

Board of Regents
Business, Finance, and Audit Committee
Thursday, April 4, 2013
UW-La Crosse
Room 339 Cartwright Center

MEETING OF THE BUSINESS, FINANCE AND AUDIT COMMITTEE

The meeting of the Business, Finance, and Audit Committee was called to order at 2:35 pm by Regent Gerald Whitburn. Regents John Behling, Tracy Hribar, Katherine Pointer, Charles Pruitt, and Gary Roberts were in attendance.

a. Committee Business

1. Approval of the Minutes of the February 7, 2013 Meeting of the Business, Finance, and Audit Committee

Upon the motion of Regent Walsh, and the second of Regent Behling, the Committee approved the minutes of the February 7, 2013, meeting of the Business Finance, and Audit Committee.

2. Review and Approval of the UW-Madison Division of Intercollegiate Athletics Contractual Agreement with IMG College Seating, LLC [Resolution I.2.a.2.]

Darrell Bazzell, UW-Madison Vice Chancellor for Finance and Administration, gave the Committee an overview of the requested five-year contract between IMG College Seating, LLC, and UW-Madison. The contract would expand existing services provided at Camp Randall Football games to include Men's and Women's Basketball games and Men's Hockey games held at the Kohl Center on the UW-Madison campus. The contract also provides an increase in pricing at Camp Randall and includes a revenue sharing agreement with the University providing UW-Athletics 60% to 65% of gross receipts or a minimum of \$705,000 (whichever is greater). Regent Whitburn asked if the level of charge is consistent with other institutions. Vice Chancellor Bazzell indicated the charge was consistent and competitive.

Upon the motion of Regent Pruitt, and the second of Regent Behling, the Committee unanimously approved Resolution I.2.a.2.

[Resolution I.2.a.2.]

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison (UW-Madison), the Board of Regents approves the contractual agreement between Athletics and IMG College Seating, LLC.

3. Review and Approval of an Extension to UW-Oshkosh Dining Services Contractual Agreement with Sodexo Management, Inc. [Resolution I.2.a.3.]

Representatives from UW-Oshkosh including Tom Sonnleitner, Vice Chancellor for Administrative Services, Petra Roter, Vice Chancellor for Student Affairs, Madysen Schmidt, President of the United Students in Residence Halls, and Zach Ziegler, Chair of the Reeve Advisory Council (student governance groups on UW-Oshkosh campus) requested approval of a

four-year extension to UW-Oshkosh's contractual agreement with Sodexo for dining services. Vice Chancellor Sonnleitner said UW-Oshkosh had partnered with Sodexo since 2001 and the students and administration were pleased with the services. However, students are looking for more flexibility within their food service options. Vice Chancellor Roter introduced Ms. Schmidt and Mr. Ziegler who said the new agreement would provide students with additional flexibility within their dining options, a priority to students with varying class schedules and obligations. Ms. Schmidt also said the agreement would allow students to abide by the traditional 15-20 meal plan option, and yet take advantage of "Titan Dollars" meal flexibility. The students desire flexibility as well as value for their meal dollars. As outlined in the new contract agreement, Sodexo would invest \$500K to update the existing dining service facilities and invest \$1.5 million to operationalize the new UW-Oshkosh Welcome Center.

Upon the motion of Regent Behling, and the second of Regent Walsh, the Committee unanimously approved Resolution I.2.a.3.

[Resolution I.2.a.3.]

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin– Oshkosh, the Board of Regents approves a four-year extension of the contract with Sodexo Management, Inc. to provide Dining Services at the University of Wisconsin– Oshkosh.

b. University Personnel Systems

1. Review of UW-Madison Human Resource Program Policies

UW-Madison Vice Chancellor for Finance and Administration Darrell Bazzell gave a status update on the human resource program policies at UW-Madison. Regent Whitburn and Vice Chancellor Bazzell gave a brief synopsis of activity thus far, and noted the policies are intended to guide UW-Madison's implementation of the Regent Policy on University Personnel Systems, similar to the operational policies for the balance of the UW System which the Board of Regents approved at the December 2012 meeting. Vice Chancellor Bazzell said the policies are still at a high-level, conceptual stage, but the process has been quiet, non-contentious, and remains on schedule (effective date July 1, 2013). He also said that he had recently learned UW-Madison HR program policies had been scheduled to appear before JCOER. In addition, Vice Chancellor Bazzell said he had a good meeting with Speaker Voss last week, met with Senator Ellis' staff, and had also met with the Legislative Council and the Legislative Fiscal Bureau. The Committee had no further questions.

