

1/27/2015

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business and Finance Committee

Thursday, February 5, 2015  
10:45 a.m.-12:15 p.m.  
Union South, Varsity Hall II  
UW-Madison  
Madison, Wisconsin

a. Consent Agenda:

1. Approval of the Minutes of the December 4, 2014 meeting of the Business and Finance Committee
2. UW-Madison Contractual Agreement Amendment – Smithfield Foods  
[Resolution I.2.a.2.]
3. UW-Madison Contractual Agreement Amendment – Learfield  
[Resolution I.2.a.3.]
4. UW-Milwaukee Contractual Agreement – NanoAffix, LLC, A.O. Smith, Badger Meter, Inc., and Baker Manufacturing  
[Resolution I.2.a.4.]
5. UW-Milwaukee Contractual Agreement – Areva Mines and NAGRA  
[Resolution I.2.a.5.]
6. UW-Milwaukee Contractual Agreement – CalciGenix, LLC  
[Resolution I.2.a.6.]
7. Endorsement of Veterans Choice Act and Approval of Resident Tuition Rates for Qualifying Non-Residents  
[Resolution I.2.a.7.]

b. UW System 2014 Financial Report

c. UW System 2014 Annual Trust Funds Report

d. Review of UW System Trust Funds Proxy Voting Policy

e. Quarterly Report of Gifts, Grants and Contracts (2<sup>nd</sup> Quarter FY 2015)

- UW-Madison Discussion of Trends and Prospects for Research Funding
- UW System Quarterly Update on Gifts, Grants, and Contract Awards

f. Financial Management Report (2<sup>nd</sup> Quarter FY 2015 )

g. UW System Information Technology Report as Required by Wis. Stats. 13.58(5)(b)(3)

1. UW System Strategic Plans for Major Information Technology Projects
2. Semi-Annual Status Report for Major Information Technology Projects

h. Report of the Senior Vice President

UW-Madison Amendment to Contractual  
Agreement with Smithfield Foods, Inc.

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 and associated amendments between the University of Wisconsin-Madison and Smithfield Foods, Inc.

**UW-MADISON AMENDMENT TO CONTRACTUAL AGREEMENT  
WITH SMITHFIELD FOODS, INC.**

**EXECUTIVE SUMMARY**

**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 approval prior to execution.

**REQUESTED ACTION**

Approval of Resolution I.2.a.2.

**DISCUSSION**

The Office of Industrial Partnerships at the University of Wisconsin-Madison negotiated and executed a Research Agreement (Attachment A) with Smithfield Foods, Inc. ("Smithfield") in November 2012. Under this agreement, the Cook Lab in the Department of Animal Sciences has been performing a research project entitled: "Development of a secretory IgA for use in the treatment of disorders related to gastrointestinal dysfunction and for use as an animal feed supplement for enhanced growth rates." This project was undertaken as follow up to a research project supported by Smithfield earlier in 2012 and has been deemed Phase II. Phase II had an original period of performance of December 1, 2012 through November 30, 2014 and a budget of \$430,370.00.

The Research Agreement was amended by the First Amendment (Attachment B) on April 2, 2014 to add additional work and corresponding funding in the amount of \$15,050, bringing the total budget to \$445,420.00. It was amended again on November 30, 2014 by the Second Amendment (Attachment C) to extend the term of the project through January 31, 2016.

A Third Amendment (Attachment D) is now being processed to further extend the project through June 30, 2017 and add funding in the amount of \$225,375.00, which will cause the budget to exceed \$500,000.00. The new total budget will be \$670,795.00.

**RELATED REGENT POLICIES**

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

UW-Madison Amendment to Contractual  
Agreement with Learfield Communications

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon 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 First Amendment to the Second Amended and Restated Exclusive Multi-Media Rights Agreement with Learfield Communications.

**CONTRACT FOR EXCLUSIVE MULTI-MEDIA RIGHTS AGREEMENT  
FOR  
UW-MADISON'S DIVISION OF INTERCOLLEGIATE ATHLETICS**

**EXECUTIVE SUMMARY**

**BACKGROUND**

UW-Madison is prepared to enter into an amended contractual agreement with Learfield Communications ("Learfield") for the purpose of awarding Learfield certain marketing and multi-media rights, as set forth in an exclusive multi-media rights agreement by and between Learfield and the Board of Regents of the University of Wisconsin System, on behalf of UW-Madison and its Division of Intercollegiate Athletics ("Athletics").

**REQUESTED ACTION**

Approval of Resolution I.2.a.3.

**DISCUSSION**

In an effort to meet growing fan connectivity needs and to improve Badger fans' in-game experience, Athletics entered into a networking project that includes plans to add a high-speed Wi-Fi network and a stadium-wide IPTV system with over 700 high definition TV screens ("Stadium Vision") at UW Athletic facilities including Camp Randall Stadium, Kohl Center, LaBahn Arena, and UW Field House. Athletics also plans to install a new video board in the Kohl Center. The new technology employed by Athletics will provide additional marketing inventories for Learfield and, in consideration for that inventory, Athletics and Learfield entered into negotiations to amend the current contract to provide for Learfield's capital support of Athletics' newly acquired technology.

The Amendment includes the following elements:

1. The agreement extends the contract term by two (2) years. The contract would be effective on the date executed on behalf of all parties and will continue through June 30, 2026.

2. In consideration of University extending the term of the current contract for two years, Learfield agrees to pay Athletics three extension bonus payments totaling \$1.5 million. The extension bonus payments will be paid by Learfield per the following schedule:
 

- August 1, 2016	\$500,000
- August 1, 2017	\$500,000
- August 1, 2018	\$500,000
  
3. Under the current contract, Learfield makes annual Guaranteed Payments to Athletics that increase each year per the contract terms. Under the proposed amendment, the Guaranteed Payments will continue to increase at the same incremental rate (increases by \$200,000 annually) for each of the two years of the contract extension period. The cumulative impact is a \$400,000 increase in the annual Guaranteed Payments received by Athletics.
  
4. Learfield agrees to pay an additional \$10.0 million in Guaranteed Capital Subsidy Payments to Athletics. This subsidy will be paid by Learfield in eight installments per the following schedule:
 

- June 1, 2015	\$500,000	- June 1, 2020	\$1,000,000
- June 1, 2016	\$1,500,000	- June 1, 2022	\$1,250,000
- June 1, 2017	\$1,500,000	- June 1, 2026	\$1,250,000
- June 1, 2018	\$1,500,000		
- June 1, 2019	\$1,500,000		
  
5. Under the current contract, Learfield pays Athletics the greater of the annual Guaranteed Payment amount or 52% (share hurdle) of Learfield's adjusted gross revenue (AGR) for 2014-15. Under the proposed amendment, the share hurdle percentage will increase to the following levels per the following schedule:
 

- 2015-16	55%	- 2021-22	59%
- 2016-17	55%	- 2022-23	59%
- 2017-18	57%	- 2023-24	59%
- 2018-19	57%	- 2024-25	59%
- 2019-20	57%	- 2025-26	59%
- 2020-21	57%		

In addition to the share hurdle percentage increase above, both parties agree that (1) if Learfield's AGR exceeds \$18.0 million in any given year, the share hurdle percentage on any AGR in excess of \$18.0 million shall increase an additional 3% over the base share hurdle percentage identified above, and (2) if the AGR exceeds \$20.0 million in any given year, the share hurdle percentage on any AGR in excess of \$20.0 million shall increase an additional 2% over the base share hurdle percentage identified above. The increased share hurdles are expected to generate approximately \$100,000 annually per each percentage point increase.

6. In consideration of the \$10.0 million Guaranteed Capital Subsidy Payments and the increased share hurdle percentages, UW Athletics agrees to provide Learfield with 75% of the inventory created by Stadium Vision and WiFi at Camp Randall Stadium, the Kohl Center, LaBahn Arena, and the UW Field House.

## **CONCLUSION**

UW-Madison respectfully recommends that the Board of Regents approve the proposed First Amendment to the Second Amended and restated Exclusive Multi-Media Rights Agreement with Learfield Communications. The Amendment will benefit the long-term interests of the Division of Intercollegiate Athletics and UW-Madison by providing additional support for technology upgrades for Athletics' facilities and on-going support of operating budgets.

## **RELATED REGENT POLICIES**

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

UW-Milwaukee Contractual Agreement  
With NanoAffix, LLC

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the existing contractual agreement between the University of Wisconsin-Milwaukee, the UWM Research Foundation, NanoAffix, LLC, A.O. Smith Corporation, Badger Meter, Inc., and the amended and restated agreement to include Baker Manufacturing.



**UW-MILWAUKEE CONTRACTUAL AGREEMENT  
WITH THE UWM RESEARCH FOUNDATION, NANOAFFIX, LLC, A.O. SMITH  
CORPORATION, BADGER METER, INC., AND BAKER MANUFACTURING**

**EXECUTIVE SUMMARY**

**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 approval prior to execution.

**REQUESTED ACTION**

Approval of Resolution I.2.a.4.

**DISCUSSION**

In August 2014, the University of Wisconsin-Milwaukee (UWM) received an award of \$800,000 from the National Science Foundation (NSF) Partnerships for Innovation Research-Research Alliance Program (the “*PFI Program*”). The purpose of the PFI Program is to accelerate technology transfer between academia and industry by leveraging investments by both the Federal government and the private sector. In order to ensure the successful translation of university research to industry, NSF requires PFI Program applications to demonstrate a one-to-one match of NSF funds to private, third-party investments. A minimum of 75% of the match must be in the form of cash.

To satisfy the NSF’s private investment requirements, UWM and the UWM Research Foundation executed a Cooperative Research Agreement with NanoAffix, LLC, A.O. Smith Cooperation, and Badger Meter (collectively, the “*Initial Partners*”) effective July 18, 2014. UWM recently learned that it inadvertently failed to obtain Board of Regents’ approval prior to entering into this contract and now seeks to rectify this oversight by obtaining retroactive approval. It also seeks to amend and restate this agreement in substantially the same form to include an additional partner, Baker Manufacturing.

