REVISED 12/3/13

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business and Finance Committee

Thursday, December 5, 2013
1920 Van Hise Hall
Madison, Wisconsin

10:30 a.m. Business and Finance Committee

a. Committee Business
   1. Approval of the Minutes of the October 10, 2013 Meeting of the Business and Finance Committee

   2. Quarterly Report of Gifts, Grants and Contracts (1st Quarter FY 2014)

   3. UW-Madison Contractual Agreement with Pfizer, Inc.

b. Review and Approval of a UW System Policy on the Distribution of GPR and Tuition Revenue to Individual University of Wisconsin Institutions
   [Resolution I.2.b.]

c. Trust Funds
   1. Investment Policy Statement Review and Affirmation
      [Resolution I.2.c.1.]

   2. Acceptance of New Bequests over $50,000
      [Resolution I.2.c.2.]

   3. 2013 Proxy Voting Season Results

   4. Tripp Trust Fund Allocation
      [Resolution I.2.c.4.]

d. Update on Actions to Address Recommendations of External Risk Assessment of Human Resource System (HRS)

e. Report on Faculty Turnover in the UW System

f. Report on Additional Faculty and Staff FY12 and FY13 Compensation

g. Report of the Senior Vice President
   1. Review of the November 2013 Legislative Audit Bureau report *Level of Commitment for University of Wisconsin System Program Revenue Balances*

QUARTERLY REPORT OF GIFTS, GRANTS, AND CONTRACTS JULY 1, 2012 THROUGH SEPTEMBER 30, 2013

EXECUTIVE SUMMARY

BACKGROUND

Prior to 1993, the Board of Regents had been presented a detailed listing of all gift, grant, and contract awards received in the previous month. This reporting protocol was deemed overly labor intensive and information presented was easily misinterpreted. Very few gifts are given directly to the University; the vast majority of gift items listed in these reports represented a pass-through of funds raised by UW Foundations. In addition, reported grant and contract awards frequently span several years, making the monthly figures reported somewhat misleading to the uninformed reader.

In February 1993, the Board adopted a plan for summary reporting on a monthly basis, delegating to the UW System Vice President for Finance acceptance of contracts with for-profit entities where the consideration involved was less than $200,000. Contracts in excess of $200,000 were required to come to the Board prior to execution. This $200,000 threshold was increased to $500,000 at the Board’s September 4, 1997 meeting.

At this same September 4, 1997 meeting, it was noted that, while the monthly summary reporting from UW institutions will continue, the Vice President for Finance will present the information to the Board on a quarterly, rather than monthly, basis. These quarterly summary reports have been presented to the Business, Finance, and Audit Committee since that time and have generally been accompanied by a brief explanation of significant changes.

REQUESTED ACTION

No action is required; this item is for information only.

DISCUSSION

Attached is a summary report of gifts, grants, and contracts awarded to University of Wisconsin System institutions in the three-month period July 1, 2013 through September 30, 2013. Total gifts, grants, and contracts for the period were approximately $537.6 million; this is an increase of $48.6 million from the same period in the prior year. Federal awards increased $73.4 million while non-federal awards decreased by $24.8 million.

RELATED REGENT POLICIES

Regent Resolution Number 7548, dated September 4, 1997

UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS AND CONTRACTS AWARDED
QUARTERLY REPORT & PRIOR-YEAR COMPARISON
FISCAL YEAR 2013-2014 (1st Quarter)

FISCAL YEAR 2013-2014	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
Total	21,249,311	25,185,644	591,623	41,024,853	10,251,332	331,421,288	107,841,351	537,565,401
Federal	11,940,555	19,526,916	0	5,755,992	0	246,130,754	101,837,479	385,191,696
Nonfederal	9,308,756	5,658,727	591,623	35,268,861	10,251,332	85,290,535	6,003,872	152,373,705
FISCAL YEAR 2012-2013								
Total	23,402,906	34,337,652	3,897,596	37,573,013	1,260,256	319,529,877	68,948,180	488,949,481
Federal	16,003,259	25,256,905	0	4,521,464	0	201,769,615	64,240,826	311,792,069
Nonfederal	7,399,648	9,080,747	3,897,596	33,051,550	1,260,256	117,760,262	4,707,354	177,157,412
INCREASE(DECREASE)								
Total	(2,153,596)	(9,152,007)	(3,305,974)	3,451,839	8,991,076	11,891,411	38,893,171	48,615,920
Federal	(4,062,704)	(5,729,989)	0	1,234,529	0	44,361,139	37,596,653	73,399,627
Nonfederal	1,909,108	(3,422,018)	(3,305,974)	2,217,311	8,991,076	(32,469,728)	1,296,519	(24,783,706)

UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS AND CONTRACTS AWARDED - BY INSTITUTION
QUARTERLY REPORT & PRIOR-YEAR COMPARISON
FISCAL YEAR 2013-2014 (1st Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2013-2014								
Madison	7,826,336	14,803,258	574,755	33,137,957	10,186,202	318,586,785	22,448,948	407,564,240
Milwaukee	2,214,921	1,128,035	0	2,346,560	25,000	9,751,504	16,988,200	32,454,220
Eau Claire	88,252	1,365,119	0	0	0	248,363	6,987,906	8,689,640
Green Bay	0	861,243	0	134,056	0	246,163	4,807,764	6,049,226
La Crosse	337,596	20,000	0	906,200	0	692,460	5,109,354	7,065,610
Oshkosh	564,359	4,372,237	0	0	0	508,488	8,230,399	13,675,483
Parkside	62,905	319,145	0	13,926	732	97,030	123,312	617,050
Platteville	57,495	0	0	812,229	0	42,339	4,502,306	5,414,369
River Falls	853,145	1,085,553	0	699,509	2,004	125,374	4,164,296	6,929,881
Stevens Point	422,560	186,559	0	288,141	0	1,029,193	8,529,956	10,456,408
Stout	910,621	117,229	0	1,130,676	0	34,598	6,253,357	8,446,481
Superior	0	0	0	741,189	0	20,341	2,530,671	3,292,201
Whitewater	25,270	13,070	0	420,383	37,394	38,650	8,011,258	8,546,025
Colleges	1,000	656,967	16,868	360,067	0	0	9,153,624	10,188,526
Extension	7,884,852	0	0	0	0	0	0	7,884,852
System-Wide	0	257,229	0	33,960	0	0	0	291,189
Totals	**21,249,311**	**25,185,644**	**591,623**	**41,024,853**	**10,251,332**	**331,421,288**	**107,841,351**	**537,565,401**
Madison	5,965,416	10,191,183	0	603,360	0	235,149,040	17,976,326	269,885,324
Milwaukee	1,632,899	1,093,035	0	1,552,934	0	8,958,508	16,988,150	30,225,527
Eau Claire	86,944	1,091,109	0	0	0	236,276	6,987,033	8,401,362
Green Bay	0	618,968	0	60	0	12,334	4,793,006	5,424,368
La Crosse	185,477	0	0	861,700	0	458,792	5,109,354	6,615,323
Oshkosh	554,359	4,268,980	0	0	0	503,488	7,734,087	13,060,914
Parkside	10,000	275,531	0	0	0	0	98,312	383,843
Platteville	0	0	0	25,000	0	39,373	4,502,306	4,566,679
River Falls	853,145	1,084,812	0	524,184	0	109,550	4,160,446	6,732,137
Stevens Point	25,000	0	0	0	0	628,795	8,477,830	9,131,625
Stout	816,556	76,312	0	978,659	0	34,598	6,251,007	8,157,132
Superior	0	0	0	722,497	0	0	2,380,671	3,103,168
Whitewater	4,400	0	0	256,149	0	0	7,531,569	7,792,118
Colleges	0	569,757	0	231,450	0	0	8,847,382	9,648,589
Extension	1,806,359	0	0	0	0	0	0	1,806,359
System-Wide	0	257,229	0	0	0	0	0	257,229
Federal Totals	**11,940,555**	**19,526,916**	**0**	**5,755,992**	**0**	**246,130,754**	**101,837,479**	**385,191,696**
Madison	1,860,920	4,612,075	574,755	32,534,597	10,186,202	83,437,746	4,472,622	137,678,916
Milwaukee	582,022	35,000	0	793,626	25,000	792,995	50	2,228,693
Eau Claire	1,308	274,010	0	0	0	12,087	873	288,278
Green Bay	0	242,275	0	133,996	0	233,829	14,758	624,858
La Crosse	152,119	20,000	0	44,500	0	233,668	0	450,287
Oshkosh	10,000	103,257	0	0	0	5,000	496,312	614,569
Parkside	52,905	43,614	0	13,926	732	97,030	25,000	233,207
Platteville	57,495	0	0	787,229	0	2,966	0	847,690
River Falls	0	741	0	175,325	2,004	15,824	3,850	197,744
Stevens Point	397,560	186,559	0	288,141	0	400,398	52,126	1,324,783
Stout	94,064	40,917	0	152,017	0	0	2,350	289,349
Superior	0	0	0	18,693	0	20,341	150,000	189,034
Whitewater	20,870	13,070	0	164,234	37,394	38,650	479,689	753,907
Colleges	1,000	87,210	16,868	128,617	0	0	306,243	539,937
Extension	6,078,493	0	0	0	0	0	0	6,078,493
System-Wide	0	0	0	33,960	0	0	0	33,960
Nonfederal Totals	**9,308,756**	**5,658,728**	**591,623**	**35,268,860**	**10,251,332**	**85,290,534**	**6,003,872**	**152,373,705**

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2012-2013								
Madison	9,854,237	21,182,580	3,896,528	31,563,479	1,215,397	302,993,520	9,931,257	380,636,998
Milwaukee	2,586,922	3,252,667	700	1,061,179	0	11,900,041	113,700	18,915,209
Eau Claire	112,215	1,173,541	0	0	0	253,137	7,226,116	8,765,009
Green Bay	37,102	1,203,022	0	204,850	0	72,480	19,600	1,537,054
La Crosse	496,159	0	0	128,855	0	587,182	4,904,817	6,117,013
Oshkosh	730,104	6,089,446	0	0	0	1,734,287	7,464,102	16,017,939
Parkside	0	634,250	0	18,120	8,430	65,370	1,485	727,655
Platteville	200,873	4,358	0	750	0	622,282	5,056,198	5,884,461
River Falls	417,212	2,149	368	1,032,085	0	267,263	2,500	1,721,577
Stevens Point	722,328	107,954	0	765,301	0	624,224	8,536,082	10,755,889
Stout	1,035,401	107,582	0	1,384,706	0	7,583	6,236,601	8,771,873
Superior	106,800	0	0	782,443	0	92,144	2,498,615	3,480,002
Whitewater	1,906,834	26,896	0	251,132	36,428	91,614	7,407,480	9,720,385
Colleges	1,500	553,207	0	371,084	0	218,750	9,549,627	10,694,168
Extension	5,195,220	0	0	0	0	0	0	5,195,220
System-Wide	0	0	0	9,030	0	0	0	9,030
Totals	**23,402,906**	**34,337,652**	**3,897,596**	**37,573,013**	**1,260,256**	**319,529,877**	**68,948,180**	**488,949,481**

Madison	8,976,786	13,569,618	0	740,623	0	188,013,607	5,902,467	217,203,100
Milwaukee	1,761,631	3,046,906	0	536,229	0	10,330,082	68,500	15,743,347
Eau Claire	86,944	977,525	0	0	0	180,160	7,225,089	8,469,718
Green Bay	35,502	882,287	0	0	0	51,900	15,000	984,689
La Crosse	347,730	0	0	24,437	0	370,770	4,904,817	5,647,754
Oshkosh	730,104	5,552,446	0	0	0	1,432,787	7,464,102	15,179,439
Parkside	0	581,474	0	0	0	0	0	581,474
Platteville	179,832	0	0	0	0	560,956	5,056,198	5,796,986
River Falls	415,264	0	0	895,480	0	260,961	0	1,571,705
Stevens Point	5,000	0	0	423,915	0	272,029	8,448,124	9,149,068
Stout	814,354	93,442	0	848,107	0	0	6,234,201	7,990,104
Superior	106,800	0	0	762,340	0	0	2,498,615	3,367,755
Whitewater	1,888,356	0	0	18,073	0	77,614	7,212,430	9,196,473
Colleges	0	553,207	0	272,260	0	218,750	9,211,283	10,255,500
Extension	654,957	0	0	0	0	0	0	654,957
System-Wide	0	0	0	0	0	0	0	0
Federal Totals	**16,003,259**	**25,256,905**	**0**	**4,521,464**	**0**	**201,769,615**	**64,240,826**	**311,792,069**

Madison	877,451	7,612,962	3,896,528	30,822,856	1,215,397	114,979,914	4,028,790	163,433,899
Milwaukee	825,291	205,761	700	524,950	0	1,569,959	45,200	3,171,861
Eau Claire	25,271	196,016	0	0	0	72,977	1,027	295,291
Green Bay	1,600	320,735	0	204,850	0	20,580	4,600	552,365
La Crosse	148,429	0	0	104,418	0	216,412	0	469,259
Oshkosh	0	537,000	0	0	0	301,500	0	838,500
Parkside	0	52,776	0	18,120	8,430	65,370	1,485	146,181
Platteville	21,041	4,358	0	750	0	61,326	0	87,475
River Falls	1,948	2,149	368	136,605	0	6,302	2,500	149,872
Stevens Point	717,328	107,954	0	341,386	0	352,195	87,958	1,606,821
Stout	221,047	14,140	0	536,599	0	7,583	2,400	781,769
Superior	0	0	0	20,103	0	92,144	0	112,247
Whitewater	18,478	26,896	0	233,059	36,428	14,000	195,050	523,912
Colleges	1,500	0	0	98,824	0	0	338,344	438,668
Extension	4,540,263	0	0	0	0	0	0	4,540,263
System-Wide	0	0	0	9,030	0	0	0	9,030
Nonfederal Totals	**7,399,648**	**9,080,747**	**3,897,596**	**33,051,550**	**1,260,256**	**117,760,262**	**4,707,354**	**177,157,412**

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
INCREASE (DECREASE)								
Madison	(2,027,901)	(6,379,322)	(3,321,773)	1,574,478	8,970,804	15,593,265	12,517,691	26,927,242
Milwaukee	(372,000)	(2,124,632)	(700)	1,285,381	25,000	(2,148,537)	16,874,500	13,539,011
Eau Claire	(23,963)	191,578	0	0	0	(4,774)	(238,210)	(75,369)
Green Bay	(37,102)	(341,779)	0	(70,794)	0	173,683	4,788,164	4,512,172
La Crosse	(158,563)	20,000	0	777,345	0	105,278	204,537	948,597
Oshkosh	(165,746)	(1,717,209)	0	0	0	(1,225,799)	766,297	(2,342,456)
Parkside	62,905	(315,104)	0	(4,194)	(7,698)	31,660	121,827	(110,605)
Platteville	(143,378)	(4,358)	0	811,479	0	(579,943)	(553,892)	(470,093)
River Falls	435,933	1,083,404	(368)	(332,576)	2,004	(141,889)	4,161,796	5,208,304
Stevens Point	(299,768)	78,605	0	(477,161)	0	404,969	(6,126)	(299,481)
Stout	(124,780)	9,647	0	(254,030)	0	27,015	16,756	(325,391)
Superior	(106,800)	0	0	(41,253)	0	(71,803)	32,056	(187,800)
Whitewater	(1,881,564)	(13,826)	0	169,251	966	(52,964)	603,778	(1,174,360)
Colleges	(500)	103,760	16,868	(11,017)	0	(218,750)	(396,003)	(505,642)
Extension	2,689,632	0	0	0	0	0	0	2,689,632
System-Wide	0	257,229	0	24,930	0	0	0	282,159
Totals	**(2,153,596)**	**(9,152,007)**	**(3,305,974)**	**3,451,839**	**8,991,076**	**11,891,411**	**38,893,171**	**48,615,920**
Madison	(3,011,370)	(3,378,435)	0	(137,263)	0	47,135,433	12,073,859	52,682,224
Milwaukee	(128,731)	(1,953,871)	0	1,016,705	0	(1,371,573)	16,919,650	14,482,179
Eau Claire	0	113,584	0	0	0	56,116	(238,056)	(68,356)
Green Bay	(35,502)	(263,319)	0	60	0	(39,566)	4,778,006	4,439,679
La Crosse	(162,253)	0	0	837,263	0	88,022	204,537	967,569
Oshkosh	(175,746)	(1,283,466)	0	0	0	(929,299)	269,985	(2,118,525)
Parkside	10,000	(305,943)	0	0	0	0	98,312	(197,631)
Platteville	(179,832)	0	0	25,000	0	(521,583)	(553,892)	(1,230,307)
River Falls	437,881	1,084,812	0	(371,296)	0	(151,411)	4,160,446	5,160,432
Stevens Point	20,000	0	0	(423,915)	0	356,766	29,706	(17,443)
Stout	2,202	(17,130)	0	130,552	0	34,598	16,806	167,028
Superior	(106,800)	0	0	(39,843)	0	0	(117,944)	(264,587)
Whitewater	(1,883,956)	0	0	238,076	0	(77,614)	319,139	(1,404,355)
Colleges	0	16,550	0	(40,810)	0	(218,750)	(363,901)	(606,911)
Extension	1,151,402	0	0	0	0	0	0	1,151,402
System-Wide	0	257,229	0	0	0	0	0	257,229
Federal Totals	**(4,062,704)**	**(5,729,989)**	**0**	**1,234,529**	**0**	**44,361,139**	**37,596,653**	**73,399,627**
Madison	983,468	(3,000,887)	(3,321,773)	1,711,741	8,970,804	(31,542,168)	443,832	(25,754,982)
Milwaukee	(243,269)	(170,761)	(700)	268,676	25,000	(776,964)	(45,150)	(943,168)
Eau Claire	(23,963)	77,994	0	0	0	(60,890)	(154)	(7,013)
Green Bay	(1,600)	(78,460)	0	(70,854)	0	213,249	10,158	72,493
La Crosse	3,690	20,000	0	(59,918)	0	17,256	0	(18,972)
Oshkosh	10,000	(433,743)	0	0	0	(296,500)	496,312	(223,931)
Parkside	52,905	(9,161)	0	(4,194)	(7,698)	31,660	23,515	87,026
Platteville	36,454	(4,358)	0	786,479	0	(58,360)	0	760,214
River Falls	(1,948)	(1,408)	(368)	38,720	2,004	9,522	1,350	47,872
Stevens Point	(319,768)	78,605	0	(53,246)	0	48,203	(35,832)	(282,038)
Stout	(126,982)	26,777	0	(384,582)	0	(7,583)	(50)	(492,419)
Superior	0	0	0	(1,410)	0	(71,803)	150,000	76,787
Whitewater	2,392	(13,826)	0	(68,825)	966	24,650	284,639	229,995
Colleges	(500)	87,210	16,868	29,793	0	0	(32,102)	101,269
Extension	1,538,230	0	0	0	0	0	0	1,538,230
System-Wide	0	0	0	24,930	0	0	0	24,930
Nonfederal Totals	**1,909,108**	**(3,422,018)**	**(3,305,974)**	**2,217,311**	**8,991,076**	**(32,469,728)**	**1,296,518**	**(24,783,707)**

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the contractual agreement between the University of Wisconsin-Madison and Pfizer, Inc.

UW-MADISON CONTRACTUAL AGREEMENT WITH PFIZER, INC

BACKGROUND

UW Board of Regents policy requires any grant or contract with private profit-making organizations in excess of $500,000 be presented to the Board for formal acceptance prior to execution.

REQUESTED ACTION

Approval of Resolution I.2.a.3.

DISCUSSION AND RECOMMENDATIONS

The Office of Research and Sponsored Programs at the University of Wisconsin-Madison has negotiated a Data Analysis Research Agreement with Pfizer, Inc. In consideration for providing the Research Services, Pfizer, Inc. will pay the Institution an estimated total amount of $963,483.26. This Data Analysis Research Agreement will be effective upon signature (the "Effective Date") and remain in effect for four years. This research will be conducted by the Department of Biostatistics & Medical Informatics under the direction of Dr. Kevin Buhr. The work involves the analysis of data from a hypercholesterolemia study.

The Department of Biostatistics & Medical Informatics will provide the analysis plan and detailed confidential interim analyses for the Independent Data Monitoring Committee (IDMC). The Statistical Data Analysis Center (SDAC) agrees to be the statistical data analysis center for the Independent Data Monitoring Committee for the Pfizer B148 Phase 3 clinical trials. The Data Safety Monitoring Board (DSMB) will review reports by assigned treatment of safety data across and within Phase 3 double-blind and mixed-blind clinical trials.

