

**UW System Board of Regents
Business & Finance Committee
Gordon Dining and Event Center
December 10, 2015**

MEETING OF THE BUSINESS AND FINANCE COMMITTEE:

The Business and Finance Committee was called to order at 2:45 p.m. by Regent Mueller. Roll call was taken and Regents Mueller, Pruitt, Bradley, Delgado, Grebe, Hall, Harsey and Vasquez were in attendance.

I.2.a. Approval of the Minutes of the October 8, 2015 Meeting of the Business and Finance Committee

Upon the motion of Regent Delgado, and the second of Regent Vasquez, the committee approved the Minutes of the October 8, 2015 Meeting of the Business and Finance Committee.

I.2.b. Trust Funds: Investment Policy Statement Review and Affirmation

Director of Trust Funds Douglas Hoerr reviewed the Investment Policy Statement with the committee. No substantive revisions to the IPS were recommended at this time. The only revisions made to the document are updates to the current market values and average withdrawal rates for the Funds. Upon the motion of Regent Vasquez, and the second of Regent Bradley, the committee reaffirmed its adoption of the Investment Policy Statement for the UW System Trust Funds.

I.2.c. Trust Funds: Proxy Voting Policy Review and Approval

Interim Vice President for Finance, Julie Gordon and Douglas Hoerr then reviewed the Proxy Voting Policy. UW System Trust Funds staff recommended the adoption of an approach similar to that used by the State of Wisconsin Investment Board (SWIB). This approach is expected to maintain UW System Trust Fund's long history of involvement and engagement in shareholder proxy voting while discontinuing the practice of bringing individual proxies to the Board every year. Instead the Board would set general guidelines and establish the framework, in which the internal trust funds staff and Investment Managers would use those guidelines to vote those proxies.

1. Revision of Regent Policy Document 31-10, Proxy Voting
2. Revision of Regent Policy Document 31-13, Social Responsibility and Investment Considerations

Regent Mueller emphasized that this doesn't in any way restrict the Board of Regents from acting on other investment matters, such as divestment or other corporate responsibility issues. The Board of Regents may also ask for a report at any time to see how this has played out. Follow up will be an important part of all of this.

Regent Mueller asked for clarification on assets under UW System Trust Fund where we have about \$500M, but much of that is in comingled funds. Douglas Hoerr clarified that there would be a percentage where they would have some control with a proxy voting process. Currently around 25% of the equities are in separate accounts where there is direct ownership of the individual stocks. There is a responsibility to vote those proxies if we chose to do so. For the assets that are held in mutual funds or other institutional comingled funds, the fund itself votes the proxies.

Upon the motion of Regent Bradley, and the second of Regent Hall, the committee approved changes to Regent Policy documents governing the voting of proxy proposals associated with UW System Trust Funds investments.

I.2.d. Review and Approval of Revisions to Regent Policy Document 13-1, General Contract Signature Authority, Approval, and Reporting

Vice President for Administration, David Miller presented revisions to Regent Policy Document 13-1, General Contract Signature Authority, Approval, and Reporting.

Significant changes include:

- Increasing the threshold requiring Board approval from \$500K to \$1M
- Requiring formal Board approval for Athletics employment contracts with a value of more than \$500K
- Requiring UW System Office of General Counsel review of all contracts with a value between \$500K and \$1M

Regent Grebe asked what number of contracts we are referring to that are between \$500K to \$1M. Vice President Miller responded by stating it was about nine, which is minimal. Regent Mueller stated that this will allow these contracts to move forward more efficiently. Vice President Miller also stated that this doesn't preclude the Board from reviewing any contract and that this is just the minimum requirement. If anything came through that had unusual terms, System staff would work with the Chair to determine whether or not the Board should review it.

Upon the motion of Regent Grebe, and the second of Regent Delgado, the committee approved changes to Regent Policy related to contract approval, signature authority and reporting.

I.2.e. UW-Stevens Point Differential Tuition Proposal – *The Pointer Partnership*

UW-Stevens Point Chancellor Bernie Patterson and UWSP students presented a proposal for Differential Tuition.