UWM’s research activities in connection with the PFI Program include prototype development and sensor integration relating to water technology. The Initial Partners agreed to pay UWM a fixed-price sum of \$600,000 during the project term which spans from August 15, 2014 through July 31, 2017 as well as provide an additional \$250,000 in in-kind services. (The Initial Partners agreed to exceed the required one-to-one match by \$50,000.)

In exchange, UWM agreed to provide the Initial Partners access to intellectual property developed under the partnership for use in their existing water equipment, as well as provide technology commercialization assistance. Additionally, the Initial Partners received an ownership stake in NanoAffix (arranged directly between NanoAffix and the respective parties).

In November 2014, Baker Manufacturing also agreed to participate as a partner/investor. As such, UWM has negotiated an Amended and Restated Cooperative Research Agreement with the parties which takes substantially the same form as the original Cooperative Research Agreement but adds Baker Manufacturing as an additional partner.

Revenues to the University associated with the Amended and Restated Cooperative Research Agreement are \$750,000 plus an additional \$350,000 in in-kind services in the form of personnel provided by the partners. This is in addition to the \$800,000 UWM will receive directly from the NSF. The work is being overseen by Dr. Junhong Chen in the College of Engineering and Applied Science.

## **RELATED REGENT POLICIES**

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

UW-Milwaukee Contractual Agreement  
With Areva Mines and NAGRA

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the existing contractual agreement between the University of Wisconsin-Milwaukee, Areva Mines, and NAGRA.

**UW-MILWAUKEE CONTRACTUAL AGREEMENT  
WITH AREVA MINES AND NAGRA**

**EXECUTIVE SUMMARY**

**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 approval prior to execution.

**REQUESTED ACTION**

Approval of Resolution I.2.a.5.

**DISCUSSION**

The Department of Geosciences in the College of Letters and Science and the Office of Sponsored Programs at the University of Wisconsin-Milwaukee (UWM) entered into a Research Agreement with Areva Mines and NAGRA (National Cooperative for the Disposal of Radioactive Waste), effective August 1, 2012. UWM recently learned that it inadvertently failed to obtain Board of Regents' approval prior to entering into this contract and now seeks to rectify this oversight by obtaining retroactive approval.

Areva Mines is a French company with specialization in uranium mining throughout the world. NAGRA is a Swiss cooperative for the disposal of radioactive waste. Under this agreement, the University is developing two probes (as well as their related power supply and control units) capable of detecting certain levels of cesium, iodine, selenium, and uranium in clay rock of a depth up to 20 meters. The Agreement also requires UWM to provide training to Areva Mines and NAGRA personnel on the use of the probes. The services were to be provided over a thirty-month period ending January 31, 2015. The agreement was extended through March 15, 2015 through a No-Cost Extension. UWM will retain ownership of the probes during the period of performance and ten-year license-to-utilize period; however, Areva and NAGRA are responsible for all operational and maintenance costs of the probes during this period. UWM retains the right to use and/or publish the results of the research. Revenues to UWM associated with such services are \$714,000 (\$357,000 will be provided by Areva and NAGRA each) based on the current Agreement. To date, \$550,000 in payments have been made to UWM and the remaining \$164,000 is due on March 15, 2015. The work is being overseen by Dr. Timothy Grundl in the Department of Geosciences.

**RELATED REGENT POLICIES**

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

UW-Milwaukee Contractual Agreement  
With CalciGenix LLC

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the existing contractual agreement between the University of Wisconsin-Milwaukee and CalciGenix, LLC.

**UW-MILWAUKEE CONTRACTUAL AGREEMENT  
WITH CALCIGENIX, LLC**

**EXECUTIVE SUMMARY**

**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 approval prior to execution.

**REQUESTED ACTION**

Approval of Resolution I.2.a.6.

**DISCUSSION**

The College of Letters and Science and the Office of Sponsored Programs at the University of Wisconsin-Milwaukee (UWM) entered into a Sponsored Research Agreement with CalciGenix, LLC (a subsidiary of Quincy Bioscience Holding Company) effective June 20, 2014. UWM recently learned that it inadvertently failed to obtain Board of Regents' approval prior to entering into this contract and now seeks to rectify this oversight by obtaining retroactive approval.

Under this agreement, UWM is evaluating a novel therapy involving administration of calcium binding protein apoaequorin and its ability to protect neurons in the brain and ameliorate aging-related cognitive decline. It is anticipated that the results of this project will impact stroke treatments as well as aging-related neurodegenerative disorders. The services will be provided over a period ending June 30, 2017. Revenues to UWM associated with such services are \$504,000 based on the current agreement. To date, \$70,000 in payments have been made to UWM pursuant to this agreement. (The pilot work for this project was funded through a \$150,000 Agreement in 2013. As such, total anticipated funds from CalciGenix to UWM are \$654,000.) Ownership of any intellectual property created or developed under this agreement is governed by applicable US patent law and UWM retains the right to use and/or publish the results of the research. The work is being overseen by Dr. James Moyer in the College of Letters and Science.

**RELATED REGENT POLICIES**

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

Endorsement of the Veterans Access,  
Choice, and Accountability Act of 2014

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the application of the Veterans Access, Choice, and Accountability Act of 2014 (Pub. L. No. 113-146) within the University of Wisconsin System. This Act requires that certain eligible non-resident U.S. veterans and other eligible benefit recipients be charged the same tuition as Wisconsin residents pursuing the same course or program, effective July 1, 2015.

## **UW SYSTEM SUPPORT & IMPLEMENTATION OF THE VETERANS ACCESS, CHOICE, AND ACCOUNTABILITY ACT OF 2014**

### **BACKGROUND**

In August of 2014 President Obama signed into law the Veterans Access, Choice and Accountability Act of 2014 (“Choice Act”). While the Choice Act primarily addresses quality issues related to healthcare provided by the federal Veterans Administration (VA), Section 702 of the Choice Act mandates<sup>1</sup> public institutions of higher education to assess tuition to qualifying non-resident veterans and children and spouses using VA benefits at a rate no higher than the rate assessed to in-state residents. The Choice Act covers veterans living in the state who enroll within three years of discharge from a period of active duty service of 90 days or more. A spouse or child using VA benefits transferred from a veteran is also covered under the Choice Act if they are living in the state and enroll within three years of the veteran’s discharge from a period of active duty of 90 days or more.

### **REQUESTED ACTION**

Approval of Resolution I.2.a.7.

### **DISCUSSION**

The issue of veterans being unable to establish state residency as a result of service related relocations first gained attention of the national media in 2012, most notably as the result of several high profile cases in North Carolina. Existing statutory provisions in Wisconsin, specifically provisions under s. 36.27(2)(b), Wis.Stats., that treat active duty service members as residents for tuition purposes and the expansive coverage afforded under the Wisconsin GI Bill, as well as use of the VA’s Yellow Ribbon program by UW institutions attracting non-resident veterans, all helped minimize potential difficulties faced by non-resident veterans in Wisconsin. The VA’s Yellow Ribbon program evenly shares the cost of the non-resident portion of tuition and fees with public institutions for non-resident students who are 100% eligible for the Post-9/11 GI Bill. The Choice Act will greatly reduce opportunities to access Yellow Ribbon program funds for public institutions because institutions will no longer be assessing non-resident tuition to most veterans. Consequently there are no non-resident tuition costs to share with the VA.

---

<sup>1</sup> The Choice Act effectively mandates compliance by requiring the VA to disapprove programs of education under the Post-9/11 GI Bill and the Montgomery GI Bill at any institution that assesses tuition to non-resident qualifying students at a rate in excess of that assessed to resident students. A disapproval by the VA results in the suspension of monthly housing and support payments to all students who are using Post-9/11 or Montgomery GI Bill benefits at the non-compliant institution. In addition, tuition and fees paid directly to an institution under the Post-9/11 GI Bill will be suspended in instances when an institution is found to be non-compliant.



The Choice Act adds an additional benefit to Wisconsin's strong benefit array for veterans and their families by ensuring that qualifying veterans and their dependents using benefits are charged tuition and fees of no more than those charged to resident students. The Act and subsequent guidance from the VA is silent on a number of practical implementation issues, and questions have emerged about how to implement the law efficiently and effectively. The following recommendations were developed cooperatively by UW institutional staff with extensive experience working with student veterans, with the goal of facilitating uniform administration of the Choice Act provisions across the UW System in a manner that is responsive to the needs of student veterans. Pending further clarification from the federal government, UW System Administration will provide the following guidance to facilitate uniform administration of the Choice Act:

- Defining initial enrollment as equivalent to the date of matriculation (the date on which students may first register for classes) or the date of a paid enrollment deposit, whichever is earlier for qualifying students.
- Defining continuous enrollment to include students transferring from or between UW or Wisconsin Technical College System institutions in acknowledgement of the number of students who routinely move between institutions.
- Allowing breaks in enrollment of up to two standard academic terms to recognize that family and financial obligations frequently require non-traditional students such as veterans to "stop out" and re-enroll.
- Extending in-state tuition treatment to recipients of the Fry Scholarship without regard to the date of death of the service member. The Fry Scholarship is awarded to children and surviving spouses of service members who die in the line of duty after Sept. 10, 2001.
- Extending coverage to qualifying students who are participating in institutionally sponsored or approved programs including internships, study abroad and the national student exchange.
- Informing qualifying students about the requirements to become bona fide residents for tuition purposes and encouraging the pursuit of residency.
- Applying resident rates to qualifying students through functionality in PeopleSoft under pages commonly labeled "Additional Residency Data."
- Recommending close collaboration between the Veterans Certifying Official (VCO), Registrar and Admissions Offices to determine eligibility for coverage under the Choice Act.

## **RELATED REGENT POLICES**

Regent Policy Document 32-1: *Delegation of Authority Regarding Residence Classification*

**UW SYSTEM  
2014 ANNUAL FINANCIAL REPORT**

**EXECUTIVE SUMMARY**

**BACKGROUND**

The UW System publishes an Annual Financial Report that includes financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board. The statements are audited by the Legislative Audit Bureau, and also appear, in a somewhat modified format, in the State of Wisconsin's Comprehensive Annual Financial Report (CAFR).

