high of 113 in 2005. While some proponents have traditionally been willing to withdraw resolutions for little more than the promise of continued discussion, the majority of the withdrawals in 2007 have taken place after the target companies agreed to fully implement the proposals. Most notable among these were proposals asking companies to disclose their political contributions, a campaign conducted over the past four years. Twenty-two companies agreed to fully disclosure political contributions this proxy season, compared with only nine in the first three years of the campaign. Also withdrawn were 13 proposals in the global warming campaign, reflecting the increasing inclination of the corporate world to respond on that issue. The continued willingness of corporations to embrace sustainability reporting was clear in the withdrawal of 19 of 39 proposals asking for reports. Another notable withdrawal issue was workplace discrimination, where 15 of 23 proposals opposing workplace discrimination on grounds of sexual orientation were withdrawn.

The number of resolutions the SEC agreed companies could omit was up slightly in 2007. So far this year, the staff of the SEC has issued “no action” letters allowing companies to omit 63 social issue resolutions, up from 56 in all of 2006. As usual, the “ordinary business” exclusion accounted for most of the 2007 social issues omissions. For many years, the staff’s interpretation of the ordinary business exclusion was predictable and in line with SEC bulletins. But recently, some of the decisions have left investors quite confused. The most inexplicable was an SEC decision earlier this year requiring one company to include a proposal on corporate health care challenges while allowing five others to omit an identical resolution. [Voorhes & Mathiasen, ISS 2007]

A summary of the overall number and status of the social issue proposals over the past four years is given in the following table:

Social Issues Proposals 2003-2007*

	2003	**2004**	**2005**	**2006**	**2007**
Filed	267	327	331	329	346
Omitted	45	49	60	55	63
Withdrawn	91	81	103	97	109
Voted On	129	186	168	177	174

*For meetings January 1 through June 30.

In addition, the following chart depicts a summary, by major social issue category, of the voting results for the past four proxy seasons.

Support Levels for Selected Social Issues[1]					
Subject	2007 Resolutions [2]	Average support 2007	Average support 2006	Average support 2005	Average support 2004
Equal Employment Opportunity	9	37.0%	15.6%	18.6%	24.7%
Human Rights Issues	12	20.7%	13.4%	8.8%	8.0%
Political Giving/Ties	30	20.5%	19.6%	10.4%	9.1%
Sustainability Reporting	17	20.4%	26.5%	14.5%	25.1%
Board Diversity	3	19.9%	29.3%	12.7%	7.0%
Environment: Global Warming	14	19.7%	11.7%	10.8%	16.7%
Northern Ireland	4	12.9%	11.0%	10.4%	9.1%
Executive Pay & Social Performance	3	11.1%	9.6%	8.6%	8.3%
Environment: Pollutants/Other	23	10.3%	11.3%	9.1%	14.7%
Global Labor Standards	9	9.0%	9.9%	11.4%	16.6%
Charitable Contributions	7	8.5%	6.3%	6.6%	6.6%
Military Issues	5	7.3%	7.8%	5.9%	6.6%
Animal Welfare	17	6.3%	5.8%	4.0%	N/A
Tobacco Production and Marketing	3	1.7%	3.5%	2.7%	5.8%

[1] All vote support levels shown are calculated according to the formula the SEC uses to determine resubmission eligibility: the percentage of shares voted "for" out of the total voted "for" and "against," excluding abstentions. First-year proposals must win at least three percent support under the formula to qualify for resubmission an additional year, second-year proposals must get at least six percent, and proposals in their third- year or more must score at least ten percent. Any proposal which fails to clear these support levels may not be resubmitted at the company for another three years. It is important to note that shareholder proposals are phrased as a request and are intended to open a dialogue between shareholders and company management; that is, they are generally not binding on the company regardless of the level of support received.

[2] Includes only those resolutions which came to votes.

A brief discussion of the major social issue proposals for the 2007 season is now provided below.

Energy and the Environment

Investors this year filed 80 environmental proposals, again the most of any social issue area. The largest category of environmental proposals to come to a vote focused on climate change, mostly urging companies to review their energy use and greenhouse gas emissions. These resolutions clearly are gaining support from investors. The average vote for such proposals has risen to nearly 20 percent, up from 17 percent in 2006. Moreover, a new record of support may have been set for a shareholder proposal on this issue. A proposal that Allegheny Energy's independent directors report on how the company plans to "significantly reduce carbon dioxide and other emissions from its current and proposed power plant operations," received 40 percent support. In addition, proponents and issuers came together to reach agreements on many environmental issues with investors withdrawing 18 climate change proposals alone. [Voorhes & Mathiasen, ISS 2007]

Another major focus of environmental proposals this year was reducing the risk from toxic chemicals used in company operations and consumer products. The top vote-getter in this category was a proposal asking Du Pont to evaluate the feasibility of a phaseout of the use of perfluorooctanoic acid in the production of all DuPont products. The proposal received 22.9 percent support. Close behind in terms of overall support was a proposal that Dow Chemical report on the pace and effectiveness of its environmental remediation process to clean up dioxin and other toxics in the vicinity of its Midland, Mich., headquarters; it won 22.2 percent support.

An additional group of proposals focused on use of natural resources and protecting natural habitat. The highest scoring proposal of these was at ConocoPhillips, supported by 16.7 percent of the shares voted, to report on "the potential environmental damage that would result from drilling for oil and gas" inside Alaska's National Petroleum Reserve.

Sustainability

Since it first emerged as a proxy voting issue in 2002, sustainability reporting has become one of the most strongly supported social issues. Advocates of sustainability reporting contend that companies which focus on and manage sustainability will improve their long-term shareholder value. The number of resolutions asking for sustainability reporting nearly doubled from last year, with 39 proposals compared to 20 in both 2005 and 2006. This topic continued to produce a high percentage of withdrawals, as about half the target firms worked out agreements, usually promising to write detailed sustainability reports. Sustainability resolutions continued to win some of the highest levels of support from investors voting on social and environmental issues. The highest support came from proposals at Dillard's (46.0 percent), Comerica (45.0 percent), and Hasbro (44.8 percent).

Human Rights

For the second straight year, the number of human rights proposals increased. Twenty proposals were issued, of which four were withdrawn and four omitted. The human rights category was diverse, with proposals ranging from general requests for a human rights policy to resolutions focused on internet censorship.