2. Review of UPS Operational Policy on Regent Pay Plan and Supplemental Pay Plan Distribution

Al Crist, Associate Vice President for the Office of Human Resources & Workforce Diversity, gave background on a new operational policy intended to guide and govern the distribution of future pay plan salary adjustments at UW System institutions. He said this operational policy would provide Chancellors with policy guidance on the distribution of the Board of Regents biennial pay plans and for institutionally funded supplemental pay plans. He also stated UW-Madison would be bringing a similar policy before the Board as well. Associate Vice President

Crist said he was bringing this policy to the Committee in anticipation of a pay plan, the first pay plan in five years. Regent Whitburn told the Committee there was no need for the Committee to act formally because the Board had already delegated the authority to proceed to the President. He said the Board delegated to the Chancellors a very significant flexibility involving compensation adjustments. He went on to say this flexibility should be utilized carefully because if mistakes are made, this type of flexibility would disappear. Although the flexibility was the will of the Legislature and the Board of Regents -- with the flexibility comes accountability. Regent Whitburn congratulated and thanked Associate Vice President Crist and staff on their work.

c. UW System Trust Funds

1. Annual Endowment Peer Benchmarking Report

UW System Trust Funds Office Director Doug Hoerr presented highlights from the annual benchmarking report which included annualized returns for UW Trust Funds exceeding the average performance of peers in the three-, five-, and ten-year periods ending June 30, 2012, and achieving top quartile performance in the five- and ten-year periods. He said UW Trust Funds are more heavily-weighted toward non-U.S. equities (54% vs 46%). However he also stated the Office has more of a global stance than U.S. bias, and said SWIB (State of Wisconsin Investment Board) has about a 50/50 split in U.S. vs. non-U.S. equities. Director Hoerr also said UW investment staffing is in line with the average for similar sized endowments and the 4% spending rate is more conservative than the "all institution" average of 4.7%. He stated UW Trust Funds had none of its endowment "underwater", and on average, peer institutions had 7.1% of their endowments "underwater". Director Hoerr completed his comments on the benchmarking report and continued with his presentation of new bequests over \$50,000.

3. Acceptance of New Bequests Over \$50,000 [Resolution I.2.c.3.]

Director Hoerr offered a brief overview of the four new bequests for UW-Madison with a total value of \$696,000.

Upon the motion of Regent Walsh, and the second of Regent Roberts, the Committee unanimously approved Resolution I.2.c.3.

[Resolution I.2.c.3.]

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellors of the benefiting University of Wisconsin institutions, the bequests detailed on the attached list be accepted for the purposes designated by the donors, or where unrestricted by the donors, by the benefiting institution, and that the Trust Officer or Assistant Trust Officers be authorized to sign receipts and do all things necessary to effect the transfers for the benefit of the University of Wisconsin.

Let it be herewith further resolved, that the President and Board of Regents of the University of Wisconsin System, the Chancellors of the benefiting University of Wisconsin institutions, and the Deans and Chairs of the benefiting Colleges and Departments, express their sincere thanks and appreciation to the donors and their families for their generosity and their devotion to the

values and ideals represented by the University of Wisconsin System. These gifts will be used to sustain and further the quality and scholarship of the University and its students.

2. Voting of 2013 Non-Routine Proxy Proposals [Resolution I.2.c.2.]

Trust Funds Senior Portfolio Analyst Tom Reinders presented a brief overview of Regent Policy 31-10, the proxy voting policy for UW System Trust Funds. Non-routine shareholder proposals, particularly those dealing with “social responsibility issues” such as the environment, discrimination, or substantial social injury (issues addressed under Regent Policies 31-5, 31-6, and 31-13, respectively), are reviewed with the Committee so as to develop a voting position. As of early March, shareholders concerned with companies’ management of social and environmental issues had filed approximately 343 proposals for the annual meeting of U.S. firms in 2013, approximately the same number as of this time last year. The dominant social issues (78% of the 2013 issues) are corporate political contributions and lobbying, the environment and sustainability, and human rights issues. The single dominant issue (36%) is corporate political spending and lobbying. Mr. Reinders indicated he did not remember a single issue having that prominence in past years. He also cited several issues that appear to be declining in social interest including global wages, tobacco, and military issues. He noted that GMO (genetic modified organisms) had resurfaced with a renewed interest. The Office will be submitting 25 resolutions to 15 of the companies, again with the focus on corporate political contributions, lobbying, and the environment. The Committee approved the voting resolution.