RELATED REGENT POLICIES

Regent Policy Document 13-1: General Contract Authority, Approval, and Reporting

Review and Approval of a UW System Policy
on the Annual Distribution of Tuition and Fee Revenue
and State General Purpose Revenue to Each Institution

BUSINESS AND FINANCE COMMITTEE

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves for submission to the Legislature's Joint Committee on Finance the attached policy regarding the annual distribution of tuition and fee revenue and state general purpose revenue to each institution. This policy would be effective for the 2013-15 biennium, and a sunset of June 30, 2015 is anticipated.

REVIEW AND APPROVAL OF A UW SYSTEM POLICY ON THE ANNUAL DISTRIBUTION OF TUITION AND FEE REVENUE AND STATE GENERAL PURPOSE REVENUE TO EACH INSTITUTION

EXECUTIVE SUMMARY

BACKGROUND

S. 9148(4m) of 2013 Wisconsin Act 20 requires the UW System to submit to the Joint Finance Committee by January 1, 2014, for approval through 14-day passive review: (1) proposed limits on PR account balances for the UW System as a whole and for each individual UW institution and proposed reports related to those limits; (2) proposed policies regarding the annual distribution of tuition and fee revenue and state general purpose revenue to each institution; and (3) proposed policies regarding the expenditure of tuition and fee revenues and state GPR by each institution. This paper focuses on item (2).

The University of Wisconsin System will submit the attached policy on annual distribution of funds, codifying the current practice, to the Joint Finance Committee for use in the 2013-15 biennium. The System recommends sunsetting the policy on June 30, 2015 by which time the Board would have received recommendations for updating the policy from a workgroup being charged to revisit the policy. The recommendations of the workgroup, if approved by the board, would be incorporated into the planned distribution in each year of the next biennium.

REQUESTED ACTION

Upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves this policy for submission to the Legislature's Joint Committee on Finance regarding the annual distribution of tuition and fee revenue and state general purpose revenue to each institution. This policy would be effective for the 2013-15 biennium, and a sunset of June 30, 2015 is anticipated.

DISCUSSION

This paper includes a proposed Regent policy for allocation of tuition and fees and state GPR funds for the 2013-15 biennium, sunsetting June 30, 2015. It also provides a description of how funding is currently allocated in the UW System, along with the allocation methods used in 2013-14. This information will be provided to the Legislature's Joint Committee on Finance, as required in the biennial budget, prior to January 1, 2014. A workgroup will be established to review the current process and make recommendations for updating the policy to the Board for implementation beginning with the 2015-16 fiscal year. The workgroup will report to the Board at its June 2014 meeting.

Similar to the State of Wisconsin, the UW System uses a base plus (or minus) allocation approach. UW System institutions assume a shared responsibility for the funding of some key items, including general pay plan, health insurance, retirement contributions, utilities, and new initiatives that are funded by GPR and tuition. The institutions keep all of the tuition revenues they generate, and state funding makes up the difference between projected tuition revenues and the institution's total GPR/Fee allocation. Institutions keep any tuition revenues they generate above projected levels, but are held responsible for tuition shortfalls. Budget reductions are generally made in a manner equal to each institution's proportional share of the adjusted GPR/Fee base from the previous fiscal year. System staff discuss allocation methodologies with the Chief Business Officers and the Chancellors each biennium.

This paper takes each column of the following table and describes the allocation method used to distribute the changes in revenue. This table is a modified version of the Table A-1, which is included annually in the University of Wisconsin System's Operating Budget and Fee Schedules document. That table summarizes the major categories of changes in funding by institution from the prior year to the proposed budget being presented to the Board.

TABLE A-1a
University of Wisconsin System
FY 2013-14 Annual Budget
Changes By Funding Category By Institution

A	B	C	D	E	F	G	H	I	J	K	L	M
	2012-13 GPR/Fees	Compensation Adjustments	Budget Reduction	Utilities	Other	Fringe Benefit Changes	**Subtotal Dollar Change**	**Subtotal Percent Change**	Debt Service	Entrepreneurial Tuition	2013-14 GPR/Fees	Total Change
Madison	934,532,155	4,829,827	-20,022,411	-835,759	401,927	3,702,606	**-11,923,810**	**-1.3%**	13,367,254	12,793,430	948,769,029	14,236,874
Milwaukee	312,816,937	1,644,442	-6,926,897	255,812	8,088	4,066,614	**-951,941**	**-0.3%**	-3,026,064	494,000	309,332,932	-3,484,005
Eau Claire	110,403,995	592,232	-2,638,113	-49,526	-8,663	2,202,463	**98,393**	**0.1%**	463,228	130,510	111,096,126	692,131
Green Bay	52,859,378	259,717	-1,270,934	-113,982	-7,316	1,090,561	**-41,954**	**-0.1%**	1,178,478	2,061,500	56,057,402	3,198,024
La Crosse	97,836,924	407,458	-2,124,871	162,991	16,343	2,340,887	**802,808**	**0.8%**	2,329,798	7,759,210	108,728,740	10,891,816
Oshkosh	107,305,632	588,776	-2,551,009	-241,879	7,511	2,122,966	**-73,635**	**-0.1%**	2,204,577	160,418	109,596,992	2,291,360
Parkside	49,972,317	239,814	-1,192,427	-252,811	-33,098	693,407	**-545,115**	**-1.1%**	1,146,640	0	50,573,842	601,525
Platteville	80,191,379	330,872	-1,463,588	-766,003	-6,918	616,544	**-1,289,093**	**-1.6%**	1,812,706	3,241,052	83,956,044	3,764,665
River Falls	60,603,698	285,869	-1,457,719	-58,340	-10,784	436,015	**-804,959**	**-1.3%**	1,025,962	6,529	60,831,230	227,532
Stevens Point	87,784,962	493,640	-2,173,989	-247,695	35,183	1,334,610	**-558,251**	**-0.6%**	984,456	0	88,211,167	426,205
Stout	87,467,601	414,912	-2,001,741	-71,539	-4,030	1,422,560	**-239,838**	**-0.3%**	2,604,719	1,084,097	90,916,579	3,448,978
Superior	37,569,630	163,912	-810,293	-243,442	246,200	41,104	**-602,519**	**-1.6%**	1,948,991	0	38,916,102	1,346,472
Whitewater	100,779,271	495,270	-2,227,613	413,627	62,674	33,975	**-1,222,067**	**-1.2%**	3,738,101	10,284,269	113,579,574	12,800,303
Colleges	75,601,535	417,717	-1,958,013	-48,452	80,685	1,760,919	**252,856**	**0.3%**	642,794	0	76,497,185	895,650
Extension	133,923,451	530,143	-2,395,967	-9,707	102,551	2,153,095	**380,115**	**0.3%**	716,560	3,491,126	138,511,252	4,587,801
UWSA/Systemwide	82,967,291	109,706	-869,615	2,106,705	-65,153	480,785	**1,762,428**	**2.1%**	0	0	84,729,719	1,762,428
System Total	2,412,616,156	11,804,307	-52,085,200	0	825,200	24,499,111	**-14,956,582**	**-0.6%**	31,138,200	41,506,141	2,470,303,915	57,687,759

Compensation Adjustments include a 1% state approved pay plan increase and state approved cost to continue items.

Description of the 2013-14 allocation methods used for each major funding category in Table A-1a are presented below:

1) **Compensation Adjustments** *(Column C)* reflect the cost of a 1% pay plan, along with other state approved cost to continue items. The other state approved cost-to-continue items are distributed based upon actual costs at an institution. The 1% pay plan increase is distributed to institutions based on an increase of 1% of their October 2012 payroll for permanent employees and graduate assistants (excluding increases for represented groups which will be added when the agreements are reached). The distribution for these items is shown below:

Compensation Adjustments

Compensation	October 2012 Payroll Base (excluding represented groups)	1% Salary Increase over Base	Other State Approved Cost-to - Continue based on Actual	2013-14 Compensation Adjustment
Madison	455,218,634	4,552,188	277,639	4,829,827
Milwaukee	147,816,282	1,478,164	166,278	1,644,442
Eau Claire	49,416,432	494,165	98,067	592,232
Green Bay	23,981,718	239,817	19,900	259,717
La Crosse	39,177,787	391,779	15,679	407,458
Oshkosh	50,266,021	502,660	86,116	588,776
Parkside	22,346,016	223,459	16,355	239,814
Platteville	26,316,660	263,168	67,704	330,872
River Falls	27,693,757	276,939	8,930	285,869
Stevens Point	40,557,704	405,575	88,065	493,640
Stout	36,143,643	361,437	53,475	414,912
Superior	15,028,372	150,283	13,629	163,912
Whitewater	46,253,858	462,536	32,734	495,270
Colleges	38,339,005	389,340	28,377	417,717
Extension	47,689,525	470,943	59,200	530,143
Sys Admin/wide	10,970,739	109,706	0	109,706
Total	1,077,216,153	10,772,159	1,032,148	11,804,307

2) **Budget Reductions** *(Column D)* are a combination of the base reduction included in the 2013-15 biennial budget ($32,844,300) and the estimated shortfall in fringe benefit and pay plan funding ($19,240,900). The distribution is made in a manner equal to each institution's proportional share of the adjusted 2012-13 GPR/Fee base. The adjusted base excludes debt service, utilities, financial aid, separately budgeted academic tuition, and Extension credit programs.

Budget Reductions

Reductions	2012-13 Adjusted Base	Base Reduction	Unfunded Costs	Total
Madison	686,243,822	$12,625,892	$7,396,519	$20,022,411
Milwaukee	237,410,989	$4,368,018	$2,558,879	$6,926,897
Eau Claire	90,418,141	$1,663,562	$974,551	$2,638,113
Green Bay	43,559,735	$801,436	$469,498	$1,270,934
La Crosse	72,827,381	$1,339,918	$784,953	$2,124,871
Oshkosh	87,432,757	$1,608,635	$942,374	$2,551,009
Parkside	40,869,000	$751,930	$440,497	$1,192,427
Platteville	50,162,722	$922,921	$540,667	$1,463,588
River Falls	49,961,542	$919,220	$538,499	$1,457,719
Stevens Point	74,510,839	$1,370,891	$803,098	$2,173,989
Stout	68,607,237	$1,262,274	$739,467	$2,001,741
Superior	27,771,823	$510,961	$299,332	$810,293
Whitewater	76,348,733	$1,404,706	$822,907	$2,227,613
Colleges	67,108,528	$1,234,699	$723,314	$1,958,013
Extension	82,118,868	$1,510,868	$885,099	$2,395,967
System Admin/ Systemwide	29,805,005	$548,369	$321,246	$869,615
Total	1,785,157,122	$32,844,300	$19,240,900	$52,085,200

3) **Utilities** *(Column E)* funding did not increase in 2013-14. Institutional budgets fully fund estimated 2012-13 expenditures increased by amounts required for new space and the cogeneration power plant at UW-Madison as requested in the biennial budget for 2013-14. The remaining funding is held centrally in Systemwide.

Utilities

Utilities	Estimated Expenditure*	Estimated Cost of New Space/Co-Gen	Less 2012-13 Budget	Adjustment to Allocation
Madison	73,208,068	3,262,946	(77,306,773)	(835,759)
Milwaukee	11,906,688	263,407	(11,914,283)	255,812
Eau Claire	2,256,036		(2,305,562)	(49,526)
Green Bay	2,139,052		(2,253,034)	(113,982)
La Crosse	2,951,708		(2,788,717)	162,991
Oshkosh	3,354,028	11,975	(3,607,882)	(241,879)
Parkside	2,250,796		(2,503,607)	(252,811)
Platteville	2,735,127		(3,501,130)	(766,003)
River Falls	2,098,210		(2,156,550)	(58,340)
Stevens Point	3,128,631		(3,376,326)	(247,695)
Stout	2,246,017		(2,317,556)	(71,539)
Superior	1,661,346		(1,904,788)	(243,442)
Whitewater	3,350,495	15,272	(2,952,140)	(413,627)
Colleges	3,653,255		(3,701,707)	(48,452)
Extension	272,611		(282,318)	(9,707)
Increase to Systemwide**				2,106,705
Total	117,212,068	3,553,600	(122,872,373)	0

*2012-13 estimated expenditure as of 5/31/13
**Reflects changes in centrally held resources for institutions

4) **Other Adjustments** *(Column F)* distributes resources for financial aid along with full funding of lease increases and directed moves administered through the Department of Administration ($825,200). This column also includes shifts in funding from centrally held resources in UW Systemwide accounts to the UW Colleges, Extension and four year institutions. The financial aid changes and shifts between institutions net to zero.

Financial Aid - the 2013-14 budget did not increase the Lawton Undergraduate Minority Retention Grant and the Advanced Opportunity Program (AOP) in 2013-14. Funding for the AOP was based on each institution's proportion of a three-year rolling average

headcount of the statutorily-designated eligible population of minority/disadvantaged graduate students.
The Lawton Grant allocation reflected the first year of a three-year conversion from the previous allocation methodology (three-year rolling average of undergraduates from eligible populations who are registered for at least six credits) to reflect a change in the program eligibility criteria (three-year rolling average of resident undergraduates from eligible populations who are registered full-time). Funding will continue to be based on each institution's proportion of a three-year rolling average headcount of the eligible student population. For 2013-14, the three-year rolling average includes one year of the revised methodology and two years of the previous approach. The transition to the revised Lawton Grant allocation methodology will be completed by 2015-16.

5) **Fringe Benefits** *(Column G)* the budget includes an increase of $24,499,111 for changes in health insurance costs, variable fringes associated with compensation adjustments, and full funding of fringe benefit costs. The allocation of fringe benefits is prorated based upon 2012-13 actual expenditures. At the end of the year dollars may be shifted among institutions to cover all expenditures or to proportionally distribute any shortfalls to all institutions.

6) **Debt Service** *(Column J)* the budget provides a $31,138,200 increase in 2013-14 for debt service. The allocation of debt service is prorated based upon 2011-12 actual expenditures. Debt Service funding is sum-sufficient and will be provided to institutions as needed. Any excess funding will be returned to the state.

Debt Service

Debt Service	% of 2011-12 Expenditures	2013-14 Allocation	Less 2012-13 Budget	Adjustment to Allocation
Madison	44.94%	106,002,670	92,635,416	13,367,254
Milwaukee	7.72%	18,197,471	21,223,535	-3,026,064
Eau Claire	3.42%	8,077,734	7,614,506	463,228
Green Bay	3.32%	7,818,947	6,640,469	1,178,478
La Crosse	4.55%	10,721,809	8,392,011	2,329,798
Oshkosh	4.95%	11,668,858	9,464,281	2,204,577
Parkside	2.66%	6,271,218	5,124,578	1,146,640
Platteville	3.93%	9,276,494	7,463,788	1,812,706
River Falls	2.87%	6,770,797	5,744,835	1,025,962
Stevens Point	3.86%	9,094,428	8,109,972	984,456
Stout	5.05%	11,908,950	9,304,231	2,604,719
Superior	3.44%	8,102,910	6,153,919	1,948,991
Whitewater	6.99%	16,484,781	12,746,680	3,738,101
Colleges	1.28%	3,026,590	2,383,796	642,794
Extension	1.03%	2,432,043	1,715,483	716,560
Total	100.00%	235,855,700	204,717,500	31,138,200

7) **Entrepreneurial Tuition** *(Column K)* - the adjustment is provided as requested by the institutions to reflect growth in tuition revenue due to differentials, distance education or other self-support activity, growth in enrollment, changes in mix of students, etc. These adjustments often reflect growth in revenue that occurred in a previous year.

Entrepeneurial Tuition Revenue

	Entrepreneurial Tuition Growth
Madison	12,79,3430
Milwaukee	494,000
Eau Claire	1,305,010
Green Bay	2,061,500
La Crosse	7,759,210
Oshkosh	160,418
Parkside	0
Platteville	3,241,052
River Falls	6,529
Stevens Point	0
Stout	1,084,097
Superior	0
Whitewater	10,284,269
Colleges	0
Extension	3,491,126
Total	41,506,141

The 2013-14 allocations differ somewhat from the standard practice because the legislature froze tuition for resident undergraduate students for the biennium and the Board of Regents did not increase tuition for other groups in the 2013-14 fiscal year.

REGENT POLICY DOCUMENT
XX-YY UNIVERSITY OF WISCONSIN SYSTEM POLICY ON THE ANNUAL DISTRIBUTION OF TUITION AND FEE REVENUE AND STATE GENERAL PURPOSE REVENUE

Scope

This policy addresses how state general purpose revenue and tuition allocations are created for UW institutions, UW System Administration, and UW System-wide activities during the 2013-15 biennium. It is anticipated this policy will sunset June 30, 2015.

Purpose

The purpose of this policy is to clarify how state GPR and tuition allocations are created, and to describe how state GPR and tuition combine to form the GPR/Fee base.

Policy Statement

The Board of Regents adopts an annual budget which includes allocations of state funding (GPR) and tuition (Fees) for each UW System institution, and allocations of GPR for UW System Administration and System-wide activities. Combined, these allocations constitute what is known as the GPR/Fee base.

The UW System uses a base-plus approach to creating the annual GPR/Fee base budget. The starting point for each new GPR/Fee base is the previous year's budget. This base is adjusted up or down based on final decisions by the Legislature and the Board of Regents. Adjustments include funding approved by the Legislature for salary and fringe benefits adjustments for state-supported positions, utilities, debt service, approved new initiatives, or other changes to the UW System's appropriation as determined by the Legislature.

The UW System's GPR/Fee base is heavily dependent on tuition revenue and therefore enrollment levels of the various institutions. The tuition revenue component of each institution's GPR/Fee base budget is known as the tuition revenue target.

In an effort to maintain educational quality at all UW institutions, the following principles are considered when creating GPR/Fee allocations:

- Funding for cost-to-continue increases (pay plan, health insurance, and utilities) should be distributed in a way that makes each institution whole for these cost increases.
- The amount of tuition generated by each institution should be maintained from year to year. Tuition revenue levels need to be maintained from year to year to maintain GPR/Fee allocation levels.
- All of the tuition generated by an institution should remain at that institution, so that it can be applied toward the institution's budgeted tuition revenue requirement.

- When the UW System faces sizeable GPR base reductions or when GPR funding cuts, adjustments, or legislative mandates disproportionately impact UW System institutions (such as tuition remissions for veterans), resource allocations to institutions should attempt to make the impact on each institution proportional to its share of the overall GPR/Fee base.

In any given year, the actual tuition collected by an institution may exceed its tuition revenue target because of fluctuations in enrollment level or student mix (part-time/full-time or resident/non-resident). Such tuition revenue remains at the institution to cover any unbudgeted expenses, or if unexpended is added to the institution's year-end fund balance. If an institution exceeds its tuition revenue target on a recurring basis, it may request additional budget authority. The additional authority will be added to the institution's GPR/Fee allocation and to its revenue target.

Likewise, an institution may also request additional budget authority for revenues from institution- specific programming/initiatives. These include tuition differentials, tuition from students in self-supported programs, tuition generated from enrollment growth, tuition above the regular graduate rate for students in professional schools, tuition from nonresident students enrolled via the Midwest Student Exchange, the Tri-State, or the return to Wisconsin programs, and growth in application fee revenues. This additional authority will be added to the institution's GPR/Fee allocation and to its tuition revenue target.

If the actual tuition collected by an institution falls short of its tuition revenue target, the institution will need to reduce expenditures or reallocate revenues from another appropriate source. If an institution falls short of its tuition revenue target on a recurring basis, it may request a reduction in budget expenditure authority. The reduced authority will be removed from the institution's GPR/Fee allocation and the tuition revenue target will be lowered.

<u>Related Regent Policies and Applicable Laws</u>

Chapter 20, Wisconsin Statutes
Regent Policy Document XX-YY, University of Wisconsin System Policy on the Expenditure of Tuition and Fee Revenue and State General Purpose Revenue

December 6, 2013

University of Wisconsin System Trust Funds
Investment Policy Statement

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the recommended revisions to, and otherwise reaffirms its adoption of, the *Investment Policy Statement* for the University of Wisconsin System Trust Funds.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
INVESTMENT POLICY STATEMENT

EXECUTIVE SUMMARY

BACKGROUND

The current version of the *Investment Policy Statement* ("IPS") for the UW System Trust Funds was approved by the Board at its meeting of December 7, 2012. The preface of that document states the following under the section entitled *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**,** the 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."