Of the proposals coming to votes, the highest support came at Newmont Mining, where the board chose to endorse the issue in the proxy statement, resulting in 92 percent support. The proposal asked Newmont's independent directors to evaluate the company's policies and practices relating to existing and potential opposition from local communities. Repeat proposals asking Boeing and Chevron to adopt comprehensive human rights policies received support of 25 and 27 percent, respectively. A first-year proposal asking ConocoPhillips to report on its efforts to obtain the consent of indigenous peoples in its areas of operation won 10 percent support. Another notable proposal asking Berkshire Hathaway to divest from firms that operate in countries that U.S. companies are barred from entering under U.S. law received only 2.4 percent support. The resolution was aimed at Berkshire's portfolio investment in PetroChina, whose parent company is deeply involved in Sudan. The resolution marked the first time that a proposal concerning alleged genocide in Sudan had been raised at a U.S. company. [Voorhes & Mathiasen, ISS 2007]

Political Contributions

The coordinated shareholder campaign to get companies to report on their political contributions, policies, and decision-makers began to show real gains in its fourth year. Not only were there many high votes, but the coalition of proponents, including labor unions, pension funds, environmental groups, and socially responsible investment managers, achieved 22 withdrawal agreements, compared with only nine in the first three years of the campaign. A number of the companies agreed not only to the basic requests for information, but also to report their trade association dues, an element added to many of the resolutions beginning in 2006. Political contribution resolutions came to votes at 26 companies through June 30. The proposals averaged 20.5 percent support. The highest support was at Unisys, where 51 percent of votes cast supported a first-year proposal. Some of the repeat proposals received dramatically increased support over 2006. Vote support tripled at Citigroup to 30 percent and at Wyeth (32 percent), and more than doubled at Clear Channel Communications (46 percent), Chubb (30 percent), ExxonMobil (26 percent), and Target (26 percent). [Voorhes & Mathiasen, ISS 2007]

Animal Welfare

As in 2006, People for the Ethical Treatment of Animals (PETA) sponsored 20 resolutions this year. Two big campaigns accounted for the majority of the proposals. One campaign was on "controlled atmosphere killing" (under which the live animals are sealed in a chamber in which oxygen is gradually replaced with inert gas, and then appear to die peacefully), which PETA and other groups consider a more humane alternative to current slaughter methods. The other campaign asked companies to review laboratory animal welfare standards. Of the 17 proposals on animal welfare that came to votes through June 30, only one so far has gained double-digit support. The proposal asking Wendy's International to review its suppliers' animal slaughter methods scored support of 14.2 percent, and the same proposal at Safeway received nine percent. The second-year proposals on humane slaughter at Hormel Foods and Tyson's Food failed to clear the six percent threshold needed for resubmission.

Board Diversity

The number of resolutions filed on board diversity fell to eight from the 16 and 17 proposed in 2006 and 2005 respectively. As in recent years, most of the proposals were sponsored by the Calvert Social Investment Group and Church-affiliated investors, which asked companies to increase efforts to ensure that women and minorities are among the candidates considered to fill vacancies on their boards. Five of the eight board diversity proposals were withdrawn after agreements, an average comparable with those of recent years. A proposal at Lincare Holdings won support of 32 percent, a notably high vote for a first-year proposal.

Charitable Contributions

Some shareholders have continued to criticize certain corporate contributions as not being related to the company's goals or for violating various social values. Proposals asking for disclosure of charitable contributions came to votes this year at a total of 11 companies. Proposals earned their highest support at Verizon (14.3 percent) and Boeing (10.0 percent), and did well enough at Citigroup, Goldman Sachs, General Electric, and PepsiCo to be resubmitted. The one exception was at Wal-Mart, where support fell below three percent.

Equal Employment

The equal employment opportunity category (EEO) was once again dominated by proposals asking companies to put in place workplace policies ensuring that there is no discrimination on grounds of sexual orientation. Twenty-three proposals were filed, the same range as in recent years, but where in earlier years most of the proposals simply asked companies to amend their EEO policies to add sexual orientation, this year more than half of the proposals asked companies to adopt a 10-point code called the Equality Principles. This category has produced the highest vote so far of the social issues proxy season, averaging 37 percent support.

A proposal asking HCC Insurance Holdings to implement the Equality Principles won majority support of 52.2 percent, only the fourth management-opposed social proposal ever to win majority support. Notably, two of the other social proposals to tip the 50 percent mark despite management opposition were concerned with removing discrimination related to sexual orientation. Proposals asking that corporate EEO policies be expanded to cover sexual orientation have won support of 43.0 percent at Commercial Metals, 37.7 percent at Exxon Mobil, and 25.6 percent at Home Depot. [Voorhes & Mathiasen, ISS 2007]

Fifteen of the proposals opposing discrimination on grounds of sexual orientation were withdrawn; five asking companies to adopt sexual orientation anti-bias policies and 10 asking companies to implement the Equality Principles.

Executive Pay

The number of resolutions on linking executive pay to social performance measures continued to drop. Only six were proposed, compared with 11 in 2006 and 19 in 2005. Proposals to link executive pay to social criteria won about 11 percent support at Bemis, Exxon, and Take-Two Interactive. Ford Motor was allowed to omit a proposal asking it to institute an executive compensation program that tracks improvements in fuel economy on grounds that it was "substantially the same as" a 2005 and 2006 proposal on tying pay to greenhouse emission reductions, which failed to receive enough support for resubmission.

Global Labor Standards

The number of resolutions on global labor standards fell from 28 in 2006 to 17 this year, but the issue continued to produce favorable withdrawal agreements. The majority of the proposals asked companies to develop codes based on the International Labor Organization's (ILO) core standards and to provide for independent monitoring of compliance with those codes. The eight ILO standards that are designed as "core" call for non-discriminatory treatment of employees, equal pay for equal work and freedom of association, uphold employees’ rights to engage in collective bargaining, and ban child and forced labor.