**REQUESTED ACTION**

This report is submitted for information only.

**DISCUSSION AND RECOMMENDATIONS**

Overview of Accrual-Based Financial Reporting

The UW System's Annual Financial Report is prepared using full accrual-based accounting, which is an accounting method that measures the performance and position of an entity by recognizing economic events when the transactions occur, regardless of when cash is paid or received. This is in contrast to cash-based accounting, which reports transactions only when cash is exchanged. Accrual-based accounting is required by GAAP.

In accordance with GAAP, the Annual Financial Report for the year ending June 20, 2014, includes a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. It also includes an unmodified or "clean" audit opinion from the Legislative Audit Bureau. The accompanying Notes to the Financial Statements are an integral part of the statements, including both disclosures required by GAAP and explanations intended to aid the reader in understanding the statements. In addition, the Annual Financial Report includes a "Management's Discussion and Analysis" (MD&A) that is intended to provide an objective and easily readable analysis of the UW System's financial activities. Of particular interest within the MD&A is a section entitled Factors Affecting Future Periods. The UW System's Annual Financial Report may be found at <http://www.uwsa.edu/fadmin/finrep/afr.htm>.

Analysis of the UW System's financial statements and notes may be performed to provide management with an understanding of operations and to assist in making business decisions. The statements may also be used by Regents and other key stakeholders, including legislators and the Higher Learning Commission, in evaluating financial performance. Finally, because the UW System's financial

statements are included in the State's CAFR, financial institutions, such as lending and bond rating agencies, use the statements when extending debt securities to finance capital projects.

### Analysis of Financial Statements

According to the UW System's audited financial statements, total revenues in fiscal year 2014 were nearly \$4.9 billion, as shown in the table below. This represents a decrease of \$218.6 million, or 4.3%, from fiscal year 2013. There were two primary factors contributing to the revenue decrease. Tuition and Fees decreased nearly \$36.4 million, or 3.1%, from fiscal year 2013 to fiscal year 2014. Grants and Contracts from all sources – federal, state, local, and private – also decreased \$120.2 million, or 9.4%, over the same time period.

(in millions)	2014	2013	Percentage Change
Total Revenues	\$4,856.5	\$5,075.1	(4.3%)
Total Expenses	4,833.4	4,604.8	4.9%
Increase In Net Position	23.1	470.3	

Total expenses in fiscal year 2014 were approximately \$4.8 billion. This is an increase of \$228.6 million, or 4.9%, from fiscal year 2013. The majority of this increase relates to salary and fringe benefits expenses and supplies and services expense.

The UW System's Net Position, which is defined as assets and deferred outflows less liabilities and deferred inflows, increased by \$23.3 million from fiscal year 2013 to fiscal year 2014.

(in millions)	2014	2013	Percentage Change
Total Assets	\$8,467.0	\$8,522.9	(0.7%)
Deferred Outflows	19.1	13.9	37.4%
Total Liabilities	2,146.5	2,221.0	(3.4%)
Deferred Inflows	0.5	0.0	n/a
Net Position	\$6,339.1	\$6,315.8	0.4%

Net Position is divided into three categories:

- invested in capital assets, which increased nearly \$195.1 million in fiscal year 2014;
- restricted by external stipulations, such as law or donor restrictions, which decreased by \$39.6 million; and
- unrestricted, which decreased by \$132.2 million.

In an effort to make our financial statements more understandable and transparent, Note 13, entitled Classification of Net Position, provides additional information on the sources of UW System's Net Position.

### Financial Reporting Impacts

Considerable attention to the UW System's program revenue balances began in early 2013. To establish a policy addressing balances, the Board of Regents approved Regent Policy Document (RPD) 21-6, *Program Revenue Calculation Methodology and Fund Balances Policy*, in June 2014. This policy creates

reporting thresholds for certain program revenue funds. The first report under this policy was presented to the Board of Regents in October 2014.

As previously noted, the UW System's audited financial statements contained in the Annual Financial Report reflect the full accrual of all financial transactions, as prescribed by GAAP. Program revenue balances calculated under RPD 21-6 are calculated on a modified cash basis, and will not include all accrual transactions.

#### **RELATED REGENT POLICIES**

None

**2014 ANNUAL FINANCIAL REPORT**

The complete report can be viewed at

[https://www.wisconsin.edu/financial-administration/download/  
university\\_of\\_wisconsin\\_system\\_annual\\_financial\\_reports/2014-Annual-Financial-Report.pdf](https://www.wisconsin.edu/financial-administration/download/university_of_wisconsin_system_annual_financial_reports/2014-Annual-Financial-Report.pdf)



# **UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS**

---

## **ANNUAL REPORT 2014**

---

## To the UW System Board of Regents, Donors and Friends, UW Campuses and Departments

The University of Wisconsin System Trust Funds are composed mostly of gifts, grants, and bequests from individuals and corporations. Although active fundraising is primarily the purview of individual campus foundations, the University also benefits from the generosity of alumni and friends who have gifted directly to one of the UW institutions rather than through an affiliated foundation.

For the fiscal year ended June 30, 2014, UW System Trust Funds received \$10.0 million in gifts, up from the \$9.2 million received in the prior year. Disbursements from Trust Funds to benefiting UW institutions totaled \$18.9 million, compared to \$17.0 million in the fiscal year ended June 30, 2013. Consistent with donor designations, disbursements have predominately gone toward research, student aid, extension and public service, and instruction.

Investment returns added \$61.8 million to total net asset value for the fiscal year, compared to \$40.9 million for the prior period, while disbursements and expenses exceeded total receipts for the fiscal year by approximately \$10.0 million. The result was an increase in net assets of \$51.8 million. As of June 30, 2014, Trust Funds' net assets totaled \$536.1 million, compared to \$484.3 million at the end of the prior fiscal year.

Regarding investment results for the fiscal year, global developed market public equities posted their second straight year of impressive double-digit performance. For fiscal year 2014, global developed market equities returned +24.7%. And while emerging market public equities continued to underperform versus developed markets, they rebounded from the prior year's disappointing results and posted a +16.0% return for 2014. Private equity and venture capital also provided very strong returns, posting gains of +18.9% and +30.5%, respectively. In higher risk fixed income markets, both U.S. high yield and emerging market debt performed strongly, returning +11.4% and +10.7% for the year, respectively. In the higher quality fixed income markets, broad-market bonds and U.S. TIPS each gained +4.4% for the year, while U.S. Treasuries were up just +1.5%. "Cash" continued to provide an essentially 0% nominal return, equating to a negative real return and loss of purchasing power, as inflation in the U.S. clocked along at an annual rate of +2.1%. Regarding more non-traditional or "alternative" investments, results were positive across all asset classes: hedge funds overall returned +5.8%; commodities returned +8.2%; and real assets such as private commercial real estate and timber, returned +11.2% and +9.9% for the year, respectively.

For the 2014 fiscal year, the widely-diversified Long Term Fund (used primarily for endowments) gained +16.7%. The *Intermediate Term Fund*, which is invested largely in high quality intermediate-maturity bonds but with some equity and high yield fixed income exposure, returned +7.8% for the fiscal year. The short-term, money market-like *Income Fund* returned +0.1%.

The Annual Report that follows includes detailed information on the various investment funds; contributions, disbursements, and expenses; as well as statements of financial position and cash activities.

To the donors, families and friends of all our contributors, we extend our deep gratitude.



Douglas J. Hoerr, CFA  
*Director & Assistant Trust Officer*  
*University of Wisconsin System*

## **TABLE OF CONTENTS**

	<b>PAGE</b>
<b>Overview</b>	<b>4</b>
<b>Investment Fund Data</b>	<b>5</b>
<b>Gifts, Disbursements and Balances</b>	<b>16</b>
<b>Financial Statements</b>	<b>21</b>
<b>Supplementary Data</b>	<b>23</b>



## OVERVIEW

The invested Trust Funds of the University of Wisconsin System (UW Trust Funds) consist predominately of bequests 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 or any UW System institution directly. Bequests and gifts go to a UW-affiliated foundation only when the donor and documentation specifically name the foundation as beneficiary. (UW-affiliated foundations are independent entities with separate governing boards.) These gifts or donations originate as either, 1) “true endowments,” where the donor has in essence 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) “expendable funds,” 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).

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

### **Long Term Fund**

Used primarily for investing endowed assets, the principal investment 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. Assets invested in the *Long Term Fund* receive an annual “spending rate” distribution of a set percentage (currently four percent) of the Fund’s average market value over the prior twelve quarters (three years). The spending rate percentage is reviewed annually by Trust Funds and the Business and Finance Committee of the Board of Regents.

### **Intermediate Term Fund**

The primary objective of the *Intermediate Term Fund* is to provide competitive investment returns consistent with very moderate levels of volatility (ideally, similar to that expected from an intermediate, investment-grade bond portfolio) and low probability of loss of “principal.” Furthermore, the Fund seeks to maximize its expected return for any given targeted level of volatility.

### **Income Fund**

The *Income Fund* receives spending and interest income distributions from the other Funds. All Trust Funds spending is conducted through the *Income Fund*. 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 is also expected to be similar to high-quality “money market” funds. By statute, this Fund must reside with the State as part of its agency-commingled State Investment Fund, which is managed by the State of Wisconsin Investment Board.