The differential will be phased in for upperclassmen, ultimately resulting in the addition of \$200 per semester for all undergraduate students. The idea is to reduce the bottleneck courses to help students graduate timely, to reduce student debt and to get them out in to the workforce sooner. Chancellor Patterson stated they have revised their general education requirements and have reduced it from 15 to 17 hours. Chancellor Patterson noted that the biggest thing they have done is change the culture of the campus to students who are pushing to graduate within four years. The funds would also be used to put together a new advising office that would have centers in each of the colleges to allow for more consistency in advising the students. Lastly, the funds would be used to financially help those students that

have the greatest financial challenges. Outcomes of the program will be presented to the Board for review after five years.

The President and Vice President of the UW-Stevens Point Student Government Association gave a presentation on how they went about this educational campaign. They felt it was important to get the students buy in on this investment. The goal was to get students out to vote. They did over 225 presentations for students to get the word out. There were over 3,000 (35.8% of student body) students that voted, which was the highest student turnout they had ever had. 62% of the students were in favor of the referendum.

Regent Vasquez asked why the percentage of votes isn't in the forty or fifty percent range. The Student Government Associated President noted that the national average for student elections turnout is on average about 10%. This means that the voter turnout for this was more than triple the national average. In addition, they noted that some seniors were purposefully choosing not to vote since this change would not affect them.

Regent Mueller asked when the fee would take effect. Chancellor Patterson confirmed the fee would take place in the fall of 2016.

Regent Harsy asked what the Student Government Association found successful during their campaign that could be helpful for other Student Government Associations in the future at other campuses. The response was that the face to face interactions and being there in the classrooms and organization meetings so the students could ask questions allowed them to build rapport with the students.

Upon the motion of Regent Vasquez, and the second of Regent Hall, the committee approved a new differential tuition at UW-Stevens Point. The differential will be phased in for upperclassmen, ultimately resulting in the addition of \$200 per semester for all undergraduate students. Outcomes of the program will be presented to the Board for review after five years.

I.2.f. UW-Eau Claire Alumni Tuition Proposal

UW-Eau Claire Chancellor James Schmidt presented the alumni tuition pilot program that will charge a rate that is 25% below the undergraduate resident tuition rate at the institution. The new rate will be charged to both resident and non-resident undergraduate alumni who commit to graduating within four years and then successfully meet that commitment. This pilot tuition program will sunset after five years although the institution may seek to extend it if the program is deemed successful.

Chancellor Schmidt stressed that they want 100% of their students to graduate. As of last year 36% of their graduating seniors participated in faculty sponsored research. Internship programs that study abroad were among the top for percentage of students who spend at least a semester abroad which can add to their time in school. They want 100% of those students to do that. Currently 86% do, so they are close. Chancellor Schmidt also noted that they want to increase their freshman and sophomore retention rate to 90%, which is currently at 83%. The goal is to also increase their four year graduation rate to 50%, which is currently at 34%. About 2/3 of the students who graduate, do so within 4 ½ years.

Chancellor Schmidt stated that this program is a small part of their strategy to drive four year graduation rates higher. They are also establishing a one stop student center. They plan to

implement strong advisor programs. Every student would be assigned a progression specialist who would work with the student from the moment they are accepted to the college. This specialist would be with that student throughout their entire college career, in addition to faculty advising and mentorship.

This program would be an added incentive to get students to graduate in four years. Chancellor Schmidt believes that giving the student a 25% discount on tuition is significant. It encourages them to graduate within that four years, and then get a 25% discount should they choose to come back to take additional classes. The contracts would start with the incoming freshman.

Regent Mueller stated that if current seniors would be eligible to take advantage of this, this isn't going to further the goal of the graduation rate because they were on track to graduate anyway. Chancellor Schmidt commented that they have already been in the process of increasing the four year graduation rate. The students are being educated about the real cost of graduating later, which is not just the tuition but the room and board costs as well.