Of the nine proposals that came to votes, double-digit support for ILO proposals was won at Cooper Industries (12.4 percent) and Kimberly-Clark (10.7 percent). Withdrawal agreements were achieved at Time Warner, Bed Bath & Beyond, Applied Materials, Hershey, Dollar General, Dollar Tree, Juniper Networks, and William Wrigley. Proponents were particularly pleased with the agreement at Hershey, which also agreed to implement a supplier code and independent monitoring. [Voorhes & Mathiasen, ISS 2007]

Health

The number of health resolutions was reduced in part by application of the SEC staff’s June 2005 policy allowing companies to omit health and environmental resolutions that posed issues of business risk. As a result, proponents generally stayed away from the issue for 2007. Ford and Wal-Mart did face proposals requesting each to report on “the implications of rising health care expenses and how it is positioning itself to address this public policy issue without compromising the health and productivity of its workforce.” The proposal received seven percent support at Ford, but only three percent at Wal-Mart.

Military Issues

Religiously-affiliated proponents continued, as they have since the 1970s, to propose a mix of military-related resolutions on arms sales and criteria for military contracts. There were six resolutions on defense issues, the majority of which asked for reports on foreign military sales. As is typical for this area, there were neither withdrawals nor omissions. Outside of a proposal at Lockheed Martin asking for a report on its use of depleted uranium (10.0 percent), vote results ranged from six to nine percent at General Electric, Northrop Grumman and Boeing.

Northern Ireland

The New York City pension funds continued their campaign to get companies to implement the MacBride principles against discrimination in the workplace in Northern Ireland, now in its 23rd year. As more and more companies have signed on to the principles, they proposed only six resolutions this year. Proposals were withdrawn at long-time holdout Baker Hughes, as well as new targets Wal-Mart and Sanmina-SCI, when the companies agreed to implement the principles. Vote results are available so far for only two of the four proposals which came to votes, at Crane (12.1 percent) and Manpower (13.8 percent).

Tobacco Issues

Tobacco concerns continue to diminish as an issue for shareholders as anti-smoking activists have seen increasing success on the legislative front. Compared with a decade ago, when proponents offered 34 resolutions, only 10 were proposed this year, five of which came to votes. Vote support has also diminished. Of the four proposals where results are in, only two received support of three percent: one asking Altria to fund better youth anti-smoking programs and another asking Altria to issue warnings on secondhand smoke. Resolutions requesting a phaseout of tobacco sales received even less support: 1.1 percent at Altria and 0.3 percent at Loews. [Voorhes & Mathiasen, ISS 2007]

2007 UW Trust Funds Proxy Results Summary

UW Trust Funds submitted voting instructions for 60 proposals (including "non-routine" corporate governance proposals), compared with 37 and 76 proposals for the past two years, respectively. Of the proxies submitted for voting by the Trust Funds, 35 came to votes, 18 were withdrawn, six were omitted, and one is pending.

The primary submissions for the UW Trust Funds on social issues involved the environment and global climate change (11), sustainability (five), and animal welfare (four). For corporate governance issues, the UW's primary submissions involved political donations (13), poison pill reporting (seven), and future golden parachutes reporting (five).

The highest support vote on an individual social issue came at Exxon Mobil. The resolution, asking the company to adopt a sexual orientation non-discrimination policy, received 38 percent support.

The *UW Trust Funds 2007 Proxy Season Voting List*, providing details on the individual voting results, is attached.