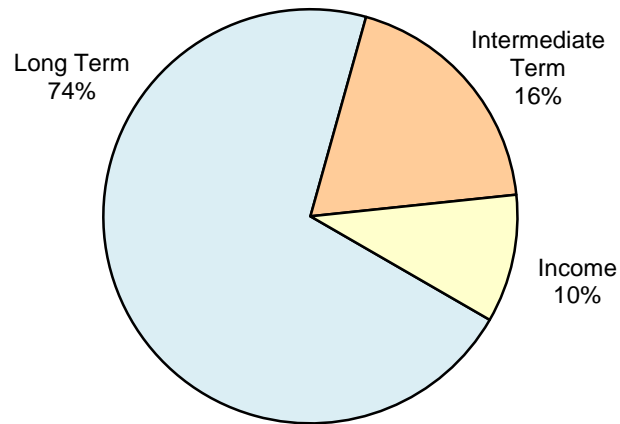
**INVESTMENT FUND DATA: TOTAL ASSETS**  
**As of Fiscal Years Ended June 30**

The tables and graphs below provide summary data on the invested assets of the UW System Office of Trust Funds.

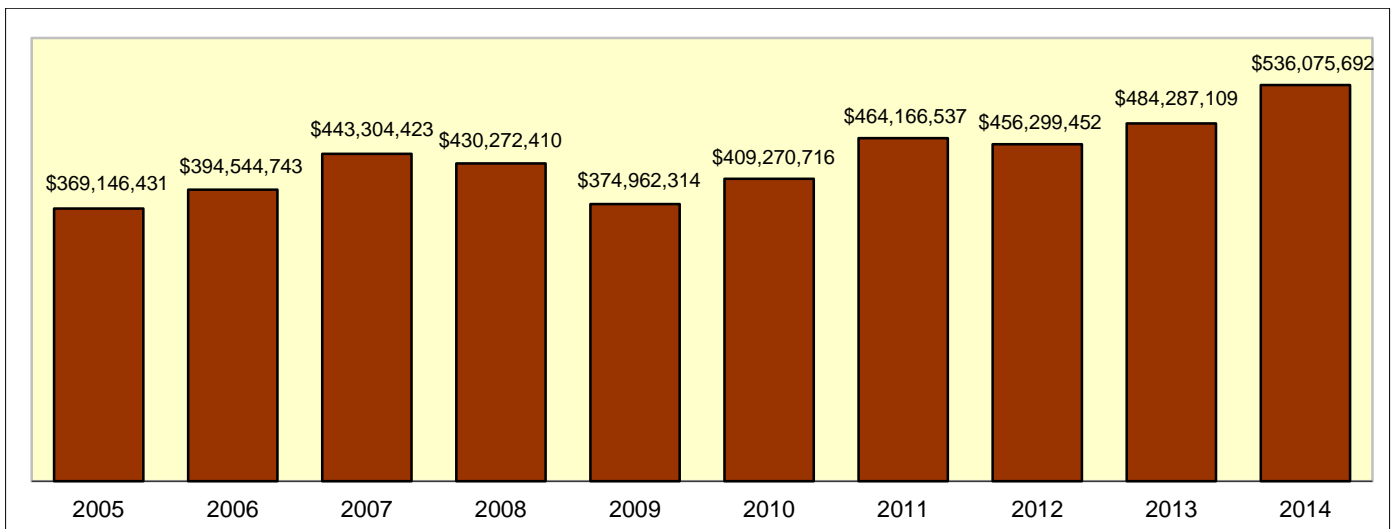
**MARKET VALUES AND PERCENTS BY FUND**

Investment Fund	Market Values (\$millions)	
	2014	2013
Long Term Fund	\$ 397.9	\$ 352.0
Intermediate Term Fund	87.1	86.2
Income Fund	51.1	46.1
<b>TOTAL</b>	<b>\$ 536.1</b>	<b>\$ 484.3</b>

**As of June 30, 2014**



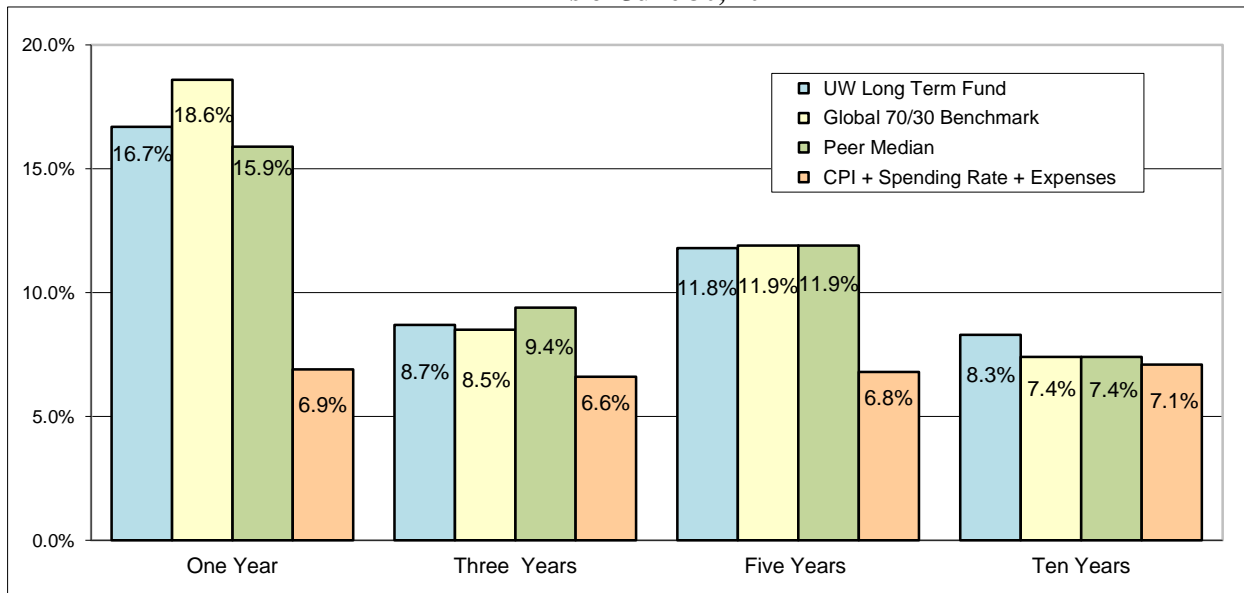
**TOTAL NET ASSETS**



**INVESTMENT FUND DATA: LONG TERM FUND**  
**As of Fiscal Years Ended June 30**

The following chart depicts the investment performance of the *Long Term Fund* for the most recent fiscal year as well as over longer periods. For comparative purposes, the performance of the following benchmarks are also shown: a more “traditional” and passive portfolio consisting of 70 percent global equities and 30 percent bonds; and a “target” or “hurdle” rate consisting of the inflation rate, plus the spending distribution rate, plus expenses.

**INVESTMENT PERFORMANCE**  
**As of June 30, 2014**



Note: The “Global 70/30 benchmark” represents a more “traditional” asset allocation of 70% stocks/30% bonds, comprised of 70% MSCI ACWI and 30% Barclay’s Global Aggregate Bond indexes. The annual spending rate is currently 4.0%, expenses are assumed to average 0.80% per year, and the change in the Consumer Price Index (CPI) is used as the inflation indicator. Peer data is from the Russell BNY Mellon Analytical Services trust universe database based on the “Foundations and Endowments < \$1 Billion” classification.

The annual “spending rate” distribution for the *Long Term Fund* has remained at four percent since June 30, 2005. The ten-year history of the spending rate and dollar distributions is given in the table below.

**TEN-YEAR HISTORY OF  
SPENDING RATES AND DISTRIBUTIONS**

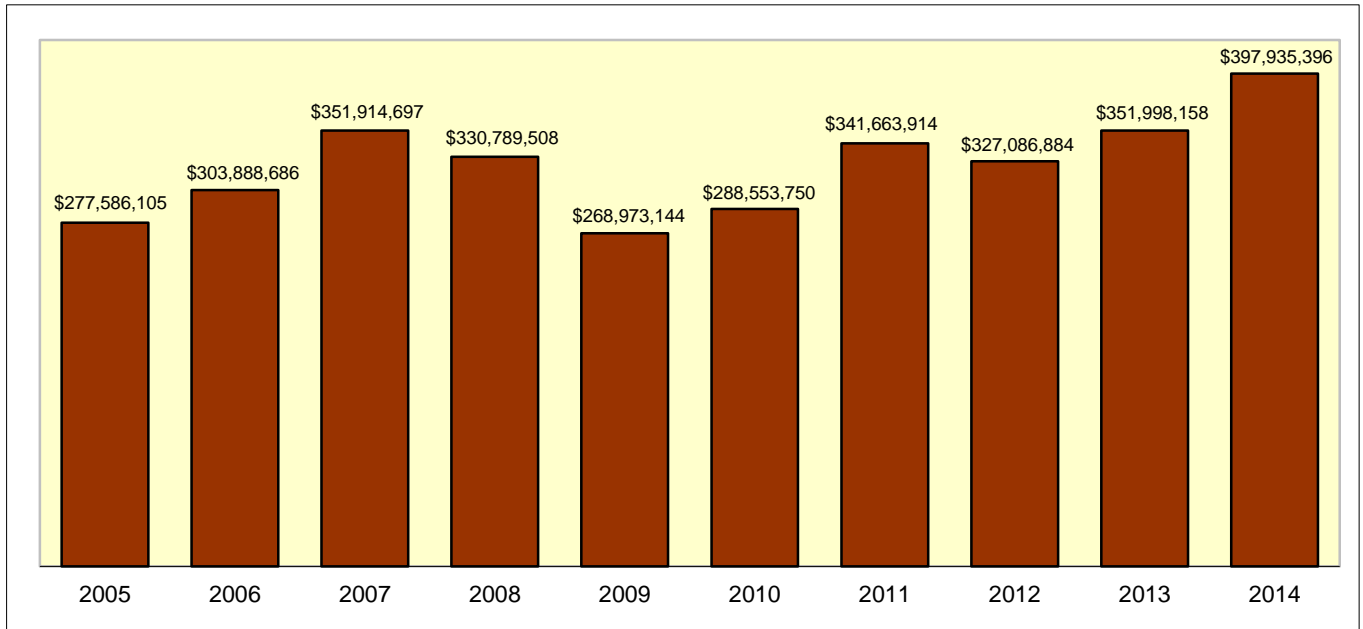
Fiscal Year	Spending Rate	Distribution
2005	4.4% <sup>1</sup>	10,836,217
2006	4.0%	10,704,542
2007	4.0%	11,636,132
2008	4.0%	12,683,559
2009	4.0%	12,809,947
2010	4.0%	12,414,177
2011	4.0%	11,992,394
2012	4.0%	12,183,564
2013	4.0%	12,924,658
2014	4.0%	13,607,575
<b>TEN YEAR TOTAL</b>		<b>\$ 121,792,765</b>

<sup>1</sup> This reflects a 4.5% annual rate for the first three quarters and a 4.0% rate for the fourth quarter.