Upon the motion of Regent Behling, and the second of Regent Pointer, the Committee unanimously approved Resolution I.2.c.2.

[Resolution I.2.c.2.]

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the voting of the non-routine shareholder proxy proposals for UW System Trust Funds, as presented in the attachment.

d. Operations Review and Audit Status Update

Elizabeth Dionne, Director of the Office of Operations Review and Audit, offered highlights of the Status Update of the Office of Operations Review and Audit report. She indicated some 2012 projects were still outstanding due to other demands on staff auditors, but overall the audit projects were in good shape. Director Dionne stated work continues on the 2013 audits such as placement rates and travel. She also noted her HRS activities including the Legislative Audit Bureau and PwC liaison role, and working on internal audit reviews as requested by Board and senior leadership.

e. Report of the Senior Vice President

1. Human Resource System Update

Michael Morgan, Senior Vice President for the Office of Administration and Fiscal Affairs, said the HRS update is a report on the work done by UW System institutions in response to the Legislative Audit Bureau’s findings after its audit of the UW System 2012 financials. There were several areas covered in the update including reconciliation of benefit overpayment, security,

and the LAB follow up audit on the HRS System itself. UW-Madison Vice Chancellor for Finance and Administration Darrell Bazzell said based on the Legislative Audit Bureau's 2011 findings, issues were expected in 2012 because the process approaching reconciliation changed during the course of the calendar year. The Service Center is working closely with ETF (Employee Trust Funds) to accelerate the frequency of the reconciliation process and is working toward a monthly reconciliation process beginning in 2014. There is a pension reconciliation planned for the end of June 2013, and it will take a few months after July 1st to get a clean report. A follow-up reconciliation will occur in October 2013. On the health care side, there is constant reconciliation and it is current. However, there are still some manual processes that need to be done to keep the health care account reconciled. Elizabeth Dionne said there is constant review going on in the Service Center and the direction is positive. Regent Whitburn said a decision was made to bring in an outside firm to do risk analysis on this project, the relationship will be finalized this week, and the risk analysis will move ahead. Ms. Dionne also said the Legislative Audit Bureau said they have everything they need thus far; however, the scope and timeline have yet to be defined. Regent Pruitt asked about the current status of Huron Consulting. Sr. Vice President Morgan said Huron is working with UW System, and they have agreed to address issues and provide services at no cost to the Service Center. Huron has been very open and willing to assist and gave UW System a 3-month window to work within. There will be further discussion with the Board about any potential liability.

2. Update on Network Services Procurement

Michael Morgan, Senior Vice President for the Office of Administration and Fiscal Affairs, gave a brief historical overview on WiscNet and where the procurement process currently stands. He said the process is in its second phase, several companies have qualified to submit bids, and the bid review process will be completed by mid-May. Mr. Morgan indicated that he will update the Committee on the Network Services procurement again at the June Board of Regents' meeting. Discussion ensued on the impact of a potential protest which could delay contract discussions with the selected vendor. Ruth Anderson, Associate Vice President of Administrative Services, and Vice Chancellor for Finance and Administration Darrell Bazzell joined the discussion. Some of the topics addressed were potential contract protests and the possibility of additional legal processes in the court system. Regent Pruitt asked if UW System is confident there are multiple vendors capable of handling a project of this size and scope. Sr. V.P. Morgan said he did not know, but the telecommunication industry said they would be able to perform the needed services. Regent Whitburn asked Sr. V.P. Morgan to keep the Committee posted as appropriate.

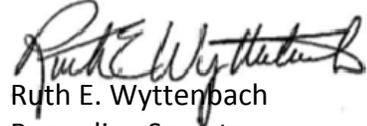
3. Status on Recommendations Contained in the Report on Reporting of Crimes Against Children

Sr. VP Morgan continued his presentation with an update on the Reporting of Crimes Against Children. He indicated all campuses except one (25 of 26 campuses) had responded on time and had their policies and procedures in place and operationalized. The final campus is expected to submit and implement their policy soon. Sr. VP Morgan commented on how

responsive campus leaders were and the exceptional job individuals at UW System had performed to get the policies implemented. He said the policy is sound and well-constructed.

Regent Whitburn adjourned the meeting at 3:45 pm.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ruth E. Wyttenbach". The signature is written in a cursive style with a large initial "R".

Ruth E. Wyttenbach
Recording Secretary