Two key elements of the IPS are the strategic asset allocation targets for both the Long Term and Intermediate Term Funds, and the spending policy for the Long Term Fund (the Fund used for endowments). This annual review of the IPS in its entirety provides for the periodic review of asset allocations and spending policy.

REQUESTED ACTION

Approval of Resolution I.2.c.1.

DISCUSSION

The attached "red-line" version of the IPS highlights the recommended revisions to the policy. While there are no revisions being recommended to either the strategic asset allocation targets for the Long Term or Intermediate Term Funds, or the spending policy for the Long Term Fund, numerous less-substantive revisions have been made, most of which fall into the following groupings: 1) updates to the Committee name to remove "Audit," 2) updates to Fund market values and cash flow histories, 3) addition/clarification of several investment benchmarks, 4) updates to the summary of Regent Policy Documents (RPDs) dealing with proxy voting and "social responsibility" (see Appendix 3), necessitated by the Board's recent changes to these RPDs, and 5) various minor clean-ups and clarifications.

RELATED REGENT POLICIES

Regent Policy 31-9: *Investment Policy Statement: Key Elements and Review Process*

UNIVERSITY OF WISCONSIN SYSTEM
TRUST FUNDS

INVESTMENT POLICY STATEMENT

Last Revised/Reaffirmed: December ~~7~~6, 201~~2~~3

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 bequests~~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 System 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~~,~~ and 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 five 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.

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, the 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 intermediate to short-term investment time horizons, 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 generally be excluded from investment consideration. (It should be noted that under certain circumstances, a tax-exempt organization's investments can generate Unrelated Business Taxable Income (UBTI). Therefore, for investment vehicles and strategies that could potentially generate UBTI, 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 purchasing power of the corpus is to be preserved into perpetuity.

Fund Size. At roughly $352~~28~~ million as of June 30, 2013~~2~~, 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 ~~seven~~ten-year period ended June 30, 2013~~1~~, the Fund experienced quarterly cash flows ranging from +0.70 percent of assets to -1.32~~6~~ percent, and the average net quarterly cash flow was -0.77~~6~~ percent of assets. The limited and fairly predictable nature of quarterly withdrawal requirements coupled with the perpetual time horizon of the Fund suggests that meaningful allocations can be made to "illiquid" asset classes. Nevertheless, careful and on-going cash flow modeling for "illiquid" investments and asset classes should be conducted to help ensure that the Long Term Fund has the desired liquidity when needed, and that the Fund does not deviate substantially from its desired asset class, investment, and manager target allocations.

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 $87~~6~~ million as of June 30, 2013~~2~~, 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, 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 Intermediate Term Fund permits withdrawals and contributions on a quarterly basis; however, the quarterly cash flows are less certain since all assets are fully expendable. Over the ten~~seven~~-year period ended June 30, 2013~~1~~, the Fund experienced quarterly cash flows ranging from +0.5~~1.1~~ percent of assets to -7.6~~6.4~~ percent, and the average net quarterly cash flow was -1.8~~2~~ percent of assets~~ (note, these numbers exclude the annual "sweep" of excess, unused Income Fund balances into the Intermediate term Fund)~~. 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 longer-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 (credit and/or interest rate risk)
- Inflation
- Deflation
- Economic trauma
- Geopolitical trauma
- Liquidity/Illiquidity
- National and global monetary and fiscal policies

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 short-lived). 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 large 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. An 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. An example of "portable alpha" 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. 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 indicator 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 often~~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 total, in theory, should come primarily from manager skill in identifying and exploiting mispricings and arbitrage opportunities; 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 that are most widely used are "capitalization-weighted." Capitalization-weighted indexes are comprised of a particular market's securities, weighted by their total capitalization value (e.g.,~~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" or "more efficient" alternatives. However, capitalization-weighting remains a sound basis for benchmark construction, as such indexes do represent the "current market" for a particular asset class; any deviations from capitalization-weighted indexes (e.g., equal-weighted, or fundamentally-weighted) represent active investment management decisions to deviate from the current market portfolio.

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., "normal" distributions of investment returns are assumed when hard-to-model "non-normality" and "fat left tails" are more realistic; there is uncertainty associated with other assumptions and inputs; 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")
Global Developed Market Equities
Emerging Market Equities
Private Equity (e.g., venture capital, leveraged buyouts, other private capital)
High Yield Debt/Credit (e.g., high yielding corporate debt or bank loans, emerging market debt)
Directional Hedge Funds (e.g., long-biased equity or high yield/distressed debt strategies)

Event-Risk and Deflation-Hedge Assets. (i.e., lower risk, "catastrophe insurance"-like)
High Quality Debt/Credit (pure U.S. Treasuries are perhaps ideal here)
U.S. Cash
Absolute Return/Non-Directional Hedge Funds (e.g., "market neutral" strategies)

Real and Inflation-Hedge Assets. (i.e., physical assets and inflation-protected financial assets)
U.S. TIPS (Treasury Inflation Protection Securities)

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

Real Assets (e.g., private/public commercial real estate, timber and farm land, commodities, 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.

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.)

Various Investment Beliefs and Biases. Generally, it is believed that successful investment programs and portfolios will reflect and incorporate the following long-term, strategic tenets and biases:

- Value(ation) orientation – that is, for a risky investment to be attractive, its price should reflect a significant "margin of safety" or discount versus some reasonable valuation of the asset.
- Price paid is <u>always</u> a major determinant of realized investment returns.
- Mean reversion is powerful and inevitable – that is, in virtually all things economic within competitive, capitalist systems (e.g., profit margins, economic growth rates, real interest rates, credit spreads, asset pricings, etc.), values at extremes will revert to long-term averages.
- Particularly for equities, and contrary to theory, higher risk stocks/companies underperform lower risk stocks/companies, where risk is viewed in terms of such things as beta, volatility, quality (e.g., in regards to profitability, leverage, etc.), and size; therefore, large or even mega-cap, high-quality stocks/companies should form the strategic core of equity portfolios.
- One risk factor that the market generally compensates for on average is "illiquidity;" therefore, all else being equal, portfolios should reflect a bias towards less liquid assets.

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.

Commodities. Although "commodities" are included in the Real Assets category shown above, it is in many ways also questionable as to whether they constitute an asset class or an "investment" at all. Direct ownership of commodities (or commodity-linked derivatives) may provide an inflation hedge, in that their prices should in theory be highly correlated to general inflation levels, but aside from an inflation-like return, there is no other expected return and certainly no generation of income while the assets are held. Most commodities do have intrinsic value as production inputs to the process of generating real economic wealth (gold is one exception here, however, as it has essentially no intrinsic value), so demand for commodities should be fairly strongly correlated to levels of and growth in economic activity. Of course, "substitution" is always a risk that could diminish demand. The supply side of the price function is much less clear. For instance, non-renewable commodities will eventually grow more scarce, while new technologies and efficiencies will continue to enhance supplies (and lower production costs) of both renewable and non-renewable resources. Of course, diversification (from lower correlations to other investments) is often cited as a primary benefit from commodity ownership, but source and levels of return remain nebulous. The premise put forth here is that direct ownership of commodities themselves (even in derivative-linked forms) represents a dubious form of "investment." Commodities may represent another option for simply "storing wealth" or as an inflation hedge, subject nonetheless to the risks and vagaries of their unique supply and demand functions. Making (or losing) money in commodities and commodity derivatives may therefore remain a playground better suited to speculators and natural hedgers (i.e., commercial producers and users).

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. Derivatives can be used in ways that increase or decrease the risk/return profile of an investment portfolio. Therefore, as with leverage, derivatives are inherently neither good nor bad. The primary risk of derivative strategies comes from the potential to leverage a position or to invest/speculate without committing capital. For example, to the extent that the underlying collateral for a long derivatives position is invested in other than essentially risk-free assets, the position is "leveraged" in that additional risk is introduced into the portfolio. The use of derivatives to create such economic leverage should generally be prohibited. The use of "over-the-counter" (OTC) derivatives also introduces counter-party credit risk; this results because there is no well-capitalized clearinghouse that insures the performance of both parties to a derivative contract as there is for exchange-traded derivatives. Overall, uses of derivatives, if employed, should be well-defined, clearly understood, and generally seek to reduce or provide for better management of portfolio risks 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.

Keep It Simple. The central premise here is that overall simplicity in an investment program is generally a virtue. Complex new investment schemes (e.g., "portable alpha," "risk parity," complex "overlay strategies," etc.) should be treated with great skepticism. Generally, the simple basics of sound investing practices (as discussed throughout this section) are sufficient to garner long-term investment success. Complex schemes and strategies should only be entertained if they are fully understood in terms of risks (often new and complex), expected rewards, and their impact on and interaction with the overall investment portfolio under not only "normal" but extreme market and economic conditions as well.

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 Unendowed~~Unrestricted~~ Bequests/~~-~~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. (An example of potentially achieving "additional" benefits through a Wisconsin focus might be the investment of State pension assets, which could result in greater State tax revenue and better funding of the pension plan.)

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 reviewed 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 to 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 at the Fund level, 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 (these are given in Appendices 5 and 7). 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 of the Fund is generally expected to be managed within a 20 percent range of the total risk of the policy portfolio benchmark~~budgeted level~~. For example, if the policy portfolio's 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.~~

(Note: The risk metrics and budgeting processes described above may not be employed until the Funds have achieved actual asset allocations close to their target strategic allocations or "policy portfolio" weightings.)

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 and~~,~~ Finance~~, and Audit~~ Committee. The Board delegates all other management and administration responsibilities for the UW Trust Funds to its Business and~~,~~ 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: any violation of established investment guidelines; 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 (RFP) process and public notification of the impending vendor search. Also in these cases, an "Evaluation Team" or "Selection Committee" will be involved in the selection process. Such team or committee will include at least two members with financial or investment expertise who are external to the Office of Trust Funds.

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
- Evidence and significance of competitive advantages
- 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. Codes of Ethics and Avoiding Conflicts of Interest

UW System Code of Ethics~~General Expectations~~. Pursuant to this Code, ~~I~~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, no member of the UW System staff may solicit or accept from any person or organization anything of value pursuant to an express or implied understanding that his or her conduct of University business would be influenced thereby. ~~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.~~

CFA Code of Ethics. The Office of Trust Funds also 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~~
- "U.S.-centric 70/30" Benchmark – defined as 55 percent S&P 500, 15 percent MSCI EAFE, and 30 percent Barclay's~~Lehman~~ Aggregate Bond Indexes, which is to represent a more traditional portfolio
- "Global 70/30" Benchmark – defined as 70 percent MSCI ACWI and 30 percent Barclay's Global Aggregate Bond Indexes, which is to represent a more globally-diversified traditional portfolio
- Spending Rate + CPI (and/or HEPI) + Expenses – which is to represent the "hurdle" rate for sustaining the endowment's purchasing power
- NACUBO-Commonfund Study (and/or other Peer) Median(s) – which is to reflect the average performance of similar-sized university endowments
- "Policy portfolio" benchmark – as provide in **Appendix 5**, which is to represent a purely passive approach at both asset-class and Fund levels (note: this benchmark will not be employed until the Fund has achieved actual asset allocations close to its "policy portfolio" weightings)
- Risk-adjusted performance – both the volatility (standard deviation of returns) and Sharpe ratio (return per unit of volatility) of the Fund will also be compared to those of the above benchmarks where possible

Opportunistic Investment Category. There is no appropriate market or peer benchmarks for this investment category. However, the expectation for the category as a whole and over time, is that its inclusion will have enhanced the risk/return profile of the Fund (i.e., it will have provided for better risk-adjusted returns). Such evaluations should be periodically made to help determine whether the "opportunistic program" is adding value.

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~~
- Barclay's ~~Lehman~~ Intermediate Aggregate Bond Index – which is to represent a more traditional intermediate "expendables" fund

- "Policy portfolio" benchmark – as provide in **Appendix 7**, which is to represent a purely passive approach at both asset-class and Fund levels (note: this benchmark will not be employed until the Fund has achieved actual asset allocations close to its "policy portfolio" weightings)
- Risk-adjusted performance – both the volatility (standard deviation of returns) and Sharpe ratio (return per unit of volatility) of the Fund will also be compared to those of the above benchmarks where possible

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, investment performance data, and fund-level activities and transactions
- Annual Report – which is to provide annual data on sources and uses of the Funds, annual financial statements for the Trust Funds as a whole (consistent with the UW System's audited financial statements), and information on the external 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 any areas 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.

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
Investment Policy Statement

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.

UPMIFA, s. 112.11, Wisconsin Statutes. The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), codified in s. 112.11, Wis. Stats., applies to institutional funds, defined as funds held by an institution exclusively for charitable purposes, including governmental organizations and universities, organized and operated exclusively for educational, religious, charitable or other eleemosynary purposes. UPMIFA describes the standard of conduct in managing and investing an institutional fund; the appropriation for expenditure of endowment funds, providing various rules of construction here; the delegation of management and investment functions; the release or modification of restrictions on management, investment, or purpose; and states that the statute applies to institutional funds existing on or after August 4, 2009, governing only decisions and actions taken on or after that date.

In general, UPMIFA grants broad authority to the institution to invest and reinvest institutional funds, unless otherwise limited by the applicable gift instrument or law. The institution may delegate its investment authority to its committees, its officers, or employees, or to other outside investment managers or advisors. The institution may also appropriate for expenditure a portion of the appreciated assets of an endowment fund, and make other expenditures as permitted by law, relevant gift instruments or the institutional charter. With respect to managing and investing, delegating management and investment functions , and making appropriations of appreciated assets, UPMIFA establishes the standard of fiduciary conduct that the institution must follow, requiring that the institution "act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." Section 112.11(3), (4), (5), Wis. Stats.

UPMIFA further permits the release or modification of any restrictions on the use or investment of funds, if the donor gives written consent. The institution also may apply to a state circuit court for modification of a restriction regarding the management or investment of an institutional fund, "if the restriction has become impracticable or wasteful, if it impairs the management or investment of the fund, or if, because of circumstances not anticipated by the donor, a modification of a restriction will further the purposes of the fund…. To the extent practicable, any modification must be made in accordance with the donor's probable intention." Under similar circumstances, the institution may also apply to a circuit court to modify the purpose of the fund or a restriction on the use of the fund, "in a manner consistent with the charitable purposes expressed in the gift instrument." Lastly, release or modification for reasons described above regarding the purpose, management or investment of an institutional fund of less than $75,000 and more than 20 years old is permitted upon 60 days' notification to the attorney general. Section 112.11(6), Wis. Stats.

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.

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.

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: Proxy Voting~~Procedures and Guidelines for Voting Proxies~~

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

Routine issues generally include such items as the following:

- Election of directors~~, unless the nominee has been found guilty in a criminal action~~
- Election of auditors
- Elimination of preemptive rights
- Management recommendations regarding ~~A~~adding or amending indemnification provisions in charters or by-laws
- Authorization to issue common stock under option and incentive plans under most circumstances~~, and other corporate purposes~~
- Issuance of additional shares of stock for other corporate purposes under most circumstances
- Changes to the Board of Directors; proposals relating to cumulative voting, annual election of directors, and staggered boards
- Outside director compensation (cash plus stock plans)

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

Non-routine issues generally include such items as the following:

- ~~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 described or alluded to under RPD 31-13, "Social Responsibility Investment Considerations"~~relating to substantial social injury as defined in Regent Policy 31-13~~
- Share~~tock~~holder proposals opposed by management and not supported by the investment~~portfolio~~ managers
- Amendments to corporate charter or by-laws which might affect shareholder rights
- Acquisitions and mergers
- Generally, other issues not considered "routine"

~~*Regent Policy 31-5: Investments and the Environment*~~

- ~~The Board is cognizant of the UW System's, and state and federal governments' commitments to environmental protection.~~
- ~~The Board expects that companies invested in will evidence similar commitments.~~
- ~~Persons/groups with evidence of a company not meeting these expectations can detail their concern and evidence to the Business, Finance, and Audit Committee.~~

- ~~The Committee may then afford the company an 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.~~

~~*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 Investment Considerations

- The primary fiduciary responsibility is to maximize financial return, given an appropriate level of risk.
- The Board acknowledges the importance of public concerns about corporate policies/practices that are discriminatorye or cause ~~"~~substantial social injury~~" and these concerns will be taken into account~~.
- To enhance Board awareness of social concerns, a proxy review will be conducted, so as to highlight relevant shareholder proposals and key issues.
- To solicit input from students, faculty, alumni and citizens on matters related to social concerns, the Business and~~,~~ Finance~~, and Audit~~ Committee of the Board of Regents may schedule a public forum at the request of parties interested in presenting such concerns to the Board of Regents.
- Given the Board's, state and federal commitments to environmental protection, it is expected that the companies or other entities in which it invests will evidence similar commitment in their activities.
- Consistent with Wis. Stats. 36.29(1), investments made in any company employing persons in nations which by their laws discriminate on the basis of race, religion, color, creed or sex shall be divested in as prudent but rapid manner as possible.
- 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.

Appendix 4

POLICY ON LARGE UNENDOWED BEQUESTS/GIFTS~~QUASI-ENDOWMENTS~~

Regent Policy 31-15: Policy on Large Unendowed Bequests/Gifts~~Quasi-Endowments~~

~~"That, upon recommendation of the President of the University of Wisconsin System,~~ A~~a~~ll new bequests/gifts ~~quasi-endowments greater than~~ of $250,000 or more where the donor is silent as to the expenditure of principal, shall 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~~, and Audit~~ Committee."

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
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Appendix 5

STRATEGIC ASSET ALLOCATIONS ~~AND BENCHMARKS~~ FOR THE LONG TERM FUND

Asset Allocations

LONG TERM FUND	**Target Strategic Allocations (Policy Portfolio)**	**Min./Max. Guidelines**
Growth and High-Yielding Assets		
Global Developed Market Equities	**27.5%**	**20% - 50%**
Emerging Market Equities	**7.5%**	**0% - 20%**
Private Equity	**10%**	**5% - 15%**
High Yield Debt/Credit	**10%**	**0% - 20%**
Directional Hedge Fund Strategies	**0%**	**0% - 15%**
	55%	**25% - 80%**
Event Risk- and Deflation-Hedge Assets		
High Quality Debt/Credit	**15%**	**10% - 50%**
U.S. Cash	**0%**	**0% - 15%**
Absolute Return Strategies	**10%**	**0% - 20%**
	25%	**10% - 50%**
Real and Inflation-Hedge Assets		
U.S. TIPS	**5%**	**5% - 15%**
Real Assets	**15%**	**5% - 25%**
	20%	**10% - 35%**
Opportunistic	**0%**	**0% - 20%**
	100%	

Indexes Broadly Representative of Each Asset Class/Strategy ~~Benchmarks~~

Asset Class	Index(es)~~Benchmark~~
Global Developed Market Equities	MSCI World Index
Emerging Market Equities	S&P/IFC Investable Composite Index
Private Equity	Venture Economics Benchmarks/Public Equities + 300 bps
High Yield Debt/Credit	Bank of America ~~Barclay's~~ High Yield BB/B Index
Directional Hedge Fund Strategies	HFRI Fund of Funds: Strategic Index
High Quality Debt/Credit	Citigroup 1-10 Year U.S. Treasury Index/Barclay's Global Aggregate Bond Index
U.S. Cash	1-Month Treasury Bill
Absolute Return Strategies	HFRI Fund of Funds: Conservative Index
U.S. TIPS	Citigroup Inflation Linked Securities Index
Real Assets	Composite of various indexes (e.g., NCREIF Property, NCREIF Timber Indexes, DJ-AIG Commodities Index (of spot prices)/CPI + 300 bps

Note: The "policy portfolio" benchmark for the Long Term Fund is comprised of the above indexes, weighted so as to match the "target strategic allocations."