**INVESTMENT FUND DATA: LONG TERM FUND**  
**As of Fiscal Years Ended June 30**

Contributing to the overall change in the *Long Term Fund's* net assets are the following: new gifts, plus investment returns, less spending distributions and expenses. The following chart depicts the historical change in net assets of the Fund.

**LONG TERM FUND NET ASSETS**

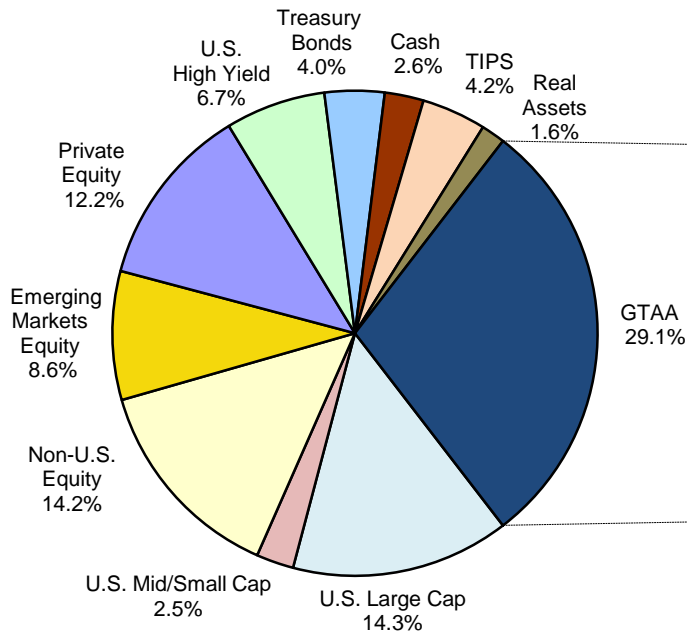


The graphs and charts that follow, present information on the Fund's asset allocation, investment managers, and investment positions.

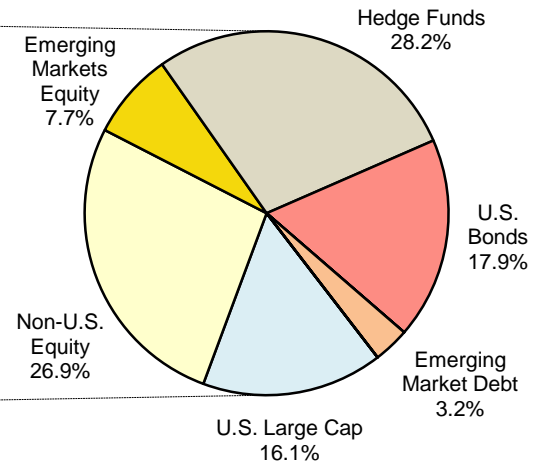
**INVESTMENT FUND DATA: LONG TERM FUND**  
As of Fiscal Year Ended June 30

**ASSET/STRATEGY ALLOCATIONS**

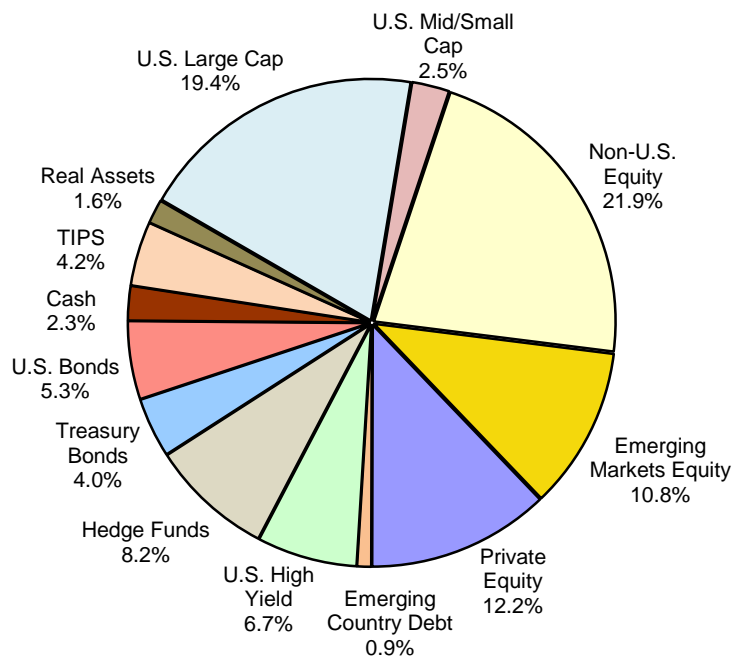
**Total Portfolio Asset/Strategy Allocation**



**Global Tactical Asset Allocation**



**Total Effective Portfolio Asset Allocation**



**INVESTMENT FUND DATA: LONG TERM FUND**  
**As of Fiscal Years Ended June 30**

**ALLOCATION BY INVESTMENT MANAGER AND ASSET CLASS/STRATEGY**

	2014		2013	
	Market Value	% of Fund	Market Value	% of Fund
<b>Global Tactical Asset Allocation</b>				
GMO Real Global Balanced Strategy	\$115,692,789	29.1%	\$100,910,733	28.7%
<b>U.S. Equities - Large Cap</b>				
UBS Global Asset Management	57,002,261	14.3%	47,847,074	13.6%
<b>U.S. Equities – Mid/Small Cap</b>				
Russell 2000 ETF	0	0.0%	7,450,229	2.1%
Russell Mid-Cap ETF	10,100,828	2.5%	9,019,042	2.6%
		2.5%		4.7%
<b>Non-U.S. Developed Market Equities</b>				
UBS Global Asset Management	56,677,678	14.2%	46,297,063	13.1%
<b>Emerging Market Equities</b>				
GMO Emerging Markets Fund	34,274,115	8.6%	30,128,890	8.6%
<b>U.S. High Yield Fixed Income</b>				
Seix Advisors High Yield Fund	26,613,125	6.7%	25,344,942	7.2%
<b>Private Equity/Venture Capital</b>				
Adams Street Partners	23,817,142	6.0%	21,579,837	6.1%
JP Morgan Investment Management	24,490,968	6.2%	20,949,656	5.9%
		12.2%		12.0%
<b>U.S. Investment-Grade Fixed Income</b>				
Applied Security Analysis Program	32,456,333	8.2%	32,100,698	9.1%
<b>U.S. Cash and Cash Equivalents</b>				
JP Morgan Prime Money Market Fund	10,225,737	2.6%	4,514,318	1.3%
<b>Real Assets</b>				
GMO Forestry Fund	6,584,420	1.6%	5,855,676	1.7%
<b>TOTALS</b>	<b>\$ 397,935,396</b>	<b>100.0%</b>	<b>\$ 351,998,158</b>	<b>100.0%</b>

<b>INVESTMENT FUND DATA: LONG TERM FUND</b> <b>As of Fiscal Year Ended June 30, 2014</b>
---

### SUMMARY OF INVESTMENT POSITIONS

#### **Public Equities – 54.4% of Fund**

<u>Top Ten Country Positions</u>	<u>% of Equities</u>
United States	40.5%
United Kingdom	9.5%
Japan	8.4%
Germany	3.9%
France	3.9%
China	3.4%
Brazil	3.0%
Russia	2.7%
Switzerland	2.6%
Korea	2.5%
<b>TOTAL</b>	<b>80.4%</b>

<u>Top Ten Sector Positions</u>	<u>% of Equities</u>
Financials	23.1%
Consumer Discretionary	13.1%
Energy	10.6%
Information Technology	10.0%
Health Care	9.8%
Industrials	8.9%
Materials	8.6%
Consumer Staples	7.7%
Telecommunications	5.0%
Utilities	2.3%
<b>TOTAL</b>	<b>99.1%</b>

<u>Top Ten Holdings</u>	<u>% of Equities</u>
Apple	1.5%
Novartis	1.2%
Nestle	1.0%
Halliburton	1.0%
Total SA	1.0%
Amazon	0.9%
Baker Hughes	0.9%
Royal Dutch	0.8%
JP Morgan Chase	0.8%
Bayer AP	0.8%
<b>TOTAL</b>	<b>9.9%</b>

#### **Fixed Income – 21.0% of Fund**

<u>Top Country Positions</u>	<u>% of Fixed Income</u>
United States	87.3%
Non-U.S.	12.7%
<b>TOTAL</b>	<b>100.0%</b>

<u>Top Sector Positions</u>	<u>% of Fixed Income</u>
Corporate Bonds	36.6%
Cash and Cash Equivalents	25.1%
U.S. TIPS	20.8%
Commercial Mortgage Backed	6.1%
U.S. Treasury	6.0%
Other	2.4%
<b>TOTAL</b>	<b>97.0%</b>

<u>Top Ten Non-Govt Holdings</u>	<u>% of Fixed Income</u>
Sears Holdings Corp	0.5%
Genon Energy	0.5%
HJ Heinz	0.5%
Harland Clarke Holdings	0.4%
B Communications	0.4%
Avanti Communications	0.4%
Sabine Pass Liquefaction	0.4%
Air Canada	0.4%
ILFC E-Capital	0.4%
North Atlantic Drilling Corp	0.4%
<b>TOTAL</b>	<b>4.3%</b>

<u>Average Portfolio Maturity</u>	5.8 Years
<u>Average Portfolio Duration</u>	4.6 Years
<u>Average Portfolio Quality</u>	A

#### **Cash – 2.6% of Fund**

JP Morgan Prime Money Market Fund	100.0%
-----------------------------------	--------