REFERENCES

1. Voorhes, Meg and Mathiasen, Carolyn, *ISS Corporate Social Issues Reporter*, June/July 2007.

2. Voorhes, Meg and Mathiasen, Carolyn, *ISS 2007 Review: Social Proposals*.

Security Description	Mtg Date	Proposal	Policy	Vote	Result
AMERICAN ELECT POWER	4/26	Issue sustainability report	74-3/97-1	Affirmative	Withdrawn
AMERICAN ELECT POWER	4/26	Report on political contributions	CG	Affirmative	Withdrawn
AT&T	5/1	Vote on future golden parachutes	CG	Affirmative	Omitted
AT&T	5/1	Report on political contributions	CG	Affirmative	13.3%
BRISTOL MYERS SQUIBB	5/1	Review animal welfare standards	97-1	Affirmative	Withdrawn
BURLINGTON NORTHERN	4/20	Issue sustainability report	74-3/97-1	Affirmative	Withdrawn
CHEVRON	4/19	Report on political contributions	CG	Affirmative	Withdrawn
CHEVRON	4/19	Adopt comprehensive human rights policy	97-1	Affirmative	26.9%
CHEVRON	4/19	Redeem or vote on poison pill	CG	Affirmative	16.1%
CHEVRON	4/19	Report on environmental review process	74-3	Affirmative	8.6%
CHEVRON	4/19	Set greenhouse gas emission reduction goals	74-3	Affirmative	8.5%
CHEVRON	4/19	Review animal welfare standards	97-1	Affirmative	7.3%
CITIGROUP	4/17	Report on political contributions	CG	Affirmative	30.4%
CONOCO PHILLIPS	5/1	Development of renewable energy alternatives	74-3	Affirmative	Withdrawn
CONOCO PHILLIPS	5/1	Review National Petroleum Reserve	74-3	Affirmative	16.7%
CONOCO PHILLIPS	5/1	Report on political contributions	CG	Affirmative	11.9%
CONOCO PHILLIPS	5/1	Report policy on indigenous peoples	74-3/97-1	Affirmative	10.0%
CONOCO PHILLIPS	5/1	Report on community hazards	74-3	Affirmative	10.0%
COSTCO WHOLESALE	4/1	Issue sustainability report	74-3/97-1	Affirmative	Withdrawn
EOG RESOURCES	5/1	Report on greenhouse gas emissions	74-3	Affirmative	Withdrawn
EXELON CORP	6/1	Vote on future golden parachutes	CG	Affirmative	36.2%
EXXON MOBIL CORP	5/1	Report planned response to California climate law	74-3	Affirmative	Omitted
EXXON MOBIL CORP	5/1	Adopt sexual orientation non-discrimination policy	78-1	Affirmative	37.7%
EXXON MOBIL CORP	5/1	Disclose greenhouse gas emission from products	74-3	Affirmative	31.1%
EXXON MOBIL CORP	5/1	Report on political contributions	CG	Affirmative	25.4%
EXXON MOBIL CORP	5/1	Report on climate change challenges	74-3	Affirmative	9.8%
EXXON MOBIL CORP	5/1	Report on community hazards	74-3	Affirmative	9.8%
EXXON MOBIL CORP	5/1	Development of renewable energy alternatives	74-3	Affirmative	7.3%
EXXON MOBIL CORP	5/1	Set GHG emission reduction goals	74-3	Affirmative	7.1%
GENZYME CORP	5/1	Vote on future golden parachutes	CG	Affirmative	37.5%
HALLIBURTON	5/1	Adopt sexual orientation non-discrimination policy	78-1	Affirmative	Withdrawn
HALLIBURTON	5/1	Vote on future golden parachutes	CG	Affirmative	Withdrawn
HALLIBURTON	5/1	Adopt comprehensive human rights policy	97-1	Affirmative	24.4%
HALLIBURTON	5/1	Report on political contributions	CG	Affirmative	23.9%
HALLIBURTON	5/1	Redeem or vote on poison pill	CG	Affirmative	21.5%
HARTFORD FINANCIAL	5/1	Report on climate change challenges	74-3	Affirmative	Omitted
HOME DEPOT	5/28	Report on political contributions	CG	Affirmative	Withdrawn
HOME DEPOT	5/28	Redeem or vote on poison pill	CG	Affirmative	27.1%
HOME DEPOT	5/28	Report on equal employment opportunity	78-1	Affirmative	25.6%
JP MORGAN CHASE	5/17	Report on political contributions	CG	Affirmative	12.0%
MCGRAW-HILL	4/27	Report on political contributions	CG	Affirmative	Withdrawn
MERCK & CO	4/26	Report policy on drug reimportation	97-1	Affirmative	Omitted
MERCK & CO	4/26	Review animal welfare standards	97-1	Affirmative	Omitted
MERCK & CO	4/26	Report on political contributions	CG	Affirmative	3.9%
MICROSOFT	11/1	Adopt sexual orientation non-discrimination policy	78-1	Affirmative	Pending
MORGAN STANLEY	4/1	Issue sustainability report	74-3/97-1	Affirmative	Withdrawn
NISOURCE INC	5/1	Redeem or vote on poison pill	CG	Affirmative	Withdrawn
OCCIDENTAL PETROLEUM	5/1	Report on climate change science	74-3	Affirmative	6.2%
PACCAR INC	4/1	Redeem or vote on poison pill	CG	Affirmative	43.6%
PNC FINANCIAL	4/1	Redeem or vote on poison pill	CG	Affirmative	Withdrawn
PRAXAIR	4/1	Redeem or vote on poison pill	CG	Affirmative	19.7%
SEMPRA ENERGY	5/1	Report on greenhouse gas emissions	74-3	Affirmative	Withdrawn
SHAW GROUP	5/1	Vote on future golden parachutes	CG	Affirmative	Omitted
SPRINT NEXTEL	4/19	Issue sustainability report	74-3/97-1	Affirmative	Withdrawn
TARGET	5/18	Report on political contributions	CG	Affirmative	26.1%
WELLS FARGO	4/26	Set GHG emission reduction goals	74-3	Affirmative	Withdrawn
WELLS FARGO	4/26	Report on fair housing lending policy	78-1	Affirmative	8.3%
WYETH	4/30	Report on political contributions	CG	Affirmative	32.3%
WYETH	4/30	Report on drug price reimportation efforts	97-1	Affirmative	29.3%
WYETH	4/30	Review animal welfare standards	97-1	Affirmative	6.0%

Note: A "CG" designation represents a non-routine Corporate Governance proposal.

FINANCIAL MANAGEMENT OF AUXILIARY OPERATIONS

http://www.uwsa.edu/fadmin/fppp/fppp43.htm

UNIVERSITY OF WISCONSIN SYSTEM

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September 14, 2007

Senator Russ Decker
Representative Kitty Rhoades
Co-Chairs, Joint Committee on Finance

Michael Morgan, Secretary
Department of Administration

Dear Senator Decker, Representative Rhoades, and Secretary Morgan:

This letter requests approval of the UW System's 2007-2008 plan for student fee funded auxiliary reserve balances as required by section 36.46, Wisconsin Statutes:

> The board may not accumulate any auxiliary reserve funds from student fees for any institution, or for the centers in aggregate, in an amount that exceeds an amount equal to 15% of the previous fiscal year's total revenues from student segregated fees and auxiliary operations funded from student fees for that institution, or for the centers in aggregate, unless the reserve funds are approved by the secretary of administration and the joint committee on finance under this subsection. A request by the board for such approval for any fiscal year shall be filed by the board with the secretary of administration and the cochairpersons of the joint committee on finance no later than September 15 of that fiscal year. The request shall include a plan specifying the amount of reserve funds the board wishes to accumulate and the purposes to which the reserve funds would be applied, if approved. Within 14 working days of receipt of the request, the secretary of administration shall notify the cochairpersons of the joint committee on finance in writing of whether the secretary proposes to approve the reserve fund accumulation.

Reserve funds are needed to meet debt service requirements, to ensure that equipment and facilities can be maintained, replaced, remodeled or refurbished as needed, to provide an operating cushion to offset short-term revenue losses or unanticipated expenditures and to stabilize rate increases for students. Section 36.46 originally required approval of all student fee funded auxiliary reserve accumulations but was amended by the 1997-99 biennial budget bill to require approval of only reserve accumulations in excess of 15% of prior year revenues. UW System policy requires that institutional reserve levels be clearly linked to specific programmatic and operating needs detailed in a multi-year plan.

Attachment 1 shows planned reserves as of the end of 2007-2008 for all UW institutions and compares that amount to the reporting threshold (i.e., 15% of 2006-2007 revenues).

Attachment 2 shows the planned use of reserves for the six institutions that are projecting to end 2007-2008 with reserve balances above the 15% threshold. In almost every case reserves are being accumulated for major capital projects such as residence hall, student center, and recreation and wellness center construction or renovation.

With this report we request approval of the projected balances shown in Attachment 2. I would be happy to answer any questions you may have about this information.