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
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Appendix 6

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

Asset Allocations

LONG TERM FUND	**Target Allocations**	**Min./Max. Guidelines**
Global Tactical Asset Allocation	**25%**	**20% - 30%**
Growth and High-Yielding Assets		
Global Developed Market Equities	**18%**	**15% - 35%**
Emerging Market Equities	**5%**	**0% - 10%**
Private Equity	**10%**	**5% - 15%**
High Yield Debt/Credit	**7%**	**0% - 15%**
Directional Hedge Fund Strategies	**0%**	**0% - 15%**
	40%	**20% - 60%**
Event Risk- and Deflation-Hedge Assets		
High Quality Debt/Credit	**10%**	**5% - 35%**
U.S. Cash	**0%**	**0% - 10%**
Absolute Return Strategies	**7%**	**0% - 15%**
	17%	**5% - 35%**
Real and Inflation-Hedge Assets		
U.S. TIPS	**3%**	**0% - 10%**
Real Assets	**15%**	**5% - 25%**
	18%	**5% - 25%**
Opportunistic	**0%**	**0% - 20%**
	100%	

Additional Representative Indexes/Benchmarks

Strategy	Index(es)/Benchmark(s)
Global Tactical Asset Allocation	60% MSCI World Index, 20% Citigroup 3-Month T-Bill, 20% Barclay's U.S. Aggregate Bond Index/70% MSCI ACWI Index, 30% Barclay's Global Aggregate Bond Index
Opportunistic	There is no appropriate market index for this strategy; however, performance expectations are discussed in the body of the IPS.

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).

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
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Appendix 7

STRATEGIC ASSET ALLOCATIONS FOR THE INTERMEDIATE TERM FUND

Asset Allocations

INTERMEDIATE TERM FUND	**Target Strategic Allocations (Policy Portfolio)**	**Min./Max. Guidelines**
Growth and High-Yielding Assets		
Global Developed Market Equities	**15%**	**5% - 20%**
Emerging Market Equities	**0%**	**0% - 5%**
High Yield Debt/Credit	**5%**	**0% - 10%**
	20%	**5% - 25%**
Event Risk- and Deflation-Hedge Assets		
High Quality Debt/Credit	**50%**	**40% - 75%**
U.S. Cash	**5%**	**0% - 15%**
Absolute Return Strategies	**10%**	**5% - 15%**
	65%	**45% - 80%**
Real and Inflation-Hedge Assets		
U.S. TIPS	**15%**	**5% - 30%**
	100%	

Indexes Broadly Representative of Each Asset Class/Strategy ~~Benchmarks~~

Asset Class	Benchmark
Global Developed Market Equities	MSCI World Index
Emerging Market Equities	S&P/IFC Investable Composite Index
~~Private Equity~~	~~Venture Economics Benchmarks/Public Equities + 300 bps~~
High Yield Debt/Credit	Bank of America~~Barclay's~~ High Yield BB/B Index
High Quality Debt/Credit	Citigroup 1-10 Year U.S. Treasury Index/Barclay's U.S. Aggregate Bond Index
U.S. Cash	1-Month Treasury Bill
Absolute Return Strategies	HFRI Fund of Funds: Conservative Index
U.S. TIPS	Barclay's 0-5 Year TIPS Index

Note: The "policy portfolio" benchmark for the Intermediate Term Fund is comprised of the above indexes, weighted so as to match the "target strategic allocations."

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
Investment Policy Statement

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
Acceptance of Bequests

BUSINESS AND FINANCE COMMITTEE

Resolution:

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 Board of Regents and the President 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.

UW SYSTEM TRUST FUNDS
ACCEPTANCE OF BEQUESTS OVER $50,000

EXECUTIVE SUMMARY

BACKGROUND

Board of Regents policy provides that individual bequests of $50,000 or more will be brought to the Business and Finance Committee so that they can, via resolution, be formally accepted and recognized by the Board, President, and appropriate Chancellor, if to a specific campus. The resolution of acceptance, recognition, and appreciation will then be conveyed, where possible, to the donor, the donor's family, and other interested parties.

REQUESTED ACTION

Resolution accepting and recognizing new bequests of $50,000 or more.

DISCUSSION

Details of new bequests of $50,000 or more that have been or will be received by UW System Trust Funds on behalf of the Board of Regents are attachmed.

RELATED REGENT POLICIES

Resolution 8559, June 7, 2002 - Process for Presenting and Reporting Bequests

1. **Blanche Gulyash Estate**

A bequest in the amount of $57,487 has been received from the estate of Blanche Gulyash. Ms. Gulyash's Will states the following under III., B., 9.:

> "The remaining one-half (1/2) shall be distributed to… and the three named beneficiaries as set out below….:
>
> 9. University of Wisconsin – 20%."

Regarding the donor's background, the following are excerpts from obituaries for both Blanche and her husband, Joseph Gulyash:

> "Joseph Gulyash, age 90 of Sevierville, Tennessee, passed away the morning of Monday, October 9, 2006 at Sevier County Health Care Center in Sevierville. Mr. Gulyash lived in Santa Rosa, CA from 1972-1991. Joe attended St. Catherine High School in Racine, Wisconsin, Lake Forrest College in Lake Forrest, Illinois and University of Illinois Medical School in Chicago, Illinois. Mr. Gulyash served in the United States Air Force as Lt. Colonel and had a distinguished career as an ophthalmologist while serving and in private practice."

> "Blanche McCroskey Tarver Gulyash, age 86, of Sevierville, TN graduated to heaven on Friday, October 21, 2011. She was born to Kate and Mack McCroskey on Dec. 6, 1924. She lived many years in Ukiah and Santa Rosa, CA before moving back to Sevierville in 1991. During her lifetime, she worked for the FBI in Washington DC, as secretary to an ophthalmologist in CA and for the Social Security Office in CA."

This bequest has been used to establish the "Gulyash Ophthalmology Research Fund," a quasi-endowment available to UW-Madison's Department of Ophthalmology and Visual Sciences for research.

2. **Eugene and Irene Pantzer Estate**

A bequest totaling $1,298,090 has been received from the Eugene E. and Irene Pantzer Charitable Remainder Trust. The relevant trust document states the following:

> "G. ONE-SIXTH (1/6th) to THE UNIVERSITY OF WISCONSIN BOARD OF REGENTS, to establish a scholarship fund for students of Classical, Far or Middle Eastern Languages and Cultures, who have both verifiable acumen and financial need. This fund is in loving memory of John M. and Minnie Riess Detling, graduates of the University."

Regarding the donors' backgrounds, we know that the Pantzers were from Sheboygan, Wisconsin, and that Eugene Pantzer authored a book entitled "Antun Gustav Matos" (Matoš was a Croatian poet, short story writer, journalist, essayist and travelogue writer). Mrs. Lois Irene (McElwain) Pantzer, who was preceded in death by her husband Eugene, died November 17, 2012 at her home in Rogers, Arkansas at the age of 89. At the time of her death, she was survived by her sister and eight nieces and nephews and their families.

This generous bequest has been used to establish the "Eugene and Irene Pantzer Scholarship Fund," a designated-endowment available to the College of Letters and Science for scholarships for students of Classical, Far or Middle Eastern Languages and Cultures. It should also be noted that John M. and Minnie Riess Detling, to whom the Pantzers dedicated their bequest, were also very generous benefactors to UW-Madison.

3. James Lathers Estate

A bequest in the amount of $357,250 has been received from the estate of James V. Lathers. Mr. Lathers' Will states the following under section 2.2.3:

> "15% to the University of Wisconsin, Madison, School of Music"

Mr. Lathers was born in Rockford, Illinois in 1942, graduated from West High School there in 1960, and then graduated from UW-Madison in 1964 with a B.S. in electrical engineering. James then moved to California and spent most of his career as an engineer at Hughes Aircraft. He was also a lifelong music lover, played the saxophone, and had an extensive collection of musical instruments.

The amount of $200,000 has been used to establish the "James V. Lathers Discretionary Endowment Fund," a designated-endowment available to UW-Madison's School of Music for its discretionary purposes. The amount of $157,250 has been used to establish the "James V. Lathers Discretionary Expendable Fund," a quasi-endowment also available to the School of Music for its discretionary purposes.

4. Carl L. Behrend Trust

Bequests totaling $377,433 have been received from the Carl L. Behrend Trust. The Trust document states the following under 2.4., B., d) and i):

> "One percent (1%) thereof to the MAX KADE INSTITUTE FOR GERMAN-AMERICAN STUDIES, University of Wisconsin, Madison, Wisconsin."
>
> "Fifty percent (50%) thereof to the Board of Directors of UNIVERSITY OF WISCONSIN, Whitewater, as and for a scholarship in the name of ADA NANCY STODA and CARL L. BEHREND. Said money shall be used for scholarships in the College of Business and Economics for Business Education majors."

Carl L. Behrend, originally of Oconomowoc, Wisconsin, was born in 1913 and died on September 13, 1992 at the age of 79 in Laguna Hills, California. Carl received his B.S. in Agriculture from UW-Madison in 1936 and a graduate degree from UW-Whitewater, where he later taught Business Education.

The $7,400 bequest has been used to establish the "Carl L. Behrend Library Trust Fund," a quasi-endowment available to the Max Kade Institute for German-American Studies at UW-Madison. The $370,033 bequest has been used to establish the "Carl L. Behrend and Ada Nancy Stoda Scholarship Fund," a designated-endowment available to UW-Whitewater for scholarships for students majoring in Business Education in the College of Business and Economics.

5. Ebling Charitable Trust

For many years, UW-Madison has been the benefactor of distributions from the Ebling Charitable Trust, which have been used to establish and sustain these five separate endowed scholarships funds:

- The "Walter H. Ebling Scholarship Fund," for students with any major in the College of Agricultural and Life Sciences.
- The "Elsie Iwen Ebling Scholarship Fund," for students majoring in Art.
- The "Paul R. Ebling Scholarship Fund," for students in pre-medicine.
- The "Walter R. Ebling Scholarship Fund," for students majoring in Finance in the School of Business.
- The "Mary J. Ebling Guhl Scholarship Fund," for students majoring in Elementary Education or Occupational Therapy in the School of Education.

The Ebling Charitable Trust was recently terminated, and the remaining trust balance of $353,884 has been transferred to UW System Trust Funds and divided among these five scholarship funds such that their principal market value balances are now equal, as requested by the Ebling Trustees.

Regarding the background of this very generous family of benefactors, there is much to convey. Each of the immediate Ebling family members (and some extended members) was educated at a UW institution. The father of the clan, Walter Henry Ebling, grew up on a farm near Richland, earned his B.S. in Agriculture and M.S. and Ph.D. in Agricultural Economics at UW-Madison. He then became a professor and taught Agricultural Economics at UW-Madison full-time for many years and later on a part-time basis after accepting positions at both the State and U.S. Departments of Agriculture. The mother of the clan, Elsie Helen Iwen Ebling, earned a B.S. degree in Art Education from the Milwaukee State Normal School (which later became UW-Milwaukee). Elsie then taught art in Madison until she married Walter. Son Walter R. Ebling earned both his BBA in Finance and MBA at UW-Madison's School of Business, and his wife Sandra also earned her BBA there. Daughter Mary Ebling Guhl received her B.S. in Occupational Therapy at UW-Madison and her Master's in Elementary Education at UW-Oshkosh, while her husband Max John (Jack) Guhl earned both his BBA in Industrial Management and MBA at UW-Madison's School of Business. Son Dr. Paul R. Ebling received his M.D. in Internal Medicine from UW-Madison in 1955 and later specialized in Industrial Medicine. Paul retired from the Middleton Veterans Hospital. Through his estate, the family of Paul Ebling gave the largest single private gift to UW-Madison's Health Sciences Learning Center (HSLC), which was completed in 2004. In honor of Paul and the Ebling family, the library at the HSLC was named "The Ebling Library." And there is further evidence of the Eblings' generosity and love for the UW on the Madison campus. In October 2007, the "Ebling Symposium Center" in the new Microbial Sciences Building was dedicated in honor of Walter Henry Ebling. And in October 2012, the council ring and steps to the lake at Picnic Point were dedicated to Elsie Iwen Ebling.

6. <u>Marion E. Vearus Estate</u>

A partial distribution of $300,000 has been received from this estate, and the total bequest is expected to exceed $450,000. The Will of Marion E. Vearus states the following in section II:

> "I give, devise and bequeath all of my property, real, personal and mixed, wherever situated, as follows:
>
> A. One-half (1/2) thereof to the University of Wisconsin-Madison to be expended under the supervision and direction of the Dean of the Medical School in research or otherwise."

Ms. Vearus was the daughter of Carl and Evelyn (Jones) Vearus, was a resident of Columbus, Wisconsin, and died at the age of 90 on June 27, 2013. Nancy Kind, personal representative for Marion's estate, provided these comments about the donor:

"Marion was a member of Zion Lutheran Church in Columbus. She worked for many years at the Columbus Canning Factory as executive assistant to the president Fred Stare. She was an only child and had no children of her own, but thought very highly of Columbus Community Hospital, Zion Lutheran Church, and the University [of Wisconsin] Hospital. She gave her estate to these entities. She was an independent and private person. She wanted to give back to the community and she saw in the church and hospitals a way of investing forever in the community.

She lived with and cared for her parents until they died when she was in her fifties. Shortly after her retirement she was declared legally blind and would do a lot of walking to take care of her business. She and her parents received services from both hospitals mentioned in her will."

UW-Madison and its School of Medicine and Public Health will be consulted as to the disposition of this generous bequest.

UW SYSTEM TRUST FUNDS
2013 PROXY VOTING SEASON RESULTS

EXECUTIVE SUMMARY

BACKGROUND

As provided in Regent Policy 31-10, 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 the environment, discrimination, and substantial social injury (as addressed in Regent Policies 31-13 and 31-16). Voting recommendations for such proxies were provided to the Business and Finance Committee for its 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 2013 proxy season saw the filing of 395 proposals related to social issues, up substantially from 358 last year. Through the end of June, 181 social issue proposals resulted in shareholder votes, 151 were withdrawn, 47 were allowed to be omitted by the Securities Exchange Commission (SEC), and 16 are still pending.

The categories of proposals that won strong shareholder support in 2013 included the following requests of companies: expand or report on fair employment policies; disclose and monitor political contributions; report on sustainability efforts; and, report on the environmental impact of hydraulic fracturing. Each of these categories received, on average, the support of 24 percent or more of the votes cast.

In addition, proponents have withdrawn 151 resolutions so far in 2013, up from the 135 and 127 the past two years, respectively. Withdrawals accounted for over 38 percent of the total social resolutions filed, representing a strong year for shareholder advocates. Nearly all of the withdrawals in 2013 represent concessions made by the target companies, and many proponents consider them to be a more important measure of success than high votes.

UW Trust Funds submitted voting instructions for 25 proposals (including “non-routine” corporate governance proposals), compared with 17 and 38 proposals for the past two years, respectively. Of the proxies submitted for voting by the Trust Funds, 11 came to votes, 12 were withdrawn, one was omitted, and one is pending. The full report, *2013 Proxy Voting Season Results*, giving more detail on the actual voting results and the entire proxy season, is attached.

RELATED REGENT POLICIES

Regent Policy 31-10: Proxy Voting
Regent Policy 31-13: Social Responsibility Investment Considerations
Regent Policy 31-16: Sudan Divestment

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
2013 Proxy Voting Season Results

Introduction

This report summarizes the results of the shareholder proposals for the 2013 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 the environment, discrimination, or substantial social injury, as addressed in Regent Policies 31-10, 31-13, and 31-16.

An attachment to this report gives the detailed listing of the specific UW Trust Funds votes for the 2013 season, as well as the overall results for each shareholder proposal. The proxy research and voting statistics included in this report were obtained from the Institutional Shareholder Services (ISS) U.S. Proxy Season Review publication. It is worth noting that the Trust Funds can only vote proxies for shares directly owned and held within separate accounts. Currently, only 34 percent of the Long Term Fund’s equities are held in separate accounts.

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 under certain circumstances. The SEC’s shareholder proposal rule lists 13 substantive reasons why shareholder resolutions can be omitted, ranging from vagueness to irrelevance, and includes the often used “ordinary business” exclusion.

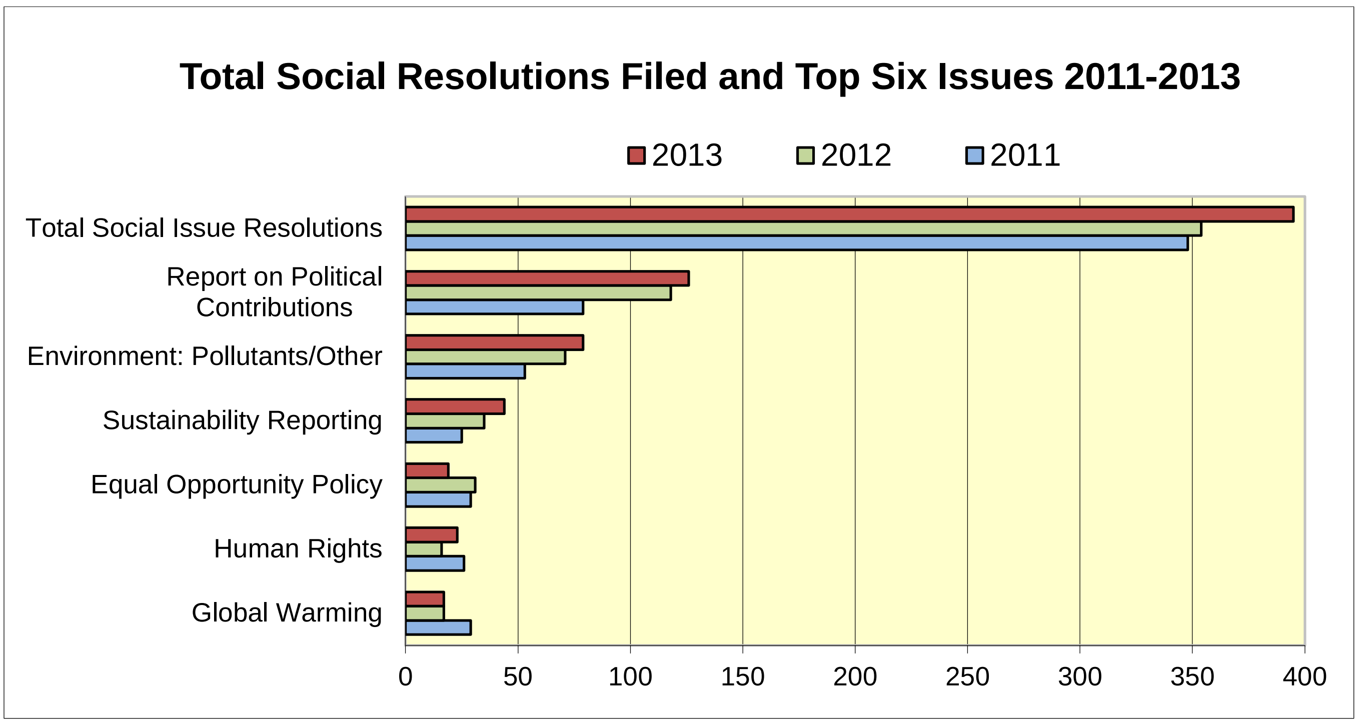
2013 Proxy Season Summary

The 2013 proxy season saw the filing of 395 proposals related to social issues, up substantially from 358 last year. Of the resolutions filed this year, 181 social issue proposals resulted in shareholder votes, 151 were withdrawn, 47 were allowed to be omitted by the SEC, and 16 are still pending (a summary table is included below).

Social Issues Proposals 2009-2013*					
	2009	2010	2011	2012	2013**
Filed	361	384	348	358	395
Omitted	44	50	53	49	47
Withdrawn	143	146	120	135	151
Voted On	174	188	164	170	181

*For shareholder meetings January 1 through June 30.
**Pending votes are not shown.