<p align="center"><b>INVESTMENT FUND DATA: LONG TERM FUND</b>  <b>As of Fiscal Year Ended June 30</b></p>
---

**SUMMARY OF INVESTMENT POSITIONS**

**Hedge Funds – 8.2% of Fund**

<u>Hedge Fund Classifications</u>	<u>% of Hedge Funds</u>
Market Neutral/Absolute Return	100.0%

<u>Number of Fund Holdings</u>	10
--------------------------------	----

<u>Top Five Funds</u>	<u>% of Hedge Funds</u>
GMO Systematic Global Macro	19.4%
GMO Fixed Income Hedge	17.0%
GMO Completion	16.3%
GMO Mean Reversion	15.2%
<u>GMO Emerging Country Debt</u>	<u>12.4%</u>
<u>TOTAL</u>	<u>80.3%</u>

**Real Assets – 1.6% of Fund**

<u>Investment</u>	<u>% of Real Assets</u>
GMO Forestry Fund 9, L.P.	100%

**Private Equity – 12.2% of Fund**

<u>U.S./Non-U.S. Positions</u>	<u>% of Private Equity</u>
U.S.	74.7%
Non-U.S.	25.3%
<u>TOTAL</u>	<u>100.0%</u>

<u>Types of Partnerships</u>	<u>% of Private Equity</u>
Buyouts	48.6%
Venture Capital	33.5%
Special Situations	10.8%
Restructuring/Distressed Debt	6.0%
<u>Mezzanine/Subordinated Debt</u>	<u>1.1%</u>
<u>TOTAL</u>	<u>100.0%</u>

<u>Investment Program Inception</u>	2002
-------------------------------------	------

<u>Number of Vintage Years</u>	13
--------------------------------	----

**Number of Partnerships<sup>1</sup>**

Adams Street Partners	469
JP Morgan	211

**Number of Underlying Companies<sup>1</sup>**

Adams Street Partners	9,684
JP Morgan	4,647

<sup>1</sup> Some underlying partnerships and portfolio companies may be represented in both Adams Street and JP Morgan portfolios, such that there may be some double-counting.



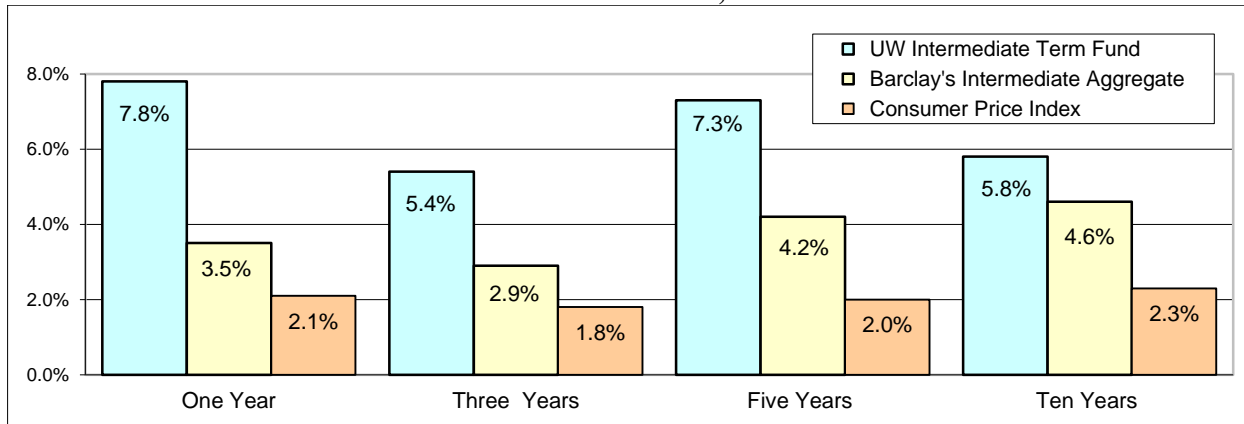
## INVESTMENT FUND DATA: INTERMEDIATE TERM FUND

### As of Fiscal Years Ended June 30

The following chart depicts the investment performance of the *Intermediate Term Fund* for the most recent fiscal year as well as over longer periods. Also shown is the performance of a passive, benchmark index – the Barclay’s Intermediate Aggregate Bond Index.

### INVESTMENT PERFORMANCE

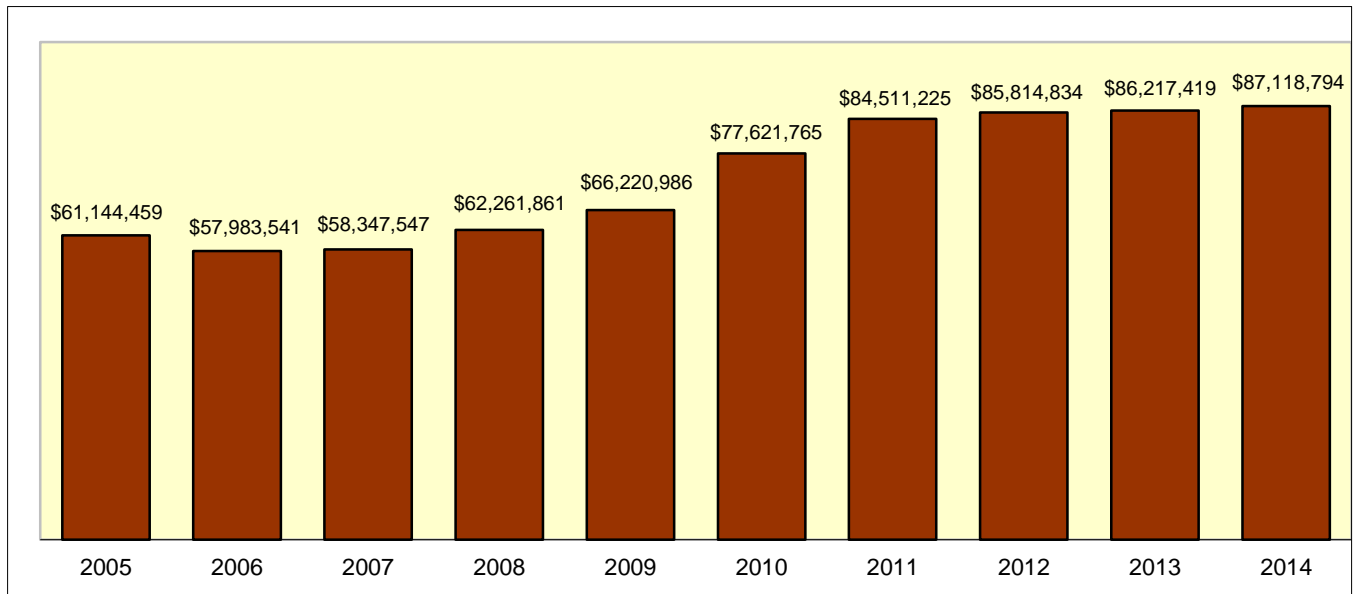
#### As of June 30, 2014



Note: The Barclay’s Intermediate Aggregate benchmark, consisting of 100% investment-grade bonds, represents a more “traditional” asset allocation for a portfolio with an intermediate investment “duration.” The Consumer Price Index (CPI) figures represent the annual, or annualized, change in the index.

Contributing to the overall change in the *Intermediate Term Fund*’s assets are the following: new gifts, plus investment returns, less interest income distributions, expenses, and expenditures of principal. The following chart depicts the historical change in net assets of the Fund.

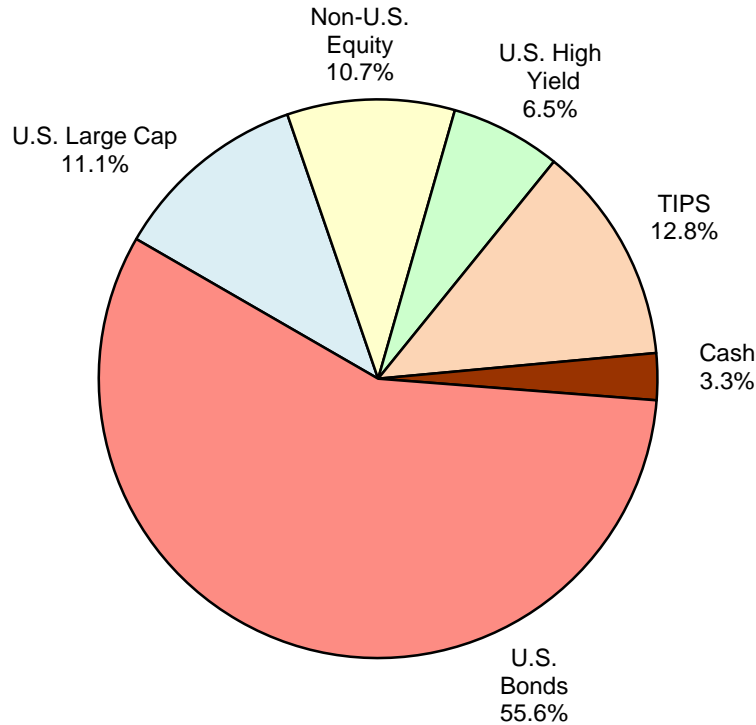
### INTERMEDIATE TERM FUND NET ASSETS



The graphs and charts that follow present information on the Fund’s asset allocation, investment managers, and investment positions.