Sincerely,

Deborah A. Durcan
Vice President of Finance

Attachments

cc: Joint Committee on Finance Members
Board of Regents
President Reilly
Cabinet
Chancellors
Chief Business Officers
Doug Hendrix
Ginger Hintz
Bob Hanle, DOA
Dennis Rhodes, DOA
Dave Loppnow, LFB
Emily Pope, LFB
Legislative Reference Bureau
Renee Stephenson

Attachment 1

University of Wisconsin System
Section 36.46 Report on Student Fee Funded Auxiliary Reserves 2007-08
Calculation of 15% Reporting Threshold

All Institutions	2006-07 Actual Revenue	15% of 06-07 Actual Revenue (Threshold)	6/30/08 Planned Reserve Balance	Greater Than / (Less Than) Threshold
Madison	109,177,587	16,376,638	13,783,146	(2,593,492)
Milwaukee	48,354,134	7,253,120	1,236,726	(6,016,394)
Eau Claire	25,169,826	3,775,474	8,373,108	4,597,634
Green Bay	11,671,434	1,750,715	1,301,543	(449,172)
La Crosse	26,485,560	3,972,834	6,767,304	2,794,470
Oshkosh	25,029,275	3,754,391	4,365,522	611,131
Parkside	9,287,176	1,393,076	4,524,960	3,131,884
Platteville	21,965,652	3,294,848	1,973,314	(1,321,534)
River Falls	17,151,084	2,572,663	1,729,203	(843,460)
Stevens Point	24,048,634	3,607,295	2,496,077	(1,111,218)
Stout	22,592,166	3,388,825	3,865,027	476,202
Superior	5,820,679	873,102	1,966,512	1,093,410
Whitewater	25,705,028	3,855,754	2,609,146	(1,246,608)
Colleges	4,061,687	609,253	485,775	(123,478)
TOTAL	376,519,922	56,477,988	55,477,363	(1,000,625)

Attachment 2

University of Wisconsin System
Section 36.46 Report on Student Fee Funded Auxiliary Reserves
Planned Use of 2007-2008 Balances Greater Than Threshold

Institution	Balance Greater Than Threshold	Planned Use of 2007-2008 Balances Greater Than Threshold
Eau Claire	4,597,634	Residence Hall roofing and electrical upgrade projects started in FY07 are still in process and some maintenance/construction projects were delayed.
La Crosse	2,794,470	Reuter Residence Hall - Debt Service on $22,500,000 PRSB.
Oshkosh	611,131	Recreation & Wellness Center - Debt Service on $21,000,000 PRSB.
Parkside	3,131,884	Student Union Expansion - Debt Service on $23,730,000 PRSB.
Stout	476,202	Stadium/Arena - Replacement of artificial surface and maintenance and repair projects; Residence Halls - Maintenance and repair projects.
Superior	1,093,410	Student Center - Debt Service on $16,885,000 PRSB.
TOTAL	12,704,731	

Notes:

1) Project amounts shown are the Program Revenue share of the total estimated project costs with the estimated split between cash and PR supported general obligation bonding. The final split between cash and PR supported general obligation bonding is established at the time the final project budget is approved by the State Building Commission.

2) All projects shown that require enumeration have already been enumerated. Repair and maintenance projects that do not require enumeration are either in progress or expected to commence in 2007-2009.

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.3. Physical Planning and Funding Committee

Thursday, October 4, 2007
UW-River Falls
University Center

8:30 a.m. Campus Tour - University Center South Entrance

10:00 a.m. All Regents

- UW-River Falls Presentation – *Introduction and Living the Promise: Serving and Sustaining Our Communities*

11:00 a.m. All Regents

- 2007-09 Biennial Budget Update and Possible Resolution
- Participation by the UW System in *Liberal Education and America's Promise (LEAP)*

12:30 p.m. Lunch – Riverview Ballroom, Section A

1:30 p.m. Physical Planning and Funding Committee – Willow River Room

a. Approval of the Minutes of the September 6, 2007 Meeting of the Physical Planning and Funding Committee

b. UW-River Falls – *Living the Promise: Building the Future*

c. UW Colleges: Annual Report of City and County Financial Support

d. UW-Platteville: Approval of the Design Report and Authority to Adjust the Project Budget and Construct the Glenview Commons Remodeling Project
[Resolution I.3.d.]

e. UW-Stevens Point: Approval of the Design Report and Authority to Construct the Baldwin Residence Hall Renovation Project
[Resolution I.3.e.]

f. UW System: Authority to Construct All Agency Maintenance and Repair Projects
[Resolution I.3.f.]

g. Report of the Assistant Vice President
   - Building Commission Actions
   - Other

z. Closed session to consider personal histories, as permitted by s.19.85(1)(f) *Wis. Stats*., related to the naming of a facility at UW-Stout

x. Additional items which may be presented to the Committee with its approval

Approval of the Design Report and Authority to Adjust the Project Budget and Construct the Glenview Commons Remodeling Project, UW-Platteville

PHYSICAL PLANNING AND FUNDING COMMITTEE

Resolution:

That, upon the recommendation of the UW-Platteville Chancellor and the President of the University of Wisconsin System, the Design Report of the Glenview Commons Remodeling Project be approved and authority be granted to: (a) increase the budget by $1,054,000 existing Program Revenue Supported Borrowing, and (b) construct the project for a total cost of $4,000,000 ($2,946,000 Program Revenue Supported Borrowing, and $1,054,000 existing Program Revenue Supported Borrowing).

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for
Board of Regents Action
October 2007

1. Institution: The University of Wisconsin–Platteville

2. Request: Requests approval of the Design Report of the Glenview Commons Remodeling Project and authority to: (a) increase the budget by $1,054,000 existing Program Revenue Supported Borrowing, and (b) construct the project for a total cost of $4,000,000 ($2,946,000 Program Revenue Supported Borrowing and $1,054,000 existing Program Revenue Supported Borrowing).

3. Description and Scope of Project: The project will remodel 8,450 GSF and construct a 5,000 GSF addition to the existing Glenview Commons food service facility. The project will address longstanding dining room and circulation problems and respond to specific programmatic needs for student dining and evening entertainment areas.