Regent Grebe asked Chancellor Schmidt if they've been able to determine how many students would be interested in coming back for some classes after they graduate. Chancellor responded by saying it isn't really about them coming back, but more so an incentive for them to graduate within four years. Regent Grebe then asked if the student has to sign a contract as a freshman to be eligible for the program. Chancellor Schmidt stated that they can sign it any time before they graduate.

Regent Harsy asked how this would work for transfer students. Chancellor Schmidt confirmed that transfer students would not be eligible for this program.

Upon the motion of Regent Bradley, and the second of Regent Hall, the committee approved the UW-Eau Claire Alumni Tuition Proposal.

I.2.g. Review and Approval of Changes to Regent Policy Documents Related to Information Systems and Technology

Vice President for Administration David Miller discussed with the committee the removal of two Regent Policy Documents which are obsolete given that their stated purposes were met long ago and their content out of date.

1. Removal of Regent Policy Document 25-1, Telecommunications Planning and Operations
2. Removal of Regent Policy Document 25-2, Guide to Plan and Implement Management Information Systems
3. Revision of Regent Policy Document 25-4, Policy for Large or Vital Information Technology Projects to be renamed "Strategic Planning and Large or High Risk Projects"

Significant changes include:

- Revised the definition of high-risk projects from situations where failure to complete the project would prevent the operation of essential systems for a period of 30 days or more to defining high-risk as situations where failure to complete the project would prevent fulfillment of essential operations for 10 days or more.

- Clarifies that required reports are to be submitted to the Board of Regents prior to their being sent to the WI Legislature's Joint Committee on Information Technology.
- The policy also now specifically incorporates the statutorily required reporting elements into the Regent Policy Document.

Upon the motion of Regent Bradley, and the second of Regent Vasquez, the committee approved the removal of the two Regent Policy Documents which are obsolete given that their stated purposes were met long ago and their content out of date. In addition, the committee approved changes to its Policy for Large or Vital Information Projects.

I.2.h. UW-Madison Contractual Agreement – Novartis

Vice Chancellor Darrell Bazzell requested approval of a clinical trial agreement with Novartis Pharmaceuticals Corporation. The agreement involves an evaluation of the safety and efficacy of specified treatments addressing lymphoblastic leukemia. Work under the agreement had begun earlier, but did not require regent approval until recently as a subsequent amendment pushed it over the \$500,000 threshold requiring approval. The most recent amendment brings the total expected to be generated for the institution to \$558,628. Efforts under the agreement will be conducted under the direction of Dr. Christian Capitini in the UW-Madison School of Medicine and Public Health, Department of Pediatrics.

Upon the motion of Regent Bradley, and the second of Regent Hall, the committee approved the UW-Madison Contractual Agreement with Novartis Pharmaceuticals Corporation.

I.2.i. UW-Madison Contractual Agreement – Idx

Vice Chancellor Darrell Bazzell requested approval for a Master Services Agreement with IDx, LLC. Under the agreement, the University will provide services related to training and certification of image recording. This three-year agreement establishes the general terms to be applied to all related services provided to IDx, LLC. Individual project specifications will be detailed in separate statements of work to be executed under the master agreement. While total revenues to the institution are not fixed, the University is expected to receive more than \$500,000 over the life of the agreement. Covered services will be provided by the Fundus Photograph Reading Center (FPRC) under the direction of Dr. Barbara Blodi.

Upon the motion of Regent Hall, and the second of Regent Bradley, the committee approved the Master Services Agreement with IDx, LLC.

I.2.j. UW System Collective Bargaining Agreement with The Building and Trades Council of South Central Wisconsin

UW System General Counsel Tom Stafford and Legal Counsel Wade Harrison requested approval for a collective bargaining agreement under which the UW System and the Trades Council have negotiated a 0% increase in base wages. General Counsel Stafford stated that on July 1, 2015 the Board received its own personnel system authority. With that authority came the responsibility to become the employer role in collective bargaining. The Board is that role for the balance of the System, the Madison Chancellor has that role for Madison, OSER continues to have that role for employees that are still within the state government. System

was approached by a Craftworkers Union regarding a request for a CPI increase of base wages. The proposal was for a 1.62% wage increase. It was explained that other UW System employees were not getting wage increases. After discussion, it was agreed that there would be a 0% base wage adjustment. If the Board approves, this will go on to the Legislative Joint Committee on Employment Relations for final approval.