The following chart shows the overall number of proposals filed for the past three years along with the top six categories:



Proxy Resolutions Withdrawn

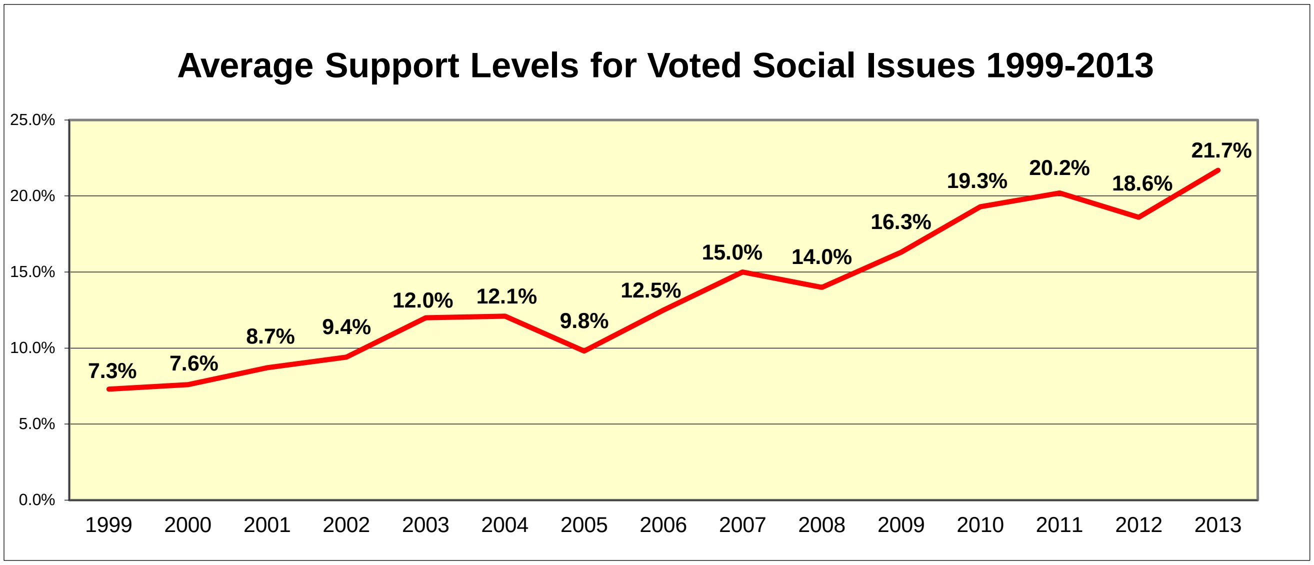
Proponents have withdrawn 151 resolutions so far in 2013, up from the 135 and 127 the past two years, respectively. Withdrawals accounted for over 38 percent of the total social resolutions filed, representing a strong year for shareholder advocates. Nearly all of the withdrawals in 2013 represent concessions made by the target companies and many proponents consider them to be a more important measure of success than high votes.

Most notable among the withdrawal categories were proposals regarding board diversity, sustainability, and animal welfare. The highest proportion of negotiated withdrawals involved board diversity requests: these proposals generally ask companies to take steps to ensure that women and minority candidates are in the pool from which board nominees are chosen. Twenty of the 24 board diversity proposals resulted in negotiated withdrawals. Similarly, 26 of the 44 proposals in the sustainability category and nine of the 15 proposals in the animal welfare category resulted in successful withdrawal agreements.

The majority of the sustainability withdrawals involved a promise by the company to produce a detailed sustainability report. The animal welfare withdrawals generally involved a promise by the company to review or report on animal treatment or specific welfare practices. Other notable withdrawals occurred in the environmental category on resolutions relating to sustainable palm oil, where six of the seven proposals were withdrawn. Palm oil has been the topic of much controversy due to the widespread deforestation associated with the plantations. The palm oil proposals asked companies to implement a "comprehensive sustainable palm oil policy." All of the palm oil withdrawals represented negotiated agreements with the companies.

Proxy Resolutions Coming to Votes

Final or preliminary vote results are in for 181 voted proposals through June. Support for shareholder resolutions on social issues averaged a record 21.7 percent, nearly triple the support levels from fifteen years ago. The chart below depicts average support levels over this timeframe.



One primary reason for the higher level of shareholder support is that in recent years, resolutions have increasingly moved away from specific "call to action" issues, such as those targeting tobacco and animal rights, to requests asking for better disclosure on issues relating to business risk. In addition, mainstream investors seem more willing to vote in favor of certain "hot-topic" social issues that tie to a company's bottom line, such as proposals related to hydraulic fracturing.

The 2013 proposal categories that won strong shareholder support included the following requests of companies: expand or report on their fair employment policies; disclose and monitor their political contributions; report on sustainability efforts; and report on the environmental impact of hydraulic fracturing. Each of these categories received, on average, the support of 24 percent or more of votes cast.

In contrast, the proposal category that received the lowest shareholder support for the 2013 proxy was "that companies end animal testing or adopt humane testing standards." This category averaged less than three percent support.

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

Support Levels for Select Social Issues

Subject	2013 Resolutions[1]	Average Support 2013	Average Support 2012	Average Support 2011	Average Support 2010
Political Contributions	126	24.3%	21.2%	28.3%	26.0%
Environment: Pollutants/Other	79	14.1%	17.4%	21.9%	19.2%
Sustainability Reporting	44	33.0%	30.0%	30.7%	28.6%
Board Diversity	24	35.8%	28.4%	24.7%	22.5%
Human Rights Issues	23	15.8%	13.6%	15.9%	17.6%
Equal Employment Opportunity	19	29.0%	32.3%	29.5%	33.6%
Environment: Global Warming	17	22.8%	25.9%	17.0%	21.1%
Animal Welfare	15	2.4%	4.6%	4.8%	4.1%
Internet Issues	5	15.1%	5.7%	N/A	N/A
Executive Pay and Social Performance	5	7.2%	6.3%	6.9%	6.4%
Tobacco Production and Marketing	5	0.0%	2.5%	2.4%	3.4%
Health Issues	1	8.1%	5.3%	4.0%	9.7%
Labor Issues	1	5.7%	18.2%	17.7%	17.9%

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

Proxy Resolutions Omitted

The SEC agreed companies could omit 47 resolutions this year, down slightly from 49 in 2012. The omissions came after companies filed requests for SEC "no-action" letters. The no-action letters allow proposals to be omitted because they violate some portion of the SEC's shareholder proposal rule (which includes various substantive or technical grounds). By far the most common of these SEC exclusions is "ordinary business," in which the company claims that the resolution should be omitted as it addresses ordinary business. The SEC considers ordinary business matters too routine to be governed by shareholders.

Notable "ordinary business" exclusions came on resolutions at Dentsply International Inc. and Danaher Co., asking the companies to report on their plans to ensure that the mercury in dental amalgams is not released into the environment. The companies successfully argued that the proposal raised ordinary business questions because it related to product development and a choice of technologies.

This year also included several company challenges to the SEC based on the proposed issue being moot (another of the SEC exclusion rules), in which the company claims that they are already implementing what the resolution requests. The SEC allowed omissions for two resolutions at Dominion Inc., one asking the company to report on plans to achieve a ten percent increase in energy efficiency and the other requesting a report on the company's offshore wind turbine plans. In this case, the SEC ruled that Dominion's publicly disclosed annual reports and filings already satisfied the guidelines of the two proposals. In a related "mootness" ruling, Teco Energy was allowed to omit a resolution asking the company to "report on measures to mitigate environmental impacts resulting from mountain top coal mining." The SEC ruled that the company's sustainability report already indicated that the proposal had been "substantially implemented."

Proxy Resolutions By Issue

A brief discussion of the major social issue proposals, by issue category, for the 2013 season is provided below.

Political Contributions

For the second straight year, resolutions relating to political contributions were the largest social issues category. The category has seen an explosion in proposals (126 this year and 118 in 2012). The typical resolution asks companies to disclose corporate lobbying expenditures in addition to political contributions. Of the total political contribution resolutions, 84 were voted, 30 were withdrawn, and 12 were omitted. The 84 political contributions resolutions which came to votes averaged 24 percent support, up from 21 percent last year.

The Environment and Global Warming

Investors this year filed 96 environment-related proposals, up from the 88 filed last year. The diverse proposals ranged from global warming, to hydraulic fracturing, to mountaintop mining concerns.

Global warming was again the most prominent single concern among environmental issues, though there has been a considerable drop in the number of proposals the past two years. Only 17 specific global warming resolutions were filed in both 2012 and 2013, down from 41 and 30 in 2011 and 2010. The decrease appears to be coming from an evolution of approaches to the topic, which shareholders are now addressing through an increasingly diverse set of proposals going beyond global warming and into broader environmental and sustainability concerns. In fact, most of the resolutions requesting sustainability reports (a separate category covered later in the report) now include greenhouse gas emissions goals and other global warming language in the proposals. One notable global warming resolution was at Exxon Mobil. The proposal asked the company to “create a climate consensus task force to study how the company should factor global warming into its models for measuring, pricing, and distribution risk” under its current business model. This resolution was withdrawn after an agreement was reached. Of the total global warming resolutions, eleven were voted, five were withdrawn, and one was omitted. The global warming proposals which came to votes averaged 23 percent support in 2013, down from 26 percent in 2012.

The high-profile environmental campaign involving hydraulic fracturing saw a decrease in the number of resolutions filed, with five proposals in 2013 as compared to ten in 2012. The decrease seems to be attributable to the high volume of withdrawal agreements that were achieved during the campaign’s first three years. Two of the hydraulic fracturing proposals achieved withdrawal agreements. The remaining three came to votes, averaging 34 percent support, up from 28 percent in 2012.

Another notable environmental campaign addressed concerns with the health effects from the manufacturing and recycling of lead batteries. Of the five lead battery-related resolutions, three were withdrawn and two were voted, averaging 18 percent support.

Sustainability

Sustainability is generally defined as “meeting the needs of the present without compromising the ability of future generations to meet their needs.” Advocates of sustainability reporting contend that companies which focus on and manage sustainability will improve their long-term shareholder value. Many sustainability resolutions now mention global warming as an element to be directly addressed in the company’s sustainability reports or plans.

The number of sustainability resolutions has fluctuated over the years, with a high of 46 proposals in 2010 and a low of 28 in 2011. This year, 40 resolutions were filed, up from 35 in 2012. The issue has received strong shareholder support since it first appeared in 2002. The average support for the 2013 voted sustainability proposals was 33 percent, up slightly from 31 percent in 2012. In addition, the sustainability category continued to produce a high percentage of withdrawals, with 26 of the total 40 resolutions reaching withdrawal agreements. The withdrawals generally involved the target company’s agreement to write a detailed sustainability report.

Board Diversity

The board diversity category saw a significant increase in the number of resolutions this year, with 24 proposals as compared to just eight in 2012. The typical resolution asks companies to “take every reasonable step to ensure that women and minority candidates are in the pool from which board nominees are chosen.” The category is also notable this year for producing a high percentage of withdrawals. Of the total resolutions, 20 were withdrawn, three came to votes, and one was omitted. The resolutions which came to votes averaged 36 percent support, up from 28 percent last year.

Human Rights

The human rights resolutions vary each year from general proposals asking companies to review and strengthen their human rights policies to specific resolutions, such as those asking for the establishment of a board committee on human rights or others that address country-specific human rights issues. Although there was an uptick in the number of these proposals in 2013, the trend over recent years has been a decreasing number of resolutions. The category had 24 resolutions this year, up from 18 in 2012. Of the total resolutions on human rights, 16 came to votes, five were withdrawn, and three were omitted. The resolutions which came to votes averaged 15 percent support, the same as last year.

Two notable human rights resolutions were at Expedia and Choice Hotels; these proposals focused on sex trafficking and exploitation of minors in American-owned hotels all over the world. The resolutions asked the firms to adopt human rights policies which included a commitment to the education and prohibition of sexual exploitation of minors. Both resolutions were withdrawn after the companies agreed to address the issue.

Equal Employment Opportunity

The equal employment opportunity category was once again dominated by proposals asking companies to put in place workplace policies ensuring there is no discrimination on the grounds of sexual orientation or gender identity. However, there was a significant drop in the number of resolutions, likely attributable to an increase in the number of companies that have expanded their equal employment policies. Nineteen proposals were filed on equal employment opportunity, down from the 28 and 29 the past two years, respectively. In some cases, proposals are directed at companies that already mention sexual orientation in their equal employment opportunity statement but have not added gender identity language. Of the total resolutions, 10 came to votes, eight were withdrawn, and one was omitted. The resolutions which came to votes averaged 29 percent support, roughly the same as last year.

Animal Welfare

The animal welfare category included 15 proposals in 2013, down from 19 last year. A typical resolution asks firms to review or report on animal treatment or welfare practices, including slaughter methods, with the ultimate objective being to ensure more humane treatment of animals. Of the total resolutions, five came to votes, nine were withdrawn, and one was omitted. Historically, the animal welfare resolutions which have come to votes have received very low levels of support. The 2013 resolutions which came to votes averaged just two percent support.

Executive Pay

The number of resolutions on linking executive pay to social performance measures continued its multi-year drop, falling from nine proposals in 2012 to five this year. Of the total executive pay resolutions, four were voted and one was withdrawn. The resolutions which came to votes received seven percent average support, roughly the same as in recent years.

Labor Issues

Only one labor resolution was filed this year, down from 12 and eight the past two years, respectively. The proposal asked Family Dollar to amend its code of conduct to include International Labor Organization standards. The resolution received 6 percent support.

2013 UW Trust Funds Proxy Results Summary

UW Trust Funds submitted voting instructions for 25 proposals (including "non-routine" corporate governance proposals), compared with 17 and 38 proposals for the past two years, respectively. Of the proxies submitted for voting by the Trust Funds, 11 came to votes, 12 were withdrawn, one was omitted, and one is pending.

The primary submissions for the UW Trust Funds on social issues involved the environment and global warming (nine) and human rights (two). For corporate governance issues, the UW's primary submissions involved political donations (eleven) and board diversity (two).

The highest support vote on an individual social issue came at Halliburton. The resolution, asking the company to report on the company's process for evaluating human rights risks in their direct operations and supply chains, received 40 percent support.

The *UW Trust Funds 2013 Proxy Season Voting List*, providing details on the individual voting results, is attached.

REFERENCES

1. Weizmann, Limor, Gallimore, Alex, and Kahley, Kara. *Institutional Shareholder Services 2013 U.S. Proxy Season Review, Environmental & Social Issues*. September 2013.

UW TRUST FUNDS

2013 Proxy Season Voting List[1]

Company	Mtg Date	Proposal	Pre-Approved Issue Number	Result
AMAZON	4/29	Report on climate change risk management	10	Withdrawn
AMAZON	4/29	Report on lobbying payments and policy	21	26.4%
AMAZON	4/29	Report on lead battery risk & recycling	26	Withdrawn
AMAZON	4/29	Report on extended producer responsibility program[2]	5	Withdrawn
ALLERGAN	4/30	Report on lobbying payments and policy	21	29.5%
CITIGROUP	4/24	Report on lobbying payments and policy	21	30.4%
COMCAST	6/1	Review political contributions and policy	21	Withdrawn
DOW CHEMICAL	5/9	Report on controls to combat GMO concerns	2	Withdrawn
EOG RESOURCES INC	5/2	Report on quantative risk management for fracturing	26	Withdrawn
GENERAL DYNAMICS CORP	5/1	Report on lobbying payments and policy	21	19.7%
GENERAL DYNAMICS CORP	5/1	Review human rights policy	12	37.9%
HALLIBURTON	6/1	Identify human rights risks of operations	12	39.5%
JP MORGAN CHASE	5/21	Report on lending related GHG emissions	10	Withdrawn
JP MORGAN CHASE	5/21	Review political contributions and policy	21	Withdrawn
JP MORGAN CHASE	5/21	Report on lobbying payments and policy	21	9.9%
METRO PCS COMMUNICATIONS	5/1	Report on board diversity	15	Withdrawn
MONDELEZ INTL	6/1	Label products with GMO ingredients	2	Withdrawn
MONDELEZ INTL	6/1	Report on business impact of deforestation[3]	26	Pending
MONDELEZ INTL	6/1	Report on gender inequality	14	Withdrawn
MONDELEZ INTL	6/1	Report on extended producer responsibility program[2]	5	9.5%
NORFOLK SOUTHERN	5/9	Report on lobbying payments and policy	21	Omitted
TIME WARNER	5/1	Report on lobbying payments and policy	21	14.7%
UNITED HEALTH	6/1	Report on lobbying payments and policy	21	24.5%
UNITED HEALTH	6/1	Report on board diversity	15	Withdrawn
WASTE MANAGEMENT	6/1	Report on political contributions	21	37.4%

[1] All votes are in the affirmative. A "CG" designation represents a non-routine Corporate Governance proposal.

[2] The resolution asks the company to issue a report "assessing the feasibility of adopting a policy of Extended Producer Responsibility for post-consumer product packaging as a means of reducing carbon emissions and air/water pollution resulting from the company's business practices."

[3] The resolution asks the company to issue a report describing how it is "assessing the company's supply chain impact on deforestation and the company's plans to mitigate these risks." The resolution notes that as one of the largest consumer products companies, it uses a variety of products whose demand is fueling deforestation.

BUSINESS AND FINANCE COMMITTEE

Resolution:

The Board of Regents approves a one-time increase for 2013-14 in the allocation from the Tripp Trust Fund income account to the Tripp Trust Fund – Brittingham House Maintenance account, from $30,000 to up to $275,000.

UW-SYSTEM TRIPP TRUST ALLOCATION

BACKGROUND

In May 1990, the Business and Finance Committee of the UW System Board of Regents adopted a resolution stating:

> "that, the Business and Finance Committee allocates $30,000 annually to fund a planned program of maintenance to permit regular refurbishment of the furnishings and decorations of the Brittingham House properties. That funds for this purpose be provided from the income account of the Tripp Trust Fund. Transfers between years are allowed so that projects move ahead smoothly and without interruption. The Committee will review the account activity annually."

Committee members receive information annually on expenditures made from the Tripp Trust Fund—Brittingham House Maintenance account.

Thomas E. and Mary Brittingham built the Georgian-style house in the Highlands area of Madison's west side in 1916. In 1955, their children donated the house and its 15-acre grounds to the University of Wisconsin. It became the official residence of the UW System president in 1977. Brittingham House is used frequently for receptions, business meetings, and other public events. In 2012, 2,300 guests attended events held at Brittingham House. University systems and institutions often own, maintain, and operate official residences for presidents and chancellors to be used for official university functions. Official residences, such as Brittingham House, are often an important tool for recruiting and retaining presidents and chancellors.

REQUESTED ACTION

Approval of Resolution I.2.c.4

DISCUSSION AND RECOMMENDATIONS

In 1921, the Board of Regents accepted funds from the Jedediah Stephens Tripp estate and established the Tripp Trust Fund. The donor did not restrict the use of principal or how the funds should be used. The Board decided that the principal should be invested and income only be used from time to time as the Regents determined. The Tripp Trust Fund, therefore, became a Board-designated endowment, and it remains classified as such today.

In recent years, the bulk of expenditures from the Tripp Trust Fund have gone for the maintenance of the Brittingham House. Those expenditures have been relatively minor with the exception of approximately $92,000 that, in 2005, was spent mainly for longer-term landscaping needs, such as tree and shrub plantings on the 15-acre semi-wooded grounds and near-term improvements such as bark, mulch, and smaller plantings.

The accumulated balance in the Tripp Fund—Brittingham House Maintenance account is now approximately $223,000. The Tripp Trust Fund itself has a sufficient spendable balance to accommodate a withdrawal of $275,000 to further fund the Brittingham Maintenance account this year. The spendable monies in the Tripp Trust represent accumulated, unspent income. Therefore, the principal of the Tripp Trust will remain intact to continue to generate income for future needs.

The Board of Regents Capital Planning and Budget Committee will consider a resolution at its December 5, 2013 meeting to authorize a Brittingham House renovation project to address: Americans with Disability Act (ADA) requirements; health and safety issues, and aesthetic and various other updates; and improvements that reflect the house's dual purpose—hosting public events and meetings and serving as a living space for the President and his or her family. A Request for Proposal (RFP) will be used to secure a design and construction team to assist with these improvements. Built in 1919, the house last received a significant renovation in 1969. As with other capital improvements, approval by the full Board of Regents is also required to authorize the project. Please see Capital Planning and Budget agenda item I.3.m for additional information.

RELATED REGENT POLICIES

Business and Finance Committee resolution of May 10, 1990, authorizing the allocation of $30,000 annually to fund a planned program of maintenance to permit regular refurbishment of the furnishings and decoration of the Brittingham House properties.

UPDATE ON ACTIONS TO ADDRESS RECOMMENDATIONS OF EXTERNAL RISK ASSESSMENT OF HUMAN RESOURCE SYSTEM

BACKGROUND

At the request of UW System President Kevin Reilly, an external risk assessment of the Human Resource System (HRS) was performed by the accounting and consulting firm of PricewaterhouseCoopers. Its work was performed over a period of several months and included the following elements: 1) approximately 20 interviews with individuals involved with HRS implementation and current HRS processes; 2) assessment of selected documentation from implementation and post-implementation activities; 3) assessment of HRS user access rights and security; 4) observations and recommendations regarding risks the University faced.

Results of the evaluation were discussed at a joint meeting of the Business & Finance Committee and Audit Committee at their September 2013 meeting. In that meeting, the Committees discussed the overall objectives of the effort as well as outcomes, observations, and recommendations of the review team.