   The addition will be constructed directly south of the existing building at the second level, which is presently an elevated exterior patio. The addition will primarily be used for dining area expansion. The construction type and architectural style will match the existing building. Most of the remodeling will occur on the second floor where 7,800 GSF will be remodeled into a student center that has a convenience store, a kitchen, a 'Marketplace' dining venue, and highly flexible student entertainment areas that will allow for evening and weekend programming. The second floor 'Marketplace' will operate independently from the existing upper level dining program and will focus on views of the glen. This new area will offer a pay-as-you-go dining plan. The upper level dining areas will remain on an all-you-can-eat meal plan.

   This project will construct new restrooms for the fourth and fifth levels. Access to these levels must be controlled without hindering circulation through the rest of the building so there will now be two limited access points. This will allow for a free-flow of students from all entrances to all the other areas of the building without breaching these security points. The student dining services will move out of this area and be located just inside the front door on a lower level for easier student access. The windows will be replaced throughout the entire facility. Two new exterior stairs and canopies will be bid as add alternates. They are located at each entry and will allow for better access to the existing student pathways from dorms to the south and west.

4. Justification of the Request: Glenview Commons was constructed in 1967 as the primary campus dining facility. The building consists of 28,162 ASF/48,703 GSF. No significant remodeling projects have occurred since it was constructed.

There are five split levels to this building making circulation and dining room control problematic. Currently the main dining room plus two overflow dining rooms operate at capacity during large meal shifts. Dining room turnover occurs twice at the noon meal, and three times at the evening meal.

The entire building does not have air-conditioning, which makes all parts of the building very uncomfortable in warmer weather. The window replacement portion of the project will allow for better solar-gain control and natural ventilation along with the added benefit of better thermal ratings for colder months.

The increased budget estimate is due to significant scope changes that occurred and additional work that was developed through the design process in consultation with campus staff. The scope changes include additional dining seating, kitchen areas, and restrooms.

5. Budget:

Budget	%	Cost
Construction		$3,045,000
A/E Fees		323,000
DSF Mgmt Fee	4.0%	136,000
Plan Review/Testing		27,000
Hazardous Material Abatement		120,000
Contingency	7.5%	237,000
Percent for Art	0.25%	10,000
Movable Equipment		102,000
Total Project Cost		$4,000,000

6. Previous Action:

August 22, 2002 Resolution 8582	Recommended that the Glenview Commons Remodeling Project be submitted to the Department of Administration and the state Building Commission, as part of the university's 2003-05 Capital Budget request, at an estimated total project cost of $2,946,000 ($2,946, 000 Program Revenue Supported Borrowing). The project was subsequently enumerated in the 2003-05 Capital Budget at $2,946,000.

Approval of the Design Report and Authority
to Construct the Baldwin Residence Hall
Renovation Project, UW-Stevens Point

PHYSICAL PLANNING AND FUNDING COMMITTEE

Resolution:

That, upon the recommendation of the of the UW-Stevens Point Chancellor and President of the University of Wisconsin System, contingent upon enumeration of this project in the 2007-09 Capital Budget, the Design Report be approved and authority be granted to construct the Baldwin Residence Hall Renovation Project for a total cost of $4,986,000 Program Revenue Supported Borrowing.

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for
Board of Regents Action
October 2007

1. Institution: The University of Wisconsin-Stevens Point

   Request: Contingent upon enumeration of this project in the 2007-09 Capital Budget, requests approval of the Design Report and authority to construct the Baldwin Residence Hall Renovation Project for a total cost of $4,986,000 Program Revenue Supported Borrowing.

2. Project Description and Scope: This project will renovate the 53,917 GSF Baldwin Residence Hall, located in the south DeBot quadrant on the northwest side of campus and construct a five-stop elevator. The project will replace existing single-paned resident room windows with low-emissivity (Low-E) coated thermopane slide-by windows; provide increased electrical circuit capacity in each room; and upgrade individual room lighting. The project will replace the steam heating system with a four-pipe HVAC system for heating and future cooling.

   The entire building will be made accessible with the installation of the elevator and the addition of an exterior access ramp. Doorknob hardware throughout the building will be replaced with graspable lever handles and the project will provide eleven fully accessible resident rooms distributed on all four floors.

   The front desk in the lobby will be re-configured and resident mailboxes will be moved to allow space for the elevator. Masonry block walls throughout the building will receive a coat of plaster finish and paint. The existing cement panels will be removed in the corridors and all ceilings will be re-painted. Steam radiant heating will be replaced with a system that provides hot water, outside air, and future air conditioning capability. This will allow for individual room thermostatic control. A fire sprinkler system will be installed and tied into the existing fire alarm notification system.

3. Justification: Baldwin Hall is a four-story "T" shaped building that was constructed in 1965. It contains 270 beds in double loaded corridors. A major renovation in 1994 concentrated primarily on common areas such as shower-rooms, kitchenette-lounges, the installation of recycling chutes, and the removal of all asbestos containing material in the public areas. All fire alarm systems and voice-data wiring was upgraded to current technology. Although all these improvements were desired and well received, little updating was done to the residents' rooms other than the installation of carpet-tile and painting.

   During a recent housing master planning effort, repeated concerns expressed by residents were: the limited room lighting, the limited electrical outlets, the poor operating condition of the single-paned slide-by windows, and the institutional, "prison-like" feel of the painted cinder-block walls. Of the eight residence halls located on the west side of campus, none have an elevator or are fully accessible. The elevator will provide accessibility to all floors and assist in the delivery of heavy materials and furnishings during the times when students move-in and out. It will also facilitate the daily work activity required to haul collected recyclables (glass, aluminum, paper, and cardboard) out of the basement and up a flight of stairs to the level of a truck.

The radiant steam heating system is currently configured with one thermostat to control the heating of 48 rooms (one half of a wing) on four of the floors. The heat control valves are poorly located and the steam traps are not reliable and are a constant source of maintenance problems. The hall is currently air-conditioned using window units during the summer months. In the future, when central chilled water becomes available to the Baldwin Residence Hall, air-conditioning will be provided more efficiently and economically. Although not required by code or law, a fire sprinkler system is considered to be an essential life-safety component for this project and its installation is supported by the local fire department.

The campus presently manages thirteen, four-story residence halls which were all constructed in the late 1950s through 1960s with approximately 3,100 beds and just over 700,000 GSF. The housing master planning effort highly recommended making the improvements described above for the long term safety of the residents, ADA compliance, and to provide an expected level of housing quality. This project is the first of four south Debot quadrant residence hall renovation projects. Additional projects to renovate the Neale, Steiner, and Hansen residence halls will be brought forth separately.