**INVESTMENT FUND DATA: INTERMEDIATE TERM FUND**  
**As of Fiscal Years Ended June 30**

**ASSET/STRATEGY ALLOCATIONS**



**ALLOCATION BY INVESTMENT MANAGER AND ASSET CLASS**

	2014		2013	
	Market Value	% of Fund	Market Value	% of Fund
<b>U.S. Equities – Large Cap</b> S&P 500 ETF	\$ 9,701,068	11.1%	\$ 9,794,059	11.4%
<b>Non-U.S. Developed Market Equities</b> MSCI EAFE ETF	9,362,451	10.7%	8,368,184	9.7%
<b>U.S. High Yield Fixed Income</b> Seix Advisors High Yield Fund	5,631,659	6.5%	5,559,100	6.4%
<b>U.S. Investment-Grade Fixed Income</b>				
Reams Asset Management	38,423,662	44.1%	39,166,354	45.5%
Barclays 0-5 Year TIPS ETF	11,134,001	12.8%	10,937,263	12.7%
Applied Security Analysis Program	10,031,660	11.5%	10,029,035	11.6%
		68.4%		69.8%
<b>U.S. Cash and Cash Equivalents</b> JP Morgan Prime Money Market Fund	2,834,293	3.3%	2,363,424	2.7%
<b>TOTALS</b>	<b>\$ 87,118,794</b>	<b>100.0%</b>	<b>\$ 86,217,419</b>	<b>100.0%</b>

# INVESTMENT FUND DATA: INTERMEDIATE TERM FUND

As of Fiscal Year Ended June 30, 2014

## Public Equities – 21.8% of Fund

<u>Top Ten Country Positions</u>	<u>% of Equities</u>
United States	50.9%
Japan	9.6%
United Kingdom	8.6%
France	5.0%
Switzerland	4.8%
Germany	4.6 %
Australia	4.1%
Netherlands	2.3%
Spain	1.7%
<u>TOTAL</u>	<u>91.6%</u>

<u>Top Ten Sector Positions</u>	<u>% of Equities</u>
Financials	20.5%
Information Technology	11.8%
Consumer Discretionary	11.7%
Industrials	11.7%
Health Care	10.5%
Consumer Staples	9.3%
Energy	8.8%
Materials	5.8%
Telecommunications	3.6%
Utilities	3.4%
<u>TOTAL</u>	<u>97.1%</u>

<u>Top Ten Holdings</u>	<u>% of Equities</u>
Apple Inc.	1.6%
Exxon Mobil	1.3%
Nestle SA	0.9%
Microsoft	0.9%
Johnson & Johnson	0.9%
Roche	0.8%
General Electric	0.8%
Wells Fargo	0.8%
Novartis	0.7%
Chevron	0.7%
<u>TOTAL</u>	<u>9.4%</u>

## Fixed Income – 74.9% of Fund

<u>Top Country Positions</u>	<u>% of Fixed Income</u>
United States	100.0%

<u>Top Sector Positions</u>	<u>% of Fixed Income</u>
Corporate Bonds	37.2%
U.S. Government Mortgages	20.5%
U.S. TIPS	16.4%
U.S. Government	13.1%
Cash and Cash Equivalents	6.6%
Commercial Mortgage Backed	4.9%
Asset Backed Securities	1.3%
<u>TOTAL</u>	<u>100.0%</u>

Number of Non-Government Holdings 306

<u>Top Ten Non-Govt Holdings</u>	<u>% of Fund</u>
Wells Fargo	2.1%
Morgan Stanley	1.5%
Ford Motor	1.4%
Goldman Sachs	1.0%
JP Morgan Chase	0.9%
General Electric	0.9%
Citigroup	0.7%
American International	0.7%
New York Life	0.7%
Union Pacific	0.5%
<u>TOTAL</u>	<u>10.4%</u>

Average Portfolio Maturity 3.6 Years

Average Portfolio Duration 3.1 Years

Average Portfolio Quality AA

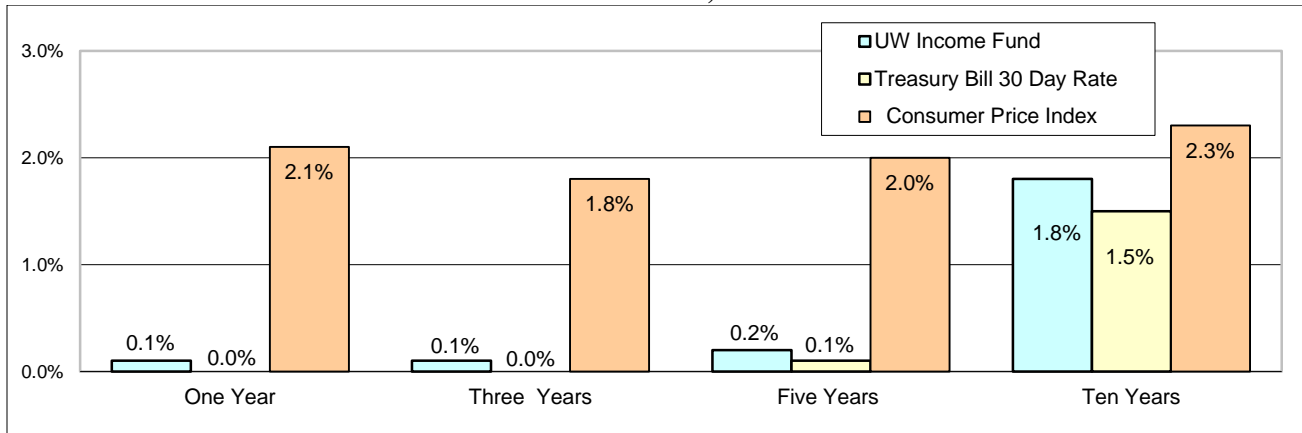
## Cash – 3.3% of Fund

JP Morgan Prime Money Market Fund 100.0%

**INVESTMENT FUND DATA: INCOME FUND**  
**As of Fiscal Years Ended June 30**

The following chart depicts the investment performance of the *Income Fund* for the most recent fiscal year as well as over longer periods. Also shown, for comparative purposes, is the performance of 30-day Treasury Bills.

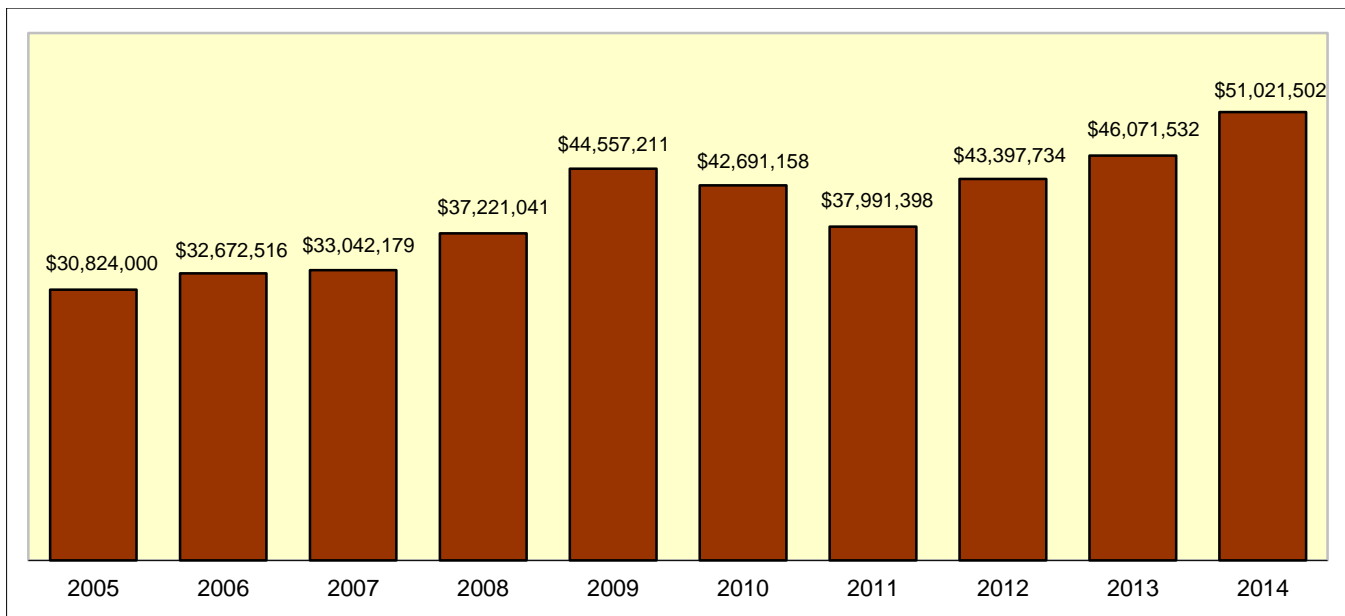
**INVESTMENT PERFORMANCE**  
**As of June 30, 2014**



Note: The 30-day Treasury Bill rate is used as the benchmark for this short-term, money market-like Fund. The Consumer Price Index (CPI) figures represent the annual, or annualized, change in the index.

Contributing to the overall change in the *Income Fund's* net assets are the following: interest income and spending rate distributions received from the *Intermediate* and *Long Term Funds*, plus interest earnings, less expenses and expenditures. The following chart depicts the historical change in net assets of the Fund.

**INCOME FUND NET ASSETS**



<p align="center"><b>GIFTS, DISBURSEMENTS AND BALANCES</b>  <b>For Fiscal Years Ended June 30</b></p>
---

**2014 GIFTS BY TYPE OF GIFT**

Gift Type	Total Gifts	Number of Gifts
Bequests	\$ 5,986,468	265
General Gifts	3,968,130	146
<b>TOTAL</b>	<b>\$ 9,954,598</b>	<b>411</b>

Note: General Gifts are generally gifts received from individual living donors, corporations, or foundations. Bequests are generally gifts made through a will or other form of legal trust.

**2014 GIFTS BY ENDOWMENT CATEGORY**

Endowment Category	Total Gifts	Percentage
Expendable Funds	\$ 6,882,824	69.1%
Designated Endowment	2,530,612	25.4%
True Endowment	541,162	5.5%
<b>TOTAL</b>	<b>\$ 9,954,598</b>	<b>100.0%</b>

Note: Expendable (formerly Quasi-Endowments) are those where the donor has not restricted use of principal. Designated Endowments are those where the donor has not restricted principal, but the benefiting institution or Board of Regents have elected to do so. True Endowments are those gifts where the donor has in essence restricted the use of principal.