Upon the motion of Regent Vasquez, and the second of Regent Delgado, the committee approved the UW System Collective Bargaining Agreement with The Building and Trades Council of South Central Wisconsin.

I.2.k. Report on Faculty and Staff Base Salary Adjustments and Lump Sum Payments for FY2015

Associate Vice President for Human Resources & Workforce Diversity Shenita Brokenburr presented the committee with a report on additional compensation received by UW System faculty and staff outside the state-approved pay plan.

A total of about 24% of all staff received base adjustments (including those for promotions, title changes, and changes in duties) during fiscal year 2015. UW Chancellors reallocated approximately \$34.4M in FY2015 to fund these base adjustments. By comparison, reallocations of approximately \$38.0M were made for these purposes in fiscal year 2014. These reallocations represent 1.5% and 1.7% of the respective year's salary base.

UW Chancellors also reallocated one-time resources of approximately \$22.9M in FY2015 to fund one-time, lump sum payments. Similarly, Chancellors reallocated approximately \$22.3M in FY2014 to fund one-time, lump sum payments. These lump sum payments are non-base building compensation for additional work of a one-time, non-recurring nature and should not be construed as equivalent to the "bonuses" often provided in the private sector. Summary information for the year is included in the Committee's meeting materials.

Regent Mueller expressed that a considerable amount of money is being reallocated in order to provide needed salary support for classified and unclassified staff. The numbers for faculty retention and recruitment have declined in fiscal year '15 over fiscal year '14 which seemed out of the ordinary since the campuses are concerned that our faculty members are being targeted by other schools. Vice President Miller noted that the 2013-15 budget had a base budget cut so the institutions had to cut their base budget and carve out dollars from reallocation for the most dire situations in retention. This year is before the current biennium's \$250M reduction. Regent Mueller then noted that it doesn't look as though there are additional funds being provided for merit increases. Vice President Miller clarified that there is no funding for that and it's just another way in which beyond matching a competitive offer, a promotion or addressing an existing inequity that Chancellors can use for retention. Regent Vasquez expressed concern with the continual reallocation of funds and at some point there will not be funds left to be reallocated. Regent Mueller suggested reviewing the data more thoroughly and then discussing the issue in the future with Chancellors.

Regent Delgado asked if there was comparable data for similar campuses. The concern is the risk in either losing employees or not attracting them. Vice President Miller stated that in the coming year as we think about a future compensation request for the next biennium we will bring to the committee more data that will have peer comparisons. The adjustments that range around 1-1 ½ % of the payroll base only reduce the degree in which we are falling

behind. Our peers are routinely adjusting salaries at a minimum of cost of living in the 2-3% range across the board so as they are doing that, we are only touching 25% of the staff at a 1-2% increase. It's likely that in fiscal year 2015 we will be even further behind.

Regent Grebe expressed interest in seeing what the progression has been between staff and faculty salaries since tightening budgets over the last several years. Vice President Miller stated they would do so.

I.2.1. Quarterly Report of Gifts, Grants, and Contracts (1st Quarter)

Interim Vice President for Finance Julie Gordon provided a summary of gift, grant, and contract awards for the period July 1, 2015 through September 30, 2015 was presented. Total awards for the period were approximately \$500.3 million, a decrease of \$19.1 million compared to the prior year. Federal awards decreased \$3.3 million while non-federal awards decreased by \$15.8 million.

I.2.m. Report of the Senior Vice President(s)

Vice President for Administration David Miller provided a brief update regarding Human Resource System (HRS) upgrade plans. Interim Vice President for Finance Julie Gordon shared a revised final Financial Management Report for FY2015.

The committee adjourned at 4:35 p.m.

Respectfully submitted,



Jennie Bauernhuber
Recording Secretary