4. Budget:

Budget	
Construction	$4,168,000
Contingency (7%)	292,000
A/E Design and Other Fees	334,600
DSF Management (4%)	178,900
Percent for Art	12,500
Total	$4,986,000

5. Previous Action:

August 18, 2006 Resolution 9225	Recommended that the Residence Hall Renovation project, estimated at $19,995,000 Program Revenue Supported Borrowing, be submitted to the Department of Administration and the State Building Commission as part of the University's 2007-09 Capital Budget request. The project was submitted for enumeration in the 2007-09 Capital Budget at $19,995,000 Program Revenue Supported Borrowing.

Authority to Construct All Agency Maintenance and Repair Projects, UW System

PHYSICAL PLANNING AND FUNDING COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to construct maintenance and repair projects at an estimated total cost of $5,255,455 ($595,000 General Fund Supported Borrowing; $1,820,700 Program Revenue Supported Borrowing; $188,755 Program Revenue-Cash; and $2,651,000 Gift and Grant Funds).

THE UNIVERSITY OF WISCONSIN SYSTEM

Request for
Board of Regents Action
October 2007

1. Institution: The University of Wisconsin System

2. Request: Requests the authority to construct various maintenance and repair projects at an estimated total cost of $5,255,455 ($595,000 General Fund Supported Borrowing; $1,820,700 Program Revenue Supported Borrowing; $188,755 Program Revenue-Cash; and $2,651,000 Gift and Grant Funds).

FACILITIES MAINTENANCE & REPAIR

INST	PROJ. NO.	PROJECT TITLE	GFSB	PRSB	PR CASH	GIFT/GRANT	BTF	TOTAL
MIL	07E2X	Sandburg Commons Roof Repl (Increase)	$ -	$ -	$ 188,755	$ 80,000	$ -	$ 268,755
		FM&R SUBTOTALS	$ -	$ -	$ 188,755	$ 80,000	$ -	$ 268,755

PROGRAMMATIC REMODELING & RENOVATION

INST	PROJ. NO.	PROJECT TITLE	GFSB	PRSB	PR CASH	GIFT/GRANT	BTF	TOTAL
MSN	07I1P	McClain Ctr Meeting Space Rmdl	$ -	$ -	$ -	$ 2,571,000	$ -	$ 2,571,000
		PR&R SUBTOTALS	$ -	$ -	$ -	$ 2,571,000	$ -	$ 2,571,000

UTILITIES REPAIR & RENOVATION

INST	PROJ. NO.	PROJECT TITLE	GFSB	PRSB	PR CASH	GIFT/GRANT	BTF	TOTAL
EAU	06J3C	Multi-Bldg Chiller/Tower Repl	$ 595,000	$ 1,820,700	$ -	$ -	$ -	$ 2,415,700
		UR&R SUBTOTALS	$ 595,000	$ 1,820,700	$ -	$ -	$ -	$ 2,415,700

	GFSB	PRSB	PR CASH	GIFT/GRANT	BTF	TOTAL
OCTOBER 2007 TOTALS	$ 595,000	$ 1,820,700	$ 188,755	$ 2,651,000	$ -	$ 5,255,455

3. Description and Scope of Project: This request provides maintenance, repair, renovation, and upgrades through the All Agency Projects Program.

Facilities Maintenance and Repair

MIL – Sandburg Commons Roof Replacement ($268,755 increase for a total project cost of $908,755): This request increases the project budget to match recent bids. The project budget increase is needed to complete the originally approved project scope and intent.

Programmatic Remodeling and Renovation

MSN – McClain Center Meeting Space and Media Services Remodeling ($2,571,000): This project remodels vacated space in Camp Randall Stadium and the McClain Center to provide upgraded football team meeting spaces and Media Services program space, and create new Media Services program space.

This project renovates vacated athletic office space in the northeast corner of Camp Randall Stadium and remodels the first and second levels of the McClain Center into new football team meeting spaces. All spaces will receive upgraded finishes and building services. This project also remodels the vacated football offices on the western edge of Camp Randall Stadium into the new Media Services office suite. The new Media Services home will include additional offices, studios, and upgraded technology. The project staging area north of the stadium will be restored after interior remodeling work has been completed.

The Division of Intercollegiate Athletics master planning effort recommends refurbishing and upgrading the football team meeting space and Media Services space in Camp Randall Stadium, and football team spaces in the McClain Center. Video Services is the only support area not upgraded as part of the Camp Randall renovation. This project also meets a need for the new Big Ten Network by providing a local studio for daily use by network staff. UW-Madison Athletics Department has identified a donor ready to fund this work and views it as critical to their future success.

Utilities Repair and Renovation

EAU – Multi-Building Upper Campus Chiller and Cooling Tower Replacement ($2,415,700): This project provides a new upper campus central chilled water system by consolidating several individual building chillers and cooling tower replacements into a single location. The total project cost is estimated at $2,972,700 and is a joint venture between the Department of Administration and the University of Wisconsin System. This request includes the funding for university owned space.

This project replaces chillers and related cooling towers and pumps in the Crest Wellness Center, Hilltop Center, McPhee Physical Education & Ade Olson, Towers Hall, and the DOA State Office Building with two (2) used 600-ton chillers installed in Hilltop Center. Mechanical work includes all necessary piping, cooling towers, valves, controls, specialties, and insulation. Electrical work includes installation of switchgear, transformer, switchboard, conduit, wire and motor starters. This project also includes removal and disposal of the existing chillers, cooling towers, and related pumps, piping, valves and specialties in the individual buildings as required. The existing building three-way chilled water coil control valves will be replaced by new two-way control valves. Underground chilled water distribution piping will be installed to each building served by the system. The central plant and distribution piping will be designed to accommodate connecting other buildings to the system as other aging building primary cooling equipment must be replaced.

The individual building chillers, cooling towers, and refrigeration equipment require a high level of maintenance, are at the end of their useful life, and should be replaced. Recent equipment failures at the Crest Wellness Center and Hilltop Center prompted a renewed interest in establishing a central chilled water plant on the upper campus, similar to the central chilled water plant already established on the lower campus. A new centralized chilled water plant will be easier to maintain and will result in more flexible, economical, and efficient operation.