The review offered a number of summary recommendations to help manage the risks inherent with such a large, complex, and critical IT system. In addition to continuing the work on plans already defined by management (i.e., the HRS Roadmap), the review team offered these recommendations:

- The governance structure over HR processes and the HRS system should be enhanced to provide the leadership, authority, and accountability necessary to implement and sustain the needed changes to HR processes
- Management should incorporate internal control reviews as they continue to roll out changes to HRS and the related business processes
- Management should ensure the continued efforts to provide training to HRS end users are sufficient and timely
- Management should take further actions to ensure sensitive user access to HRS is restricted
- The complexity of the benefit plan structures should be evaluated to assess the feasibility of simplifying the environment that HRS supports
- Further enhancements to internal controls in the HR processes should be made

Efforts to respond to changes recommended in the HRS Roadmap and the external risk assessment are on-going in nature. The discussion during the December 5, 2013 meeting of the Business and Finance meeting is intended to provide a brief update on the progress of those efforts. It is anticipated that the Committee will receive periodic updates over the next year or two as substantial progress is made.

REQUESTED ACTION

This item is for information only.

DISCUSSION

At its October 2013 meeting, the Committee was briefed on a shift of the administrative home of the UW Service Center from the UW-Madison Office of Human Resources to the Division of Administration and Fiscal Affairs within UW System Administration. The UW Service Center will now report directly to the UW System Vice President for Finance. This move is in direct response to the recommendation that *"The governance structure over HR processes and the HRS system should be enhanced to provide the leadership, authority, and accountability necessary to implement and sustain the needed changes to HR processes."* Interim Vice President for Finance Steven Wildeck will discuss the status of the transition and related activities.

The Committee also will receive a progress update from UW Service Center Director Larry Henderson on efforts within the UW Service Center to address recommendations from the HRS Roadmap along with other stabilization and enhancement efforts taking place within the UW Service Center. The HRS Roadmap is an action plan developed through an internal risk assessment which was endorsed by senior leadership as a path to achieve stability and critical functionality for the HRS System. The Roadmap focuses on changes in four areas, policies, processes, people, and technology, with a number of specific recommendations in each area.

RELATED REGENT POLICIES

None

REPORT ON FACULTY TURNOVER IN THE UW SYSTEM

EXECUTIVE SUMMARY

BACKGROUND

This report provides information on the numbers and percentages of faculty separating from employment at each UW System institution for fiscal years 2011, 2012, and 2013, commonly called turnover. The report categorizes employee separations ("turnover") into those faculty retiring and those resigning for other reasons.

REQUESTED ACTION

This report is for information only.

DISCUSSION

Overall Faculty Turnover

- Annual faculty turnover across the UW System ranged from 5.4% to 7.2% during the period FY11-FY13, averaging 6.2%.
- Annual turnover at each UW institution ranged from 3.3% to 12.4% over the FY11-FY13 period.
- Average turnover for tenured faculty is 6.2% and 6.0% for probationary (tenure track) faculty for the period FY11-FY13.
- Annual turnover for tenured faculty at each UW institution ranged from 2.6% to 19.3% over the FY11-FY13.
- Annual turnover for probationary (tenure track) faculty at each UW institution ranged from 1.8% to 15.8% over the FY11-FY13 period.

Turnover Due to Retirements

- Annual retirements across the UW System ranged from 2.7% to 4.8% during the period FY11-FY13, averaging 3.4%.
- Of the 657 retirements over the FY11-FY13 time period, all were tenured faculty.

Turnover Due to Resignations

- Annual faculty resignations across the UW System ranged from 2.3% to 2.9% during the period FY11-FY13, averaging 2.6% each year.
- Of the 491 resignations over the FY11-FY13 time period, 185 (37.7%) were tenured faculty and 306 (62.3%) were probationary (tenure track) faculty.

RELATED REGENT POLICIES

None

November 20, 2013

NUMBER OF FACULTY LEAVING UW INSTITUTIONS IN FISCAL YEARS 2011, 2012, AND 2013

	FY 2011						FY 2012						FY 2013						FY 2011, FY 2012 and FY 2013				
	NUMBER OF FACULTY*	NUMBER OF FACULTY WHO LEFT	PERCENT	RETIRED	RESIGNED	NON-RENEWED	NUMBER OF FACULTY*	NUMBER OF FACULTY WHO LEFT	PERCENT	RETIRED	RESIGNED	NON-RENEWED	NUMBER OF FACULTY*	NUMBER OF FACULTY WHO LEFT	PERCENT	RETIRED	RESIGNED	NON-RENEWED	NUMBER OF FACULTY WHO LEFT	AVERAGE PERCENT OF FACULTY WHO LEFT OVER FY11,	RETIRED	RESIGNED	NON-RENEWED
MSN																							
Tenured	1,659	126	7.59%	103	23		1,600	53	3.31%	29	24		1,628	75	4.61%	51	24		254	5.17%	183	71	0
Probationary	432	22	5.09%		21	1	444	17	3.83%		15	2	473	24	5.07%		22	2	63	4.66%	0	58	5
TOTAL	2,091	148	7.08%	103	44	1	2,044	70	3.42%	29	39	2	2,101	99	4.71%	51	46	2	317	5.07%	183	129	5
MIL																							
Tenured	622	50	8.04%	40	10		618	32	5.18%	21	11		615	30	4.88%	19	11		112	6.03%	80	32	0
Probationary	237	9	3.80%		7	2	241	15	6.22%		11	4	228	14	6.14%		10	4	38	5.39%	0	28	10
TOTAL	859	59	6.87%	40	17	2	859	47	5.47%	21	22	4	843	44	5.22%	19	21	4	150	5.85%	80	60	10
EAU																							
Tenured	266	20	7.52%	19	1		261	16	6.13%	14	2		262	19	7.25%	17	2		55	6.97%	50	5	0
Probationary	110	5	4.55%		5		134	5	3.73%		5		146	9	6.16%		9		19	4.81%	0	19	0
TOTAL	376	25	6.65%	19	6	0	395	21	5.32%	14	7	0	408	28	6.86%	17	11	0	74	6.28%	50	24	0
GBY																							
Tenured	111	7	6.31%	7			111	6	5.41%	5	1		110	4	3.64%	1	3		17	5.12%	13	4	0
Probationary	54	3	5.56%		3		52	3	5.77%		3		48	5	10.42%		4	1	11	7.25%	0	10	1
TOTAL	165	10	6.06%	7	3	0	163	9	5.52%	5	4	0	158	9	5.70%	1	7	1	28	5.76%	13	14	1
LAC																							
Tenured	203	20	9.85%	19	1		193	12	6.22%	9	3		194	11	5.67%	8	3		43	7.25%	36	7	0
Probationary	125	7	5.60%		7		130	7	5.38%		7		159	7	4.40%		6	1	21	5.13%	0	20	1
TOTAL	328	27	8.23%	19	8	0	323	19	5.88%	9	10	0	353	18	5.10%	8	9	1	64	6.40%	36	27	1
OSH																							
Tenured	238	18	7.56%	13	5		231	13	5.63%	13			228	8	3.51%	6	2		39	5.57%	32	7	0
Probationary	108	9	8.33%		8	1	105	9	8.57%		9		99	4	4.04%		4		22	6.98%	0	21	1
TOTAL	346	27	7.80%	13	13	1	336	22	6.55%	13	9	0	327	12	3.67%	6	6	0	61	6.01%	32	28	1
PKS																							
Tenured	80	8	10.00%	7	1		78	2	2.56%	2			80	4	5.00%	3	1		14	5.85%	12	2	0
Probationary	38	5	13.16%		5		42	2	4.76%		1	1	45	5	11.11%		4	1	12	9.68%	0	10	2
TOTAL	118	13	11.02%	7	6	0	120	4	3.33%	2	1	1	125	9	7.20%	3	5	1	26	7.18%	12	12	2
PLT																							
Tenured	166	8	4.82%	7	1		170	9	5.29%	9			171	6	3.51%	6			23	4.54%	22	1	0
Probationary	68	3	4.41%		3		73	3	4.11%		3		70	7	10.00%		6	1	13	6.17%	0	12	1
TOTAL	234	11	4.70%	7	4	0	243	12	4.94%	9	3	0	241	13	5.39%	6	6	1	36	5.01%	22	13	1
RVF																							
Tenured	171	11	6.43%	11			162	11	6.79%	10	1		162	8	4.94%	8			30	6.05%	29	1	0
Probationary	56	3	5.36%		3		52	3	5.77%		3		50	3	6.00%		2	1	9	5.71%	0	8	1
TOTAL	227	14	6.17%	11	3	0	214	14	6.54%	10	4	0	212	11	5.19%	8	2	1	39	5.97%	29	9	1
STP																							
Tenured	211	15	7.11%	14	1		219	10	4.57%	7	3		225	21	9.33%	15	6		46	7.00%	36	10	0
Probationary	136	7	5.15%		7		117	13	11.11%		13		112	17	15.18%		17		37	10.48%	0	37	0
TOTAL	347	22	6.34%	14	8	0	336	23	6.85%	7	16	0	337	38	11.28%	15	23	0	83	8.16%	36	47	0
STO																							
Tenured	168	18	10.71%	15	3		155	14	9.03%	9	5		153	18	11.76%	12	6		50	10.50%	36	14	0
Probationary	121	6	4.96%		4	2	122	9	7.38%		8	1	120	11	9.17%		9	2	26	7.17%	0	21	5
TOTAL	289	24	8.30%	15	7	2	277	23	8.30%	9	13	1	273	29	10.62%	12	15	2	76	9.07%	36	35	5

November 20, 2013

NUMBER OF FACULTY LEAVING UW INSTITUTIONS IN FISCAL YEARS 2011, 2012, AND 2013

	FY 2011						FY 2012						FY 2013						FY 2011, FY 2012 and FY 2013				
	NUMBER OF FACULTY*	NUMBER OF FACULTY WHO LEFT	PERCENT	RETIRED	RESIGNED	NON-RENEWED	NUMBER OF FACULTY*	NUMBER OF FACULTY WHO LEFT	PERCENT	RETIRED	RESIGNED	NON-RENEWED	NUMBER OF FACULTY*	NUMBER OF FACULTY WHO LEFT	PERCENT	RETIRED	RESIGNED	NON-RENEWED	NUMBER OF FACULTY WHO LEFT	AVERAGE PERCENT OF FACULTY WHO LEFT OVER FY11,	RETIRED	RESIGNED	NON-RENEWED
SUP																							
Tenured	57	11	19.30%	9	2		55	5	9.09%	4	1		58	3	5.17%	1	2		19	11.19%	14	5	0
Probationary	55	1	1.82%		1		60	4	6.67%		4		59	2	3.39%		2		7	3.96%	0	7	0
TOTAL	112	12	10.71%	9	3	0	115	9	7.83%	4	5	0	117	5	4.27%	1	4	0	26	7.60%	14	12	0
WTW																							
Tenured	241	25	10.37%	23	2		219	17	7.76%	14	3		214	6	2.80%	5	1		48	6.98%	42	6	0
Probationary	98	6	6.12%		5	1	120	6	5.00%		6		131	6	4.58%		4	2	18	5.23%	0	15	3
TOTAL	339	31	9.14%	23	7	1	339	23	6.78%	14	9	0	345	12	3.48%	5	5	2	66	6.47%	42	21	3
COLLEGES																							
Tenured	185	16	8.65%	15	1		187	13	6.95%	10	3		187	10	5.35%	7	3		39	6.98%	32	7	0
Probationary	121	12	9.92%		11	1	108	8	7.41%		6	2	114	6	5.26%		5	1	26	7.53%	0	22	4
TOTAL	306	28	9.15%	15	12	1	295	21	7.12%	10	9	2	301	16	5.32%	7	8	1	65	7.20%	32	29	4
EXT																							
Tenured	189	10	5.29%	6	4		182	20	10.99%	17	3		184	23	12.50%	17	6		53	9.59%	40	13	0
Probationary	89	2	2.25%		2		80	7	8.75%		7		74	9	12.16%		9		18	7.72%	0	18	0
TOTAL	278	12	4.32%	6	6	0	262	27	10.31%	17	10	0	258	32	12.40%	17	15	0	71	9.01%	40	31	0
Sub-total																							
Tenured	4,567	363	7.95%	308	55	0	4,441	233	5.25%	173	60	0	4,471	246	5.50%	176	70	0	842	6.23%	657	185	0
Probationary	1,848	100	5.41%	0	92	8	1,880	111	5.90%	0	101	10	1,928	129	6.69%	0	113	16	340	6.00%	0	306	34
GRAND TOTAL	6,415	463	7.22%	308	147	8	6,321	344	5.44%	173	161	10	6,399	375	5.86%	176	183	16	1,182	6.17%	657	491	34
				4.80%	2.29%	0.12%				2.74%	2.55%	0.16%				2.75%	2.86%	0.25%			3.43%	2.57%	0.18%

DATA SOURCES:

*October Payrolls for 2010, 2011, 2012 for the Number of Faculty
HRS for Retirements, Resignations and Non-Renewals

November 20, 2013

NUMBER OF FACULTY LEAVING UW INSTITUTIONS IN FISCAL YEARS 2011, 2012, AND 2013

	FY 2011						FY 2012						FY 2013						FY 2011, FY 2012 and FY 2013				
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MSN																							
Tenured	1,659	126	7.59%	103	23		1,600	53	3.31%	29	24		1,628	75	4.61%	51	24		254	5.17%	183	71	0
Probationary	432	22	5.09%		21	1	444	17	3.83%		15	2	473	24	5.07%		22	2	63	4.66%	0	58	5
TOTAL	2,091	148	7.08%	103	44	1	2,044	70	3.42%	29	39	2	2,101	99	4.71%	51	46	2	317	5.07%	183	129	5
MIL																							
Tenured	622	50	8.04%	40	10		618	32	5.18%	21	11		615	30	4.88%	19	11		112	6.03%	80	32	0
Probationary	237	9	3.80%		7	2	241	15	6.22%		11	4	228	14	6.14%		10	4	38	5.39%	0	28	10
TOTAL	859	59	6.87%	40	17	2	859	47	5.47%	21	22	4	843	44	5.22%	19	21	4	150	5.85%	80	60	10
EAU																							
Tenured	266	20	7.52%	19	1		261	16	6.13%	14	2		262	19	7.25%	17	2		55	6.97%	50	5	0
Probationary	110	5	4.55%		5		134	5	3.73%		5		146	9	6.16%		9		19	4.81%	0	19	0
TOTAL	376	25	6.65%	19	6	0	395	21	5.32%	14	7	0	408	28	6.86%	17	11	0	74	6.28%	50	24	0
GBY																							
Tenured	111	7	6.31%	7			111	6	5.41%	5	1		110	4	3.64%	1	3		17	5.12%	13	4	0
Probationary	54	3	5.56%		3		52	3	5.77%		3		48	5	10.42%		4	1	11	7.25%	0	10	1
TOTAL	165	10	6.06%	7	3	0	163	9	5.52%	5	4	0	158	9	5.70%	1	7	1	28	5.76%	13	14	1
LAC																							
Tenured	203	20	9.85%	19	1		193	12	6.22%	9	3		194	11	5.67%	8	3		43	7.25%	36	7	0
Probationary	125	7	5.60%		7		130	7	5.38%		7		159	7	4.40%		6	1	21	5.13%	0	20	1
TOTAL	328	27	8.23%	19	8	0	323	19	5.88%	9	10	0	353	18	5.10%	8	9	1	64	6.40%	36	27	1
OSH																							
Tenured	238	18	7.56%	13	5		231	13	5.63%	13			228	8	3.51%	6	2		39	5.57%	32	7	0
Probationary	108	9	8.33%		8	1	105	9	8.57%		9		99	4	4.04%		4		22	6.98%	0	21	1
TOTAL	346	27	7.80%	13	13	1	336	22	6.55%	13	9	0	327	12	3.67%	6	6	0	61	6.01%	32	28	1
PKS																							
Tenured	80	8	10.00%	7	1		78	2	2.56%	2			80	4	5.00%	3	1		14	5.85%	12	2	0
Probationary	38	5	13.16%		5		42	2	4.76%		1	1	45	5	11.11%		4	1	12	9.68%	0	10	2
TOTAL	118	13	11.02%	7	6	0	120	4	3.33%	2	1	1	125	9	7.20%	3	5	1	26	7.18%	12	12	2
PLT																							
Tenured	166	8	4.82%	7	1		170	9	5.29%	9			171	6	3.51%	6			23	4.54%	22	1	0
Probationary	68	3	4.41%		3		73	3	4.11%		3		70	7	10.00%		6	1	13	6.17%	0	12	1
TOTAL	234	11	4.70%	7	4	0	243	12	4.94%	9	3	0	241	13	5.39%	6	6	1	36	5.01%	22	13	1
RVF																							
Tenured	171	11	6.43%	11			162	11	6.79%	10	1		162	8	4.94%	8			30	6.05%	29	1	0
Probationary	56	3	5.36%		3		52	3	5.77%		3		50	3	6.00%		2	1	9	5.71%	0	8	1
TOTAL	227	14	6.17%	11	3	0	214	14	6.54%	10	4	0	212	11	5.19%	8	2	1	39	5.97%	29	9	1

November 20, 2013

NUMBER OF FACULTY LEAVING UW INSTITUTIONS IN FISCAL YEARS 2011, 2012, AND 2013

	FY 2011						FY 2012						FY 2013						FY 2011, FY 2012 and FY 2013				
	NUMBER OF FACULTY*	NUMBER OF FACULTY WHO LEFT	PERCENT	RETIRED	RESIGNED	NON-RENEWED	NUMBER OF FACULTY*	NUMBER OF FACULTY WHO LEFT	PERCENT	RETIRED	RESIGNED	NON-RENEWED	NUMBER OF FACULTY*	NUMBER OF FACULTY WHO LEFT	PERCENT	RETIRED	RESIGNED	NON-RENEWED	NUMBER OF FACULTY WHO LEFT	PERCENT OF FACULTY WHO LEFT OVER FY11, FY12 AND	RETIRED	RESIGNED	NON-RENEWED
STP																							
Tenured	211	15	7.11%	14	1		219	10	4.57%	7	3		225	21	9.33%	15	6		46	7.00%	36	10	0
Probationary	136	7	5.15%		7		117	13	11.11%		13		112	17	15.18%		17		37	10.48%	0	37	0
TOTAL	347	22	6.34%	14	8	0	336	23	6.85%	7	16	0	337	38	11.28%	15	23	0	83	8.16%	36	47	0
STO																							
Tenured	168	18	10.71%	15	3		155	14	9.03%	9	5		153	18	11.76%	12	6		50	10.50%	36	14	0
Probationary	121	6	4.96%		4	2	122	9	7.38%		8	1	120	11	9.17%		9	2	26	7.17%	0	21	5
TOTAL	289	24	8.30%	15	7	2	277	23	8.30%	9	13	1	273	29	10.62%	12	15	2	76	9.07%	36	35	5
SUP																							
Tenured	57	11	19.30%	9	2		55	5	9.09%	4	1		58	3	5.17%	1	2		19	11.19%	14	5	0
Probationary	55	1	1.82%		1		60	4	6.67%		4		59	2	3.39%		2		7	3.96%	0	7	0
TOTAL	112	12	10.71%	9	3	0	115	9	7.83%	4	5	0	117	5	4.27%	1	4	0	26	7.60%	14	12	0
WTW																							
Tenured	241	25	10.37%	23	2		219	17	7.76%	14	3		214	6	2.80%	5	1		48	6.98%	42	6	0
Probationary	98	6	6.12%		5	1	120	6	5.00%		6		131	6	4.58%		4	2	18	5.23%	0	15	3
TOTAL	339	31	9.14%	23	7	1	339	23	6.78%	14	9	0	345	12	3.48%	5	5	2	66	6.47%	42	21	3
COLLEGES																							
Tenured	185	16	8.65%	15	1		187	13	6.95%	10	3		187	10	5.35%	7	3		39	6.98%	32	7	0
Probationary	121	12	9.92%		11	1	108	8	7.41%		6	2	114	6	5.26%		5	1	26	7.53%	0	22	4
TOTAL	306	28	9.15%	15	12	1	295	21	7.12%	10	9	2	301	16	5.32%	7	8	1	65	7.20%	32	29	4
EXT																							
Tenured	189	10	5.29%	6	4		182	20	10.99%	17	3		184	23	12.50%	17	6		53	9.59%	40	13	0
Probationary	89	2	2.25%		2		80	7	8.75%		7		74	9	12.16%		9		18	7.72%	0	18	0
TOTAL	278	12	4.32%	6	6	0	262	27	10.31%	17	10	0	258	32	12.40%	17	15	0	71	9.01%	40	31	0
Sub-total																							
Tenured	4,567	363	7.95%	308	55	0	4,441	233	5.25%	173	60	0	4,471	246	5.50%	176	70	0	842	6.23%	657	185	0
Probationary	1,848	100	5.41%	0	92	8	1,880	111	5.90%	0	101	10	1,928	129	6.69%	0	113	16	340	6.00%	0	306	34
GRAND TOTAL	6,415	463	7.22%	308	147	8	6,321	344	5.44%	173	161	10	6,399	375	5.86%	176	183	16	1,182	6.17%	657	491	34
				4.80%	2.29%	0.12%				2.74%	2.55%	0.16%				2.75%	2.86%	0.25%			3.43%	2.57%	0.18%

DATA SOURCES:

*October Payrolls for 2010, 2011, 2012 for the Number of Faculty
HRS for Retirements, Resignations and Non-Renewals

REPORT ON FACULTY AND STAFF BASE SALARY ADJUSTMENTS and LUMP SUM PAYMENTS FOR FY2012 and FY2013

EXECUTIVE SUMMARY

BACKGROUND

UW System Chancellors have authority delegated to them pursuant to s. 36.09(1)(j), Wis. Stats., to adjust salaries for unclassified faculty and staff, for the purposes of correcting salary inequities, recognizing job reclassifications or promotions, or addressing other competitive factors. Unclassified staff include faculty, academic staff, and limited appointees. For these employees, the statutes do not permit adjustments for merit or exceptional performance, outside of the state-approved pay plan.

Under the same delegated authority for personnel transactions used to provide base salary adjustments, Chancellors have the authority to provide lump sum additional pay to unclassified staff (faculty, academic staff, and limited appointees) for additional work performed beyond what is normally expected as part of a full teaching, research, and or service/administrative work load. Additionally, Discretionary Merit Compensation (DMCs) for classified staff can be in the form of a lump sum adjustment.

Different than base salary adjustments for equity, competitive factors, and change in duties/promotions, lump sum payments are non-base building compensation for additional work of a one time or non-recurring nature. Examples of additional work include teaching an additional class to meet unanticipated demand, teaching an interim class when not part of the fall or spring semester teaching loads, serving in an interim capacity in addition to current job responsibilities when release time from teaching or administrative responsibilities is not an option, covering duties and responsibilities of an unexpected leave.

As required by s. 36.09(1)(j), Wis. Stats., the University of Wisconsin System's report on <u>2012-13 Base Salary Adjustments to Recognize Competitive Factors</u> was submitted to the Joint Committee on Finance, the Department of Administration, and the Office of State Employment Relations on October 1, 2013. The attached information is not required to be included in the competitive factors report, but is provided as supplemental information.

REQUESTED ACTION

This report is for information only.

FACULTY AND STAFF BASE SALARY ADJUSTMENTS FY12 and FY13

DISCUSSION

The attached tables also reflect salary adjustments for classified staff that include merit-based pay adjustments as permitted by Chapter 230 and OSER regulations.

The following notes may provide useful context as you review these data.

Table 1: FY12 and FY13 Budgeted Salaries and Base Adjustments – All Types of Base Adjustments

In fiscal year 2012, 3,315 (9.9%) staff received a base adjustment and 7,235 (21.3%) staff received a base adjustment in fiscal year 2013. A total of about 30% (10,550) of all staff received base adjustments during this two-year period.

In fiscal year 2012 the median base adjustment for classified staff was $2,777. For unclassified staff, the median adjustment was $4,286.

In fiscal year 2013 the median base adjustment for classified staff was $3,366. For unclassified staff, the median adjustment was $3,362.

In fiscal year 2012, UW Chancellors reallocated $19,009,051 on a payroll base of $2.14 billion to fund these adjustments (0.89%). In fiscal year 2013, adjustments required that Chancellors reallocate $33,682,364 of existing resources on a payroll base of $2.18 billion (1.55%).

Table 2: FY12 Base Adjustments by Classified and Unclassified Staff – for Merit, Equity, and Market Base Adjustments (excluding promotions, title changes, and change in duties)

In fiscal year 2012, 1,547 (46.7%) of the base adjustments were for reasons other than a promotion or change in duties.

In fiscal year 2012, 4.6% of all staff (1,547) received a base adjustment for reasons other than promotion or change in duties.

Table 3: FY13 Base Adjustments by Classified and Unclassified Staff – Only Merit, Equity, and Market Base Adjustments (excluding promotions, title changes, and change in duties)

In fiscal year 2013 5,863 of the base adjustments (81%) were for reasons other than a promotion or change in duties.

In fiscal year 2013, 17.3% of all staff (5,863) received a base adjustment for reasons other than promotion or change in duties.

<u>Table 4: Number of Individuals Receiving Merit, Equity, and Market Base Adjustments in both FY12 and FY13 (excluding promotions, title changes, and change in duties)</u>

In fiscal years 2012 and 2013, a total of 376 individuals received a base adjustment in both years. These individuals make up approximately 1% of all staff.

November 20, 2013 Table 1

University of Wisconsin System

FY2012 and FY2013 Budgeted Salaries and Base Adjustments* (Without Student Assistants in Headcount)

All Base Adjustments* (All Funds) Including Adjustments for Promotions,Title Changes and Change in Duties

	FY 2012								FY2013							
Institution	Unclass Total	Class Total	Total Budgeted Salaries	Number of Staff Receiving Base Adjust-ments	Total Head-count	Percent Receiving Base Adjust-ments	FY 2012 Base Adjustments	Percent of Total Salary Dollars	Unclass Total	Class Total	Total Budgeted Salaries	Number of Staff Receiving Base Adjust-ments	Total Head-count	Percent Receiving Base Adjust-ments	FY 2013 Base Adjustments	Percent of Total Salary Dollars
Madison	$842,350,263	$295,291,079	$1,137,641,342	1,631	16,098	10.13%	$12,729,443	1.12%	$865,086,658	$293,590,503	$1,158,677,161	3,612	16,295	22.17%	$23,132,664	2.00%
Milwaukee	158,986,809	63,342,423	222,329,232	421	3,873	10.87%	2,107,052	0.95%	163,076,487	65,065,750	228,142,237	1,203	3,907	30.79%	4,250,299	1.86%
Eau Claire	48,737,668	25,521,307	74,258,975	127	1,295	9.81%	508,966	0.69%	50,231,305	25,361,342	75,592,647	338	1,282	26.37%	953,266	1.26%
Green Bay	24,285,723	11,376,918	35,662,641	37	722	5.12%	170,022	0.48%	24,485,417	11,420,070	35,905,487	56	744	7.53%	164,749	0.46%
La Crosse	51,967,356	18,609,939	70,577,295	34	1,182	2.88%	121,880	0.17%	52,479,672	18,077,859	70,557,531	434	1,228	35.34%	794,324	1.13%
Oshkosh	54,083,230	23,466,412	77,549,642	221	1,482	14.91%	649,208	0.84%	55,760,337	22,682,775	78,443,112	220	1,492	14.75%	568,339	0.72%
Parkside	21,529,827	9,350,938	30,880,765	19	634	3.00%	59,812	0.19%	21,964,142	9,390,299	31,354,441	22	597	3.69%	96,154	0.31%
Platteville	33,110,219	17,239,188	50,349,407	57	914	6.24%	200,067	0.40%	35,397,270	18,368,992	53,766,262	94	956	9.83%	372,331	0.69%
River Falls	26,869,933	13,830,840	40,700,773	65	757	8.59%	208,663	0.51%	27,296,827	14,445,400	41,742,227	81	765	10.59%	217,684	0.52%
Stevens Point	43,718,313	24,648,730	68,367,043	121	1,196	10.12%	387,019	0.57%	43,693,022	24,205,054	67,898,076	297	1,178	25.21%	677,253	1.00%
Stout	39,051,896	21,357,608	60,409,504	89	1,155	7.71%	314,823	0.52%	38,807,843	21,273,968	60,081,811	455	1,191	38.20%	726,440	1.21%
Superior	14,128,244	7,028,091	21,156,335	14	468	2.99%	46,428	0.22%	14,579,692	7,022,993	21,602,685	21	466	4.51%	79,813	0.37%
Whitewater	46,896,417	20,623,633	67,520,050	287	1,176	24.40%	744,144	1.10%	47,152,279	20,466,909	67,619,188	153	1,206	12.69%	631,633	0.93%
Colleges	36,643,043	10,916,847	47,559,890	58	1,282	4.52%	188,474	0.40%	37,380,441	10,610,328	47,990,769	106	1,317	8.05%	309,673	0.65%
Extension	101,336,309	20,447,125	121,783,434	129	1,132	11.40%	558,466	0.46%	101,773,623	19,071,300	120,844,923	112	1,143	9.80%	536,836	0.44%
System Adm.	4,616,726	2,448,502	7,065,228	1	91	1.10%	539	0.01%	4,293,685	2,583,108	6,876,793	17	95	17.89%	102,321	1.49%
Systemwide	4,730,112	4,377,404	9,107,516	4	105	3.81%	14,045	0.15%	4,901,024	4,154,777	9,055,801	14	97	14.43%	68,585	0.76%
TOTAL	$1,553,042,088	$589,876,984	$2,142,919,072	3,315	33,562	9.88%	$19,009,051	0.89%	$1,588,359,724	$587,791,427	$2,176,151,151	7,235	33,959	21.31%	$33,682,364	1.55%

DATA SOURCES:

Budgeted Salaries are from the 2012 and 2013 UW Annual Budgets

Base Adjustments are from HRS as June 30, 2013

Headcount data are from the 2011 and 2012 October payrolls

Base Adjustments*

Classified and Unclassified Staff: Adjustments for promotions, title changes and change in duties

Classified Staff: OSER's Discretionary Merit Compensation (DMCs)

Unclassified Staff: Equity and competitive base adjustments allowed under Wis. Stat. §36.09(1)(j)

November 20, 2013 Table 2

UNIVERSITY OF WISCONSIN SYSTEM
FISCAL YEAR 12 BASE ADJUSTMENTS* by Classified and Unclassified Staff (Without Student Assistants in Headcount) Excluding Promotions, Title Changes and Change in Duties Base Adjustments
All Funds

FISCAL YEAR 12														
		FY 12 Classified Staff Base Adjustments				FY 12 Unclassified Staff Base Adjustments				FY 12 Totals				
Institution	FY 12 Total Budgeted Salary Dollars	Total Dollars for Classified Base Adjs.	Number of Classified Staff Receiving Base Adjs	Total Classified Headcount	Percent Classified Staff Receiving Base Adjustment	Total Dollars for Uncl Base Adjs.	Number of Uncl Staff Receiving Base Adjs	Total Uncl Headcount	Percent Uncl Staff Receiving Base Adjustment	Total Base Adj Dollars	Number of Staff Receiving Base Adjs	Total Headcount	Percent of Staff Receiving Base Adjs.	Total Base Adjs as Percent of Total Budgeted Salaries
MADISON	$1,137,641,342	$274,858	61	5,207	1.17%	$6,701,144	607	10,891	5.57%	$6,976,002	668	16,098	4.15%	0.61%
MILWAUKEE	222,329,232	71,068	14	1,007	1.39%	977,762	192	2,866	6.70%	1,048,830	206	3,873	5.32%	0.47%
EAU CLAIRE	74,258,975	87,875	23	402	5.72%	54,946	26	893	2.91%	142,821	49	1,295	3.78%	0.19%
GREEN BAY	35,662,641	6,456	2	206	0.97%	97,859	13	516	2.52%	104,315	15	722	2.08%	0.29%
La CROSSE	70,577,295	0	0	327	0.00%	0	0	855	0.00%	0	0	1,182	0.00%	0.00%
OSHKOSH	77,549,642	62,885	26	380	6.84%	239,360	119	1,102	10.80%	302,245	145	1,482	9.78%	0.39%
PARKSIDE	30,880,765	0	0	177	0.00%	17,950	3	457	0.66%	17,950	3	634	0.47%	0.06%
PLATTEVILLE	50,349,407	50,841	12	276	4.35%	30,000	2	638	0.31%	80,841	14	914	1.53%	0.16%
RIVER FALLS	40,700,773	0	0	210	0.00%	122,831	40	547	7.31%	122,831	40	757	5.28%	0.30%
STEVENS POINT	68,367,043	85,729	20	382	5.24%	107,604	66	814	8.11%	193,333	86	1,196	7.19%	0.28%
STOUT	60,409,504	12,885	4	384	1.04%	88,693	18	771	2.33%	101,578	22	1,155	1.90%	0.17%
SUPERIOR	21,156,335	0	0	138	0.00%	7,200	1	330	0.30%	7,200	1	468	0.21%	0.03%
WHITEWATER	67,520,050	35,495	9	365	2.47%	543,672	253	811	31.20%	579,167	262	1,176	22.28%	0.86%
COLLEGES	47,559,890	0	0	231	0.00%	6,956	5	1,051	0.48%	6,956	5	1,282	0.39%	0.01%
EXTENSION	121,783,434	33,666	10	217	4.61%	124,841	20	915	2.19%	158,507	30	1,132	2.65%	0.13%
UW SYS ADMIN	7,065,228	0	0	43	0.00%	0	0	48	0.00%	0	0	91	0.00%	0.00%
SYSTEM WIDE	9,107,516	4,243	1	63	1.59%	0	0	42	0.00%	4,243	1	105	0.95%	0.05%
	$2,142,919,072	$726,001	182	10,015	1.82%	$9,120,818	1,365	23,547	5.80%	$9,846,819	1,547	33,562	4.61%	0.46%

DATE SOURCE:
Budgeted Salaries are from the 2011-12 UW Annual Budget
Base Adjustments are from HRS as of June 30, 2012
Headcount data are from the 2011 October Payroll

***BASE ADJUSTMENTS:**
Classified Staff: OSER's Discretionary Merit Compensation (DMCs)
Unclassified Staff: Equity and competitive base adjustments allowed under Wis. Stat. §36.09(1)(j)

November 20, 2013 Table 3

UNIVERSITY OF WISCONSIN SYSTEM

FISCAL YEAR 13 BASE ADJUSTMENTS* by Classified and Unclassified Staff (Without Student Assistants in Headcount) Excluding Promotions, Title Changes and Change in Duties Base Adjustments

All Funds

FISCAL YEAR 13														
		FY 13 Classified Staff Base Adjustments				FY 13 Unclassified Staff Base Adjustments				FY 13 Totals				
Institution	FY 13 Total Budgeted Salary Dollars	Total Dollars for classified Base Adjs.	Number of Classified Staff Receiving Base Adjs	Total Classified Headcount	Percent Classified Staff Receiving Base Adjustment	Total Dollars for Uncl Base Adjs.	Number of Uncl Staff Receiving Base Adjs	Total Uncl Headcount	Percent Uncl Staff Receiving Base Adjustment	Total Base Adj Dollars	Number of Staff Receiving Base Adjs	Total Headcount	Percent of Staff Receiving Base Adjs.	Total Base Adjs as Percent of Total Budgeted Salaries
MADISON	$1,158,677,161	$2,510,539	589	5,247	11.23%	$16,307,264	2,278	11,048	20.62%	$18,817,803	2,867	16,295	17.59%	1.62%
MILWAUKEE	228,142,237	284,793	109	1,043	10.45%	3,034,627	952	2,864	33.24%	3,319,420	1,061	3,907	27.16%	1.45%
EAU CLAIRE	75,592,647	161,959	45	414	10.87%	323,011	198	868	22.81%	484,970	243	1,282	18.95%	0.64%
GREEN BAY	35,905,487	18,131	4	209	1.91%	81,459	29	535	5.42%	99,590	33	744	4.44%	0.28%
La CROSSE	70,557,531	7,786	1	337	0.30%	547,382	407	891	45.68%	555,168	408	1,228	33.22%	0.79%
OSHKOSH	78,443,112	8,243	4	403	0.99%	373,130	175	1,089	16.07%	381,373	179	1,492	12.00%	0.49%
PARKSIDE	31,354,441	4,043	2	172	1.16%	690	2	425	0.47%	4,733	4	597	0.67%	0.02%
PLATTEVILLE	53,766,262	113,072	27	300	9.00%	123,968	20	656	3.05%	237,040	47	956	4.92%	0.44%
RIVER FALLS	41,742,227	13,683	8	210	3.81%	87,788	40	555	7.21%	101,471	48	765	6.27%	0.24%
STEVENS POINT	67,898,076	76,147	20	374	5.35%	302,967	251	804	31.22%	379,114	271	1,178	23.01%	0.56%
STOUT	60,081,811	87,780	56	406	13.79%	440,858	379	785	48.28%	528,638	435	1,191	36.52%	0.88%
SUPERIOR	21,602,685	5,521	1	140	0.71%	5,556	1	326	0.31%	11,077	2	466	0.43%	0.05%
WHITEWATER	67,619,188	79,348	18	364	4.95%	399,784	97	842	11.52%	479,132	115	1,206	9.54%	0.71%
COLLEGES	47,990,769	7,592	2	244	0.82%	105,989	64	1,073	5.96%	113,581	66	1,317	5.01%	0.24%
EXTENSION	120,844,923	49,200	12	214	5.61%	232,386	42	929	4.52%	281,586	54	1,143	4.72%	0.23%
UW SYS ADMIN	6,876,793	22,082	6	47	12.77%	76,558	10	48	20.83%	98,640	16	95	16.84%	1.43%
SYSTEM WIDE	9,055,801	48,404	12	67	17.91%	16,500	2	30	6.67%	64,904	14	97	14.43%	0.72%
	$2,176,151,151	$3,498,323	916	10,191	8.99%	$22,459,917	4,947	23,768	20.81%	$25,958,240	5,863	33,959	17.26%	1.19%

DATE SOURCE:

Budgeted Salaries are from the 2012-13 UW Annual Budget

Base Adjustments are from HRS as of June 30, 2013

Headcount data are from the 2012 October Payroll

***BASE ADJUSTMENTS:**

Classified Staff: OSER's Discretionary Merit Compensation (DMCs)

Unclassified Staff: Equity and competitive base adjustments allowed under Wis. Stat. §36.09(1)(j)

November 20, 2013 | Table 4

UNIVERSITY OF WISCONSIN SYSTEM

Number of Individuals Base Adjustments* in FY12 AND FY13 (Without Student Assistants in Headcount) Excluding Promotions, Title Changes and Changes in Duties Base Adjustments

All Funds

FISCAL YEAR 12 and FISCAL YEAR 13															
	Classified Staff FY 12 and FY 13					**Unclassified Staff FY 12 and FY 13**					**Total for FY 12 and FY 13**				
Institution	FY 12 Number of Classified Staff Receiving Base Adjs	FY 13 Number of Classified Staff Receiving Base Adjs	Total Number of Classified Staff Receiving Adjs. In FY 12 and FY13	Total Number of Classified Staff Receiving Adjs. in both FY 12 and FY 13	Percent Classified Staff Receiving Base Adjs who received them in both FY 12 and FY 13	FY 12 Number of Uncl Staff Receiving Base Adjs	FY 13 Number of Uncl Staff Receiving Base Adjs	Total Number of Uncl Staff Receiving Adjs. In FY 12 and FY13	Total Number of Uncl Staff Receiving Adjs. in both FY 12 and FY 13	Percent Uncl Staff Receiving Base Adjs who received them in both FY 12 and FY 13	Total Number of Classified Staff Receiving Base Adjs in FY 12 and FY 13	Total Number of Uncl Staff Receiving Base Adjs in FY 12 and FY 13	Total Number of All Staff Receiving Adjs. In FY 12 and FY13	Total Number of All Staff Receiving Adjs. in both FY 12 and FY 13	Percent of All Staff Receiving Base Adjs who reeived them in both FY 12 and FY 13
MADISON	61	589	650	4	0.62%	607	2,278	2,885	177	6.14%	650	2,885	3,535	181	5.12%
MILWAUKEE	14	109	123	1	0.81%	192	952	1,144	55	4.81%	123	1,144	1,267	56	4.42%
EAU CLAIRE	23	45	68	5	7.35%	26	198	224	3	1.34%	68	224	292	8	2.74%
GREEN BAY	2	4	6	0	0.00%	13	29	42	1	2.38%	6	42	48	1	2.08%
La CROSSE	0	1	1	0	0.00%	0	407	407	0	0.00%	1	407	408	0	0.00%
OSHKOSH	26	4	30	0	0.00%	119	175	294	11	3.74%	30	294	324	11	3.40%
PARKSIDE	0	2	2	0	0.00%	3	2	5	0	0.00%	2	5	7	0	0.00%
PLATTEVILLE	12	27	39	4	10.26%	2	20	22	0	0.00%	39	22	61	4	6.56%
RIVER FALLS	0	8	8	0	0.00%	40	40	80	0	0.00%	8	80	88	0	0.00%
STEVENS POINT	20	20	40	5	12.50%	66	251	317	55	17.35%	40	317	357	60	16.81%
STOUT	4	56	60	0	0.00%	18	379	397	13	3.27%	60	397	457	13	2.84%
SUPERIOR	0	1	1	0	0.00%	1	1	2	1	50.00%	1	2	3	1	33.33%
WHITEWATER	9	18	27	1	3.70%	253	97	350	35	10.00%	27	350	377	36	9.55%
COLLEGES	0	2	2	0	0.00%	5	64	69	0	0.00%	2	69	71	0	0.00%
EXTENSION	10	12	22	2	9.09%	20	42	62	3	4.84%	22	62	84	5	5.95%
UW SYS ADMIN	0	6	6	0	0.00%	0	10	10	0	0.00%	6	10	16	0	0.00%
SYSTEM WIDE	1	12	13	0	0.00%	0	2	2	0	0.00%	13	2	15	0	0.00%
	182	916	1,098	22	2.00%	1,365	4,947	6,312	354	5.61%	1,098	6,312	7,410	376	5.07%

DATE SOURCE:

Base Adjustments are from HRS as of June 30, 2013

***Base Adjustments Include:**

Classified Staff: OSER's Discretionary Merit Compensation (DMCs)

Unclassified Staff: Equity and competitive base adjustments allowed under Wis. Stat. §36.09(1)(j)

FACULTY AND STAFF LUMP SUM PAYMENTS FOR FY12 and FY13

DISCUSSION

The four attached tables provide information on additional non-base building payments made in FY12 and FY13, and the number of people receiving such payments in both fiscal years. Staff who receive only lump sums as a form of compensation are not included in these table (e.g. summer camp employees, summer session staff payments made as lump sums).