4. Justification of the Request: UW System Administration and the Division of State Facilities continue to work with each institution to develop a comprehensive campus physical development plan, including infrastructure maintenance planning. After a thorough review of approximately 250 All Agency Project proposals and 520 infrastructure planning issues submitted, and the UW All Agency Projects Program funding targets set by the Division of State Facilities (DSF), this request represents high priority University of Wisconsin System infrastructure maintenance, repair, renovation, and upgrade needs. This request focuses on existing facilities and utilities, targets the known maintenance needs, and addresses outstanding health and safety issues. Where possible, similar work throughout a single facility or across multiple facilities has been combined into a single request to provide more efficient project management and project execution.

5. Budget:

General Fund Supported Borrowing	$	595,000
Program Revenue Supported Borrowing		1,820,700
Program Revenue-Cash		188,755
Gifts/Grants Funding		2,651,000
	$	**5,255,455**

6. Previous Action:

June 8, 2007 Resolution 9366	MIL – Sandburg Commons Roof replacement was previously approved by the Board of Regents at a total project cost of $640,000 Program Revenue Cash.

REVISED 10/02/07

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

October 5, 2007
9:00 a.m.
UW-River Falls University Center
River Falls, Wisconsin

II.

1. Calling of the roll

2. Approval of the minutes of the September 6 and 7, 2007 meetings

3. Report of the President of the Board
    a. Report on September 11 and 12, 2007 meetings of the Wisconsin Technical College System Board
    b. Additional items that the President of the Board may report or present to the Board

4. Report of the President of the System
    a. UW-River Falls presentation – *Living the Promise: A Collaborative Journey*
    b. Resolution commending campuses and students on service learning activities
       [Resolution II.4.b.]
    c. Update on UW's *Advantage Wisconsin* Strategic Framework
    d. Additional items that the President of the System may report or present to the Board

5. Report of the Physical Planning and Funding Committee

6. Report of the Education Committee

7. Report of the Business, Finance, and Audit Committee

8. Report of the Committee on Meeting Effectiveness
    a. Consideration of Report on September 24, 2007 meeting of the Committee and 2008 meeting schedule

9. Additional resolutions
    a. Resolution of appreciation to UW-River Falls
       [Resolution II.9.a.]

10. Communications, petitions, and memorials

11. Unfinished or additional business

12. Move into closed session to consider UW-Madison honorary degree nominations and naming a facility at UW-Stout after a person, as permitted by s.19.85(1)(f), *Wis. Stats.*; to consider a UW-Madison request for consideration of employment terms for a specific candidate, as permitted by s.19.85(1)(c), *Wis. Stats.*; and to confer with legal counsel regarding pending or potential litigation, as permitted by s.19.85(1)(g), *Wis. Stats.*

The closed session may be moved up for consideration during any recess in the regular meeting agenda. The regular meeting will reconvene in open session following completion of the closed session

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

President - Mark J. Bradley
Vice President - Charles Pruitt

STANDING COMMITTEES

Executive Committee
Mark J. Bradley (Chair)
Charles Pruitt (Vice Chair)
Elizabeth Burmaster
Danae D. Davis
Milton McPike
Brent Smith
Jesus Salas
Michael J. Spector
David G. Walsh

Business, Finance, and Audit Committee
Brent Smith (Chair)
Eileen Connolly-Keesler (Vice Chair) (Audit Liaison)
Elizabeth Burmaster
Peggy Rosenzweig
Thomas P. Shields

Education Committee
Danae D. Davis (Chair)
Michael J. Spector (Vice Chair)
Judith V. Crain
Mary Quinnette Cuene
Thomas A. Loftus
Colleene P. Thomas

Physical Planning and Funding Committee
Jesus Salas (Chair)
Milton McPike (Vice Chair)
Jeffrey B. Bartell
Michael J. Falbo
David G. Walsh

Personnel Matters Review Committee
Michael J. Spector (Chair)
Jeffrey B. Bartell
Judith V. Crain
Danae D. Davis
Peggy Rosenzweig

Committee on Student Discipline and Other Student Appeals
Brent Smith (Chair)
Milton McPike
Thomas P. Shields
Michael J. Spector

OTHER COMMITTEES

Liaison to Association of Governing Boards
Eileen Connolly-Keesler

Hospital Authority Board - Regent Members
Milton McPike
Peggy Rosenzweig
David G. Walsh

Wisconsin Technical College System Board
Peggy Rosenzweig, Regent Member

Wisconsin Educational Communications Board
Judith V. Crain, Regent Member

Higher Educational Aids Board
Milton McPike, Regent Member

Research Park Board
David G. Walsh, Regent Member

Teaching Excellence Awards
Danae D. Davis (Chair)
Jeffrey B. Bartell
Milton McPike
Jesus Salas
Colleene P. Thomas

Academic Staff Excellence Awards Committee
Eileen Connolly-Keesler (Chair)
Danae D. Davis
Milton McPike
Jesus Salas
Brent Smith

Public and Community Health Oversight and Advisory Committee
To be appointed

Committee on Regent Response to the Legislative Audit Bureau Audit on Personnel Policies and Practices
Thomas A. Loftus (Chair)
Jeffrey B. Bartell
Eileen Connolly-Keesler
Judith V. Crain
Professor Chris Sadler
Interim Chancellor Richard Telfer
Academic Staff Representative Dennis Shaw

Committee on Regent Meeting Effectiveness
Eileen Connolly-Keesler (Chair)
Charles Pruitt
Colleene P. Thomas

The Regents President and Vice President serve as ex-officio voting members of all Committees.

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

2007 MEETING SCHEDULE

(Held in Madison unless otherwise indicated)

January 4th and 5th (cancelled, circumstances permitting)

February 8th and 9th

March 8th and 9th (at UW-Parkside)

April 12th and 13th (at UW-Oshkosh)

May 10th and 11th

June 7th and 8th (at UW-Milwaukee)

July 12th and 13th

August 23rd and 24th (cancelled, circumstances permitting)

September 6th and 7th

October 4th and 5th (at UW-River Falls)

November 8th and 9th

December 6th and 7th (hosted by UW-Madison)