Table 1: FY12 and FY13 Budgeted Salaries and Additional Compensation Payments

In FY2012, UW Chancellors reallocated one-time resources of $18,608,712 on a payroll base of $2.14 billion to fund these adjustments (0.87%). In FY2013, adjustments required that Chancellors reallocate $23,660,803 on a payroll base of $2.18 billion (1.09%).

Over the two fiscal years 2012 and 2013 respectively, 4,729 (14%) and 6,841 (20%) of faculty and staff received additional pay. Of those receiving additional pay, 2,760 (23.9%) received additional pay in both years.

For those receiving additional pay, the average amount paid was $3,935 for FY12 and $3,460 for FY13.

Table 2: FY12 Additional Compensation Payments by Classified and Unclassified Staff

In fiscal year 2012, 324 (3.2%) classified staff received additional pay and 4,405 (18.7%) unclassified staff received additional pay.

Table 3: FY13 Additional Compensation Payments by Classified and Unclassified Staff

In fiscal year 2013, 2,107 (20.7%) classified staff received additional pay and 4,734 (19.9%) unclassified staff received additional pay.

Table 4: Number of Individuals Receiving Additional Compensation Payments in both FY12 and FY13

Of the total staff who received additional compensation payments, 2,760 (23.9%) of the staff received additional compensation payments in both fiscal years.

University of Wisconsin System
FY2012 and FY2013 Budgeted Salaries and Additional Compensation Payments (Without Student Assistants in Headcount)
All Funds

	FISCAL YEAR 2012								FY 2013		FISCAL YEAR 13					
Institution	Unclass Total	Class Total	Total Budgeted Salaries	Number of Staff Receiving Add'l Comp. Payments	Total Headcount	Percent Receiving Add'l Comp. Payments	FY 2012 Add'l Comp. Payments	Percent of Total Salary Dollars	Unclass Total	Class Total	Total Budgeted Salaries	Number of Staff Receiving Add'l Comp. Payments	Total Headcount	Percent Receiving Add'l Comp. Payments	FY 2013 Add'l Comp. Payments	Percent of Total Salary Dollars
MADISON	$842,350,263	$295,291,079	$1,137,641,342	619	16,098	3.85%	$1,369,833	0.12%	$865,086,658	$293,590,503	$1,158,677,161	1,250	16,295	7.67%	$3,217,910	0.28%
MILWAUKEE	158,986,809	63,342,423	222,329,232	420	3,873	10.84%	1,887,840	0.85%	163,076,487	65,065,750	228,142,237	689	3,907	17.64%	2,335,576	1.02%
EAU CLAIRE	48,737,668	25,521,307	74,258,975	342	1,295	26.41%	1,556,024	2.10%	50,231,305	25,361,342	75,592,647	457	1,282	35.65%	1,867,454	2.47%
GREEN BAY	24,285,723	11,376,918	35,662,641	150	722	20.78%	918,925	2.58%	24,485,417	11,420,070	35,905,487	212	744	28.49%	1,213,501	3.38%
La CROSSE	51,967,356	18,609,939	70,577,295	337	1,182	28.51%	1,420,854	2.01%	52,479,672	18,077,859	70,557,531	499	1,228	40.64%	1,950,858	2.76%
OSHKOSH	54,083,230	23,466,412	77,549,642	388	1,482	26.18%	1,470,510	1.90%	55,760,337	22,682,775	78,443,112	527	1,492	35.32%	1,773,410	2.26%
PARKSIDE	21,529,827	9,350,938	30,880,765	123	634	19.40%	450,975	1.46%	21,964,142	9,390,299	31,354,441	133	597	22.28%	609,875	1.95%
PLATTEVILLE	33,110,219	17,239,188	50,349,407	313	914	34.25%	1,437,230	2.85%	35,397,270	18,368,992	53,766,262	701	956	73.33%	2,285,028	4.25%
RIVER FALLS	26,869,933	13,830,840	40,700,773	172	757	22.72%	684,263	1.68%	27,296,827	14,445,400	41,742,227	185	765	24.18%	731,713	1.75%
STEVENS POINT	43,718,313	24,648,730	68,367,043	472	1,196	39.46%	1,975,341	2.89%	43,693,022	24,205,054	67,898,076	520	1,178	44.14%	2,059,491	3.03%
STOUT	39,051,896	21,357,608	60,409,504	288	1,155	24.94%	1,420,891	2.35%	38,807,843	21,273,968	60,081,811	424	1,191	35.60%	1,416,743	2.36%
SUPERIOR	14,128,244	7,028,091	21,156,335	131	468	27.99%	697,726	3.30%	14,579,692	7,022,993	21,602,685	148	466	31.76%	739,373	3.42%
WHITEWATER	46,896,417	20,623,633	67,520,050	441	1,176	37.50%	1,926,497	2.85%	47,152,279	20,466,909	67,619,188	576	1,206	47.76%	2,108,296	3.12%
COLLEGES	36,643,043	10,916,847	47,559,890	481	1,282	37.52%	1,210,281	2.54%	37,380,441	10,610,328	47,990,769	480	1,317	36.45%	1,204,853	2.51%
EXTENSION	101,336,309	20,447,125	121,783,434	43	1,132	3.80%	165,362	0.14%	101,773,623	19,071,300	120,844,923	27	1,143	2.36%	98,607	0.08%
UW SYS ADMIN	4,616,726	2,448,502	7,065,228	4	91	4.40%	6,300	0.09%	4,293,685	2,583,108	6,876,793	6	95	6.32%	23,026	0.33%
SYSTEM WIDE	4,730,112	4,377,404	9,107,516	5	105	4.76%	10,860	0.12%	4,901,024	4,154,777	9,055,801	7	97	7.22%	25,089	0.28%
TOTAL	$1,553,042,088	$589,876,984	$2,142,919,072	4,729	33,562	14.09%	$18,609,712	0.87%	$1,588,359,724	$587,791,427	$2,176,151,151	6,841	33,959	20.14%	$23,660,803	1.09%

DATA SOURCES:

Budgeted Salaries are from the 2012 and 2013 UW Annual Budgets

Adjustments are from HRS as June 30, 2013

Headcount data are from the 2011 and 2012 October payrolls

November 20, 2013 Table 2

UNIVERSITY OF WISCONSIN SYSTEM
FISCAL YEAR 12 ADDITIONAL COMPENSATION PAYMENTS by Classified and Unclassified Staff (Without Student Assistants in Headcount)
(All Funds)

FISCAL YEAR 12														
		FY 12 Classified Add'l Comp. Payments				FY 12 Unclassified Add'l Comp. Payments				FY 12 Totals				
Institution	FY 12 Total Budgeted Salary Dollars	Total Dollars for Add'l Comp. Payments	Number of Classified Staff Receiving Add'l Comp. Payments	Total Classified Headcount	Percent Classified Staff Receiving Add's Comp. Payments	Total Dollars for Add'l Comp. Payments	Number of Uncl Staff Receiving Add'l Comp. Payments	Total Uncl Headcount	Percent Uncl Staff Receiving Add'l Comp. Payments	Total Add'l Comp. Payment Dollars	Number of Staff Receiving Add'l Comp. Payments	Total Headcount	Percent of Staff Receiving Add'l Comp. Payments	Total Add'l Comp. Payments as Percent of Total Budgeted Salaries
MADISON	$1,137,641,342	$254,905	131	5,207	2.52%	$1,114,928	488	10,891	4.48%	$1,369,833	619	16,098	3.85%	0.12%
MILWAUKEE	222,329,232	34,992	13	1,007	1.29%	1,852,848	407	2,866	14.20%	1,887,840	420	3,873	10.84%	0.85%
EAU CLAIRE	74,258,975	37,200	17	402	4.23%	1,518,824	325	893	36.39%	1,556,024	342	1,295	26.41%	2.10%
GREEN BAY	35,662,641	10,366	6	206	2.91%	908,559	144	516	27.91%	918,925	150	722	20.78%	2.58%
La CROSSE	70,577,295	0	0	327	0.00%	1,420,854	337	855	39.42%	1,420,854	337	1,182	28.51%	2.01%
OSHKOSH	77,549,642	23,167	12	380	3.16%	1,447,343	376	1,102	34.12%	1,470,510	388	1,482	26.18%	1.90%
PARKSIDE	30,880,765	5,816	4	177	2.26%	445,159	119	457	26.04%	450,975	123	634	19.40%	1.46%
PLATTEVILLE	50,349,407	37,320	10	276	3.62%	1,399,910	303	638	47.49%	1,437,230	313	914	34.25%	2.85%
RIVER FALLS	40,700,773	0	0	210	0.00%	684,263	172	547	31.44%	684,263	172	757	22.72%	1.68%
STEVENS POINT	68,367,043	83,723	59	382	15.45%	1,891,618	413	814	50.74%	1,975,341	472	1,196	39.46%	2.89%
STOUT	60,409,504	11,163	11	384	2.86%	1,409,728	277	771	35.93%	1,420,891	288	1,155	24.94%	2.35%
SUPERIOR	21,156,335	17,234	5	138	3.62%	680,492	126	330	38.18%	697,726	131	468	27.99%	3.30%
WHITEWATER	67,520,050	22,523	8	365	2.19%	1,903,974	433	811	53.39%	1,926,497	441	1,176	37.50%	2.85%
COLLEGES	47,559,890	26,707	28	231	12.12%	1,183,574	453	1,051	43.10%	1,210,281	481	1,282	37.52%	2.54%
EXTENSION	121,783,434	63,369	20	217	9.22%	101,993	23	915	2.51%	165,362	43	1,132	3.80%	0.14%
UW SYS ADMIN	7,065,228	0	0	43	0.00%	6,300	4	48	8.33%	6,300	4	91	4.40%	0.09%
SYSTEM WIDE	9,107,516	0	0	63	0.00%	10,860	5	42	11.90%	10,860	5	105	4.76%	0.12%
	$2,142,919,072	$628,485	324	10,015	3.24%	$17,981,227	4,405	23,547	18.71%	$18,609,712	4,729	33,562	14.09%	0.87%

DATE SOURCE:

Budgeted Salaries are from the 2011-12 UW Annual Budget

Additional Compenstion Payments are from HRS as of June 30, 2013

Headcount data are from the 2011 October Payroll

UNIVERSITY OF WISCONSIN SYSTEM
FISCAL YEAR 13 ADDITIONAL COMPENSATION PAYMENTS by Classified and Unclassified Staff (Without Student Assistants in Headcount)
(All Funds)

FISCAL YEAR 13														
		FY 13 Classified Add'l Comp. Payments				FY 13 Unclassified Add'l Comp. Payments				FY 13 Totals				
Institution	FY 13 Total Budgeted Salary Dollars	Total Dollars for Add'l Comp. Payments	Number of Classified Staff Receiving Add'l Comp. Payments	Total Classified Headcount	Percent Classified Staff Receiving Add'l Comp. Payments	Total Dollars for Uncl Add'l Comp. Payments	Number of Uncl Staff Receiving Add'l Comp. Payments	Total Uncl Headcount	Percent Uncl Staff Receiving Add'l Comp. Payments	Total Add'l Comp. Payment Dollars	Number of Staff Receiving Add'l Comp. Payments	Total Headcount	Percent of Staff Receiving Add'l Comp. Payments	Total Add'l Comp. Payments as Percent of Total Budgeted Salaries
MADISON	$1,158,677,161	$2,075,203	762	5,247	14.52%	$1,142,707	488	11,048	4.42%	$3,217,910	1,250	16,295	7.67%	0.28%
MILWAUKEE	228,142,237	434,302	278	1,043	26.65%	1,901,274	411	2,864	14.35%	2,335,576	689	3,907	17.64%	1.02%
EAU CLAIRE	75,592,647	360,416	113	414	27.29%	1,507,038	344	868	39.63%	1,867,454	457	1,282	35.65%	2.47%
GREEN BAY	35,905,487	48,600	43	209	20.57%	1,164,901	169	535	31.59%	1,213,501	212	744	28.49%	3.38%
La CROSSE	70,557,531	123,109	91	337	27.00%	1,827,749	408	891	45.79%	1,950,858	499	1,228	40.64%	2.76%
OSHKOSH	78,443,112	184,019	103	403	25.56%	1,589,391	424	1,089	38.93%	1,773,410	527	1,492	35.32%	2.26%
PARKSIDE	31,354,441	9,536	4	172	2.33%	600,339	129	425	30.35%	609,875	133	597	22.28%	1.95%
PLATTEVILLE	53,766,262	365,953	252	300	84.00%	1,919,075	449	656	68.45%	2,285,028	701	956	73.33%	4.25%
RIVER FALLS	41,742,227	24,853	22	210	10.48%	706,860	163	555	29.37%	731,713	185	765	24.18%	1.75%
STEVENS POINT	67,898,076	208,327	117	374	31.28%	1,851,164	403	804	50.12%	2,059,491	520	1,178	44.14%	3.03%
STOUT	60,081,811	137,327	177	406	43.60%	1,279,416	247	785	31.46%	1,416,743	424	1,191	35.60%	2.36%
SUPERIOR	21,602,685	31,288	9	140	6.43%	708,085	139	326	42.64%	739,373	148	466	31.76%	3.42%
WHITEWATER	67,619,188	222,333	94	364	25.82%	1,885,963	482	842	57.24%	2,108,296	576	1,206	47.76%	3.12%
COLLEGES	47,990,769	46,162	28	244	11.48%	1,158,691	452	1,073	42.12%	1,204,853	480	1,317	36.45%	2.51%
EXTENSION	120,844,923	42,671	12	214	5.61%	55,936	15	929	1.61%	98,607	27	1,143	2.36%	0.08%
UW SYS ADMIN	6,876,793	3,126	2	47	4.26%	19,900	4	48	8.33%	23,026	6	95	6.32%	0.33%
SYSTEM WIDE	9,055,801	0	0	67	0	25,089	7	30	23.33%	25,089	7	97	7.22%	0.28%
	$2,176,151,151	$4,317,225	2,107	10,191	20.68%	$19,343,578	4,734	23,768	19.92%	$23,660,803	6,841	33,959	20.14%	1.09%

DATE SOURCE:

Budgeted Salaries are from the 2012-13 UW Annual Budget

Additional Compensation Payments are from HRS as of June 30, 2013

Headount data are from the 2012 October Payroll

November 20, 2013 | Table 4

UNIVERSITY OF WISCONSIN SYSTEM
Number of Individuals Receiving Additional Compensation Payments in FY12 AND FY13 (Without Student Assistants in Headcount)
(All Funds)

	FISCAL YEAR 12 and FISCAL YEAR 13														
	Classified Staff FY 12 and FY 13					Unclassified Staff FY 12 and FY 13					Total for FY 12 and FY 13				
Institution	FY 12 Number of Classified Staff Receiving Add'l Comp. Payments	FY 13 Number of Classified Staff Receiving Add'l Comp. Payments	Total Number of Classified Staff Receiving Add'l Comp. Payments in FY 12 and FY 13	Total Number of Classified Staff Receiving Add'l Comp. Payments in both FY 12 and FY 13	Percent Classified Staff Receiving Add'l Comp. Payments who received them in both FY 12 and FY 13	FY 12 Number of Uncl Staff Receiving Add'l Comp. Payments	FY 13 Number of Uncl Staff Receiving Add'l Comp. Payments	Total Number of Uncl Staff Receiving Add'l Comp. Payments in FY 12 and FY 13	Total Number of Uncl Staff Receiving Add'l Comp. Payments in both FY 12 and FY 13	Percent Uncl Staff Receiving Add'l Comp. Payments who received them in both FY 12 and FY 13	Total Number of Staff Receiving Add'l Comp. Payments in FY 12	Total Number of Staff Receiving Add'l Comp. Payments in FY 13	Total Number of All Staff Receiving Add'l Comp. Payments in FY 12 and FY13	Total Number of All Staff Add'l Comp. Payments in both FY 12 and FY 13	Percent of All Staff Receiving Add'l Comp. Payments who received them in both FY 12 and FY 13
MADISON	131	762	893	29	3.25%	488	488	976	173	17.73%	619	1,250	1,869	202	10.81%
MILWAUKEE	13	278	291	1	0.34%	407	411	818	193	23.59%	420	689	1,109	194	17.49%
EAU CLAIRE	17	113	130	8	6.15%	325	344	669	219	32.74%	342	457	799	227	28.41%
GREEN BAY	6	43	49	0	0.00%	144	169	313	108	34.50%	150	212	362	108	29.83%
La CROSSE	0	91	91	0	0.00%	337	408	745	237	31.81%	337	499	836	237	28.35%
OSHKOSH	12	103	115	5	4.35%	376	424	800	250	31.25%	388	527	915	255	27.87%
PARKSIDE	4	4	8	1	12.50%	119	129	248	32	12.90%	123	133	256	33	12.89%
PLATTEVILLE	10	252	262	7	2.67%	303	449	752	196	26.06%	313	701	1,014	203	20.02%
RIVER FALLS	0	22	22	0	0.00%	172	163	335	96	28.66%	172	185	357	96	26.89%
STEVENS POINT	59	117	176	39	22.16%	413	403	816	255	31.25%	472	520	992	294	29.64%
STOUT	11	177	188	5	2.66%	277	247	524	187	35.69%	288	424	712	192	26.97%
SUPERIOR	5	9	14	4	28.57%	126	139	265	97	36.60%	131	148	279	101	36.20%
WHITEWATER	8	94	102	2	1.96%	433	482	915	313	34.21%	441	576	1,017	315	30.97%
COLLEGES	28	28	56	2	3.57%	453	452	905	295	32.60%	481	480	961	297	30.91%
EXTENSION	20	12	32	0	0.00%	23	15	38	3	7.89%	43	27	70	3	4.29%
UW SYS ADMIN	0	2	2	0	0.00%	4	4	8	1	12.50%	4	6	10	1	10.00%
SYSTEM WIDE	0	0	0	0	0.00%	5	7	12	2	16.67%	5	7	12	2	16.67%
	0					0									
	324	2,107	2,431	103	4.24%	4,405	4,734	9,139	2,657	29.07%	4,729	6,841	11,570	2,760	23.85%

DATE SOURCE:

Budgeted Salaries are from the 2012-13 UW Annual Budget

Additional Compensation Payments are from HRS as of June 30, 2013

Headount data are from the 2012 October Payroll