**2014 GIFTS BY USAGE DESIGNATION**

Usage Designation	Total Gifts	Percentage
Miscellaneous	\$ 5,461,192	54.9%
Student Aid	2,351,849	23.6%
Public Service	1,565,602	15.7%
Research	491,269	4.9%
Auxiliary Services	84,686	0.9%
<b>TOTAL</b>	<b>\$ 9,954,598</b>	<b>100.0%</b>

Note: The Miscellaneous designation generally indicates that the gift could be used for a purpose not falling strictly within one of the other classifications, for purposes falling within multiple classifications, or for fully discretionary purposes.

<p align="center"><b>GIFTS, DISBURSEMENTS AND BALANCES</b>  <b>For Fiscal Years Ended June 30</b></p>
---

**2014 GIFTS BY CAMPUS AND COLLEGE**

Campus	Total Gifts	Number of Gifts
Madison		
College of Letters & Science	\$1,848,349	150
School of Medicine and Public Health	1,211,585	48
School of Veterinary Medicine	1,132,215	1
General Education Administration	1,008,020	5
School of Nursing	298,161	14
College of Engineering	281,262	18
College of Agriculture & Life Sciences	170,650	9
School of Education	147,257	10
Wisconsin Union	84,685	12
School of Business	76,188	1
General Services	32,288	6
Officer Education	31,368	3
Graduate School	6,764	3
Madison Subtotal	\$ 6,328,792	280
Extension	3,510,989	51
Whitewater	371,136	3
Milwaukee	58,206	13
Superior	37,385	4
Oshkosh	25,000	1
La Crosse	10,150	1
Parkside	3,172	21
Green Bay	1,600	2
Systemwide/Administration	(391,832)	35
<b>TOTAL</b>	<b>\$ 9,954,598</b>	<b>411</b>

Note: The categories of General Education Administration and General Services reflect gifts that are administered by campus administrative units not tied to a specific college or department. These primarily involve student scholarship and loan funds. The gift amount for Systemwide/Administration is also impacted by timing differences between when new gifts are deposited into the System pending account, and when they are transferred out to individual permanent accounts.

**TEN-YEAR HISTORY OF TOTAL GIFTS**

Fiscal Year	Total Gifts	As Percent of Prior Year Principal Market Value
2005	8,640,969	2.6%
2006	8,059,469	2.3%
2007	16,478,500	4.5%
2008	11,617,369	3.2%
2009	13,891,569	3.5%
2010	6,640,429	2.0%
2011	11,749,776	3.0%
2012	6,756,465	1.6%
2013	9,244,786	2.2%
2014	9,954,598	2.3%
<b>TEN YEAR TOTAL</b>	<b>\$ 103,033,930</b>	<b>AVERAGE 2.7%</b>

<p align="center"><b>GIFTS, DISBURSEMENTS AND BALANCES</b>  <b>For Fiscal Years Ended June 30</b></p>
---

**2014 DISBURSEMENTS BY DESIGNATION**

Designation	Total Disbursements	Percentage
Research	\$ 7,782,390	41.2%
Extension & Public Service	4,100,293	21.7%
Student Aid	3,902,633	20.7%
Academic Support	1,110,045	5.9%
Instruction	1,109,210	5.9%
Other	879,702	4.6%
<b>TOTAL</b>	<b>\$ 18,884,273</b>	<b>100.0%</b>

**TEN-YEAR HISTORY OF TOTAL DISBURSEMENTS**

Fiscal Year	Total Disbursements	As Percent of Prior Year Principal Market Value
2005	\$ 20,412,504	6.1%
2006	22,382,067	6.5%
2007	24,980,366	6.5%
2008	20,348,667	5.6%
2009	17,446,575	4.4%
2010	16,863,697	5.0%
2011	17,054,576	5.1%
2012	14,462,572	3.4%
2013	17,021,321	3.9%
2014	18,884,273	3.9%
<b>TOTAL</b>	<b>\$ 189,856,618</b>	<b>AVERAGE 5.0%</b>

<p align="center"><b>GIFTS, DISBURSEMENTS AND BALANCES</b>  <b>As of Fiscal Year Ended June 30, 2014</b></p>
--

**2014 TOTAL BALANCES BY CATEGORY**

Category	Principal Market Value	Percentage	Number of Accounts
True Endowment	\$ 208,297,529	42.6%	561
Expendable Funds	168,318,792	34.5%	660
Designated Endowment	112,020,860	22.9%	140
Term Endowment	147,239	0.0%	1
<b>TOTAL</b>	<b>\$ 488,784,420</b>	<b>100.0%</b>	<b>1,362</b>

Note: The total market value shown in the table above and the two that follow reflect only what is classified as "principal" by the Trust Funds accounting system. Therefore, it does not equal the total Trust Funds market value shown elsewhere in this report, which includes "income." Essentially, total principal market value consists of the market values of the *Long Term* and *Intermediate Term Funds*, plus that portion of the *Income Fund* designated as "principal," which is generally monies awaiting investment in the other Funds.

**2014 TOTAL BALANCES BY USAGE DESIGNATION**

Usage Designation	Principal Market Value	Percentage	Number of Accounts
Miscellaneous	\$ 208,056,948	42.6%	406
Student Aid	147,279,808	30.1%	642
Research	93,600,631	19.2%	203
Public Service	14,115,432	2.9%	23
Library	13,693,777	2.8%	51
Instruction	10,343,398	2.1%	28
Physical Plant	1,370,503	0.2%	6
Auxiliary Services	289,165	0.1%	2
General Operations	34,758	0.0%	1
<b>TOTAL</b>	<b>\$ 488,784,420</b>	<b>100.0%</b>	<b>1,362</b>

Note: The Miscellaneous designation generally indicates that the gift could be used for a purpose not falling strictly within one of the other classifications, for purposes falling within multiple classifications, or for fully discretionary purposes.



**GIFTS, DISBURSEMENTS AND BALANCES**  
**As of Fiscal Year Ended June 30, 2014**

**2014 TOTAL BALANCES BY CAMPUS AND COLLEGE**

Campus	Principal Market Value	Percentage	Number of Accounts
<b>Madison</b>			
School of Medicine and Public Health	\$ 85,580,537	17.5%	281
College of Letters & Sciences	69,254,666	14.2%	283
College of Ag & Life Sciences	61,920,353	12.7%	159
General	52,771,836	10.8%	5
General Services	30,233,180	6.2%	79
Graduate School	23,657,329	4.8%	28
General Education Administration	20,052,291	4.1%	15
Business Services	18,042,795	3.7%	24
College of Engineering	12,899,567	2.6%	56
School of Education	8,286,944	1.7%	45
School of Nursing	7,157,534	1.5%	20
School of Business	7,140,174	1.5%	19
General Library	7,050,156	1.4%	15
School of Human Ecology	4,517,132	0.9%	25
Division of International Studies	4,447,781	0.9%	4
School of Pharmacy	4,226,482	0.9%	16
Law School	3,676,742	0.8%	29
Academic Services	3,514,051	0.8%	11
Other	2,531,047	0.5%	7
School of Veterinary Medicine	1,355,350	0.3%	6
Intercollegiate Athletics	1,154,418	0.3%	8
University Housing	1,110,883	0.2%	3
Officer Education (ROTC)	97,700	0.0%	3
Madison Subtotal	\$ 430,678,948	88.3%	1,141
Extension	17,350,439	3.5%	30
Milwaukee	14,234,775	2.9%	77
Systemwide	7,467,140	1.5%	16
La Crosse	4,980,827	1.0%	8
Platteville	4,147,949	0.8%	5
Superior	2,966,360	0.6%	12
Parkside	1,440,054	0.3%	21
Colleges	1,346,843	0.3%	12
Whitewater	1,007,213	0.2%	12
Oshkosh	893,025	0.2%	7
Stout	859,433	0.2%	9
Eau Claire	695,967	0.1%	4
Green Bay	398,626	0.1%	4
Stevens Point	166,160	0.0%	1
River Falls	150,661	0.0%	3
<b>TOTAL</b>	<b>\$ 488,784,420</b>	<b>100.0%</b>	<b>1,362</b>

Note: The categories of General, General Education Administration, General Services, Business Services, and Academic Services reflect gifts that are administered by campus administrative units not tied to a specific college or department. These primarily involve student scholarship and loan funds. The Systemwide market value is also impacted by timing differences between when new gifts are deposited into the System Administration pending account, and when they are transferred out to individual permanent accounts.

<b>FINANCIAL STATEMENTS</b> <b>As of Fiscal Years Ended June 30</b>
--

### STATEMENTS OF FINANCIAL POSITION

	2014	2013
	Total Principal and Income Market Value	Total Principal and Income Market Value
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 81,460,075	\$ 71,900,533
Accounts Receivable, Net	823,311	2,648,324
Prepaid Expenses	94	39,639
Total Current Assets	\$ 82,283,480	\$ 74,588,496
Investments		
U.S. Government & Agency Obligations	40,589,990	36,237,128
Corporate Bonds	21,491,632	25,228,606
Mortgage & Asset Backed Securities	3,102,983	3,985,500
Common Stocks	57,002,261	45,604,379
GMO Strategic Opportunities Fund	83,025,380	68,957,554
UBS Int'l Relationship Fund	56,677,678	46,297,064
GMO Emerging Markets Fund III	34,274,115	30,128,890
iShares Russell Midcap Index	10,100,828	9,019,042
iShares S&P 500 Index	9,701,068	9,794,059
iShares MSCI EAFE Index	9,362,451	8,368,184
iShares Barclays 0-5 Year TIPS Index	11,134,001	10,937,263
iShares Russell 2000 Index	0	7,450,229
Seix High Yield Fund	32,244,785	30,904,042
Limited Partnerships	87,559,939	80,338,348
Total Investments	\$ 456,267,111	\$ 413,250,288
<b>TOTAL ASSETS</b>	<b>\$ 538,550,591</b>	<b>\$ 487,838,785</b>
<b>LIABILITIES &amp; NET ASSETS</b>		
Liabilities		
Accounts Payable and Accrued Liabilities	1,708,367	2,925,606
Compensated Absences	766,532	626,070
Total Liabilities	\$ 2,474,899	\$ 3,551,676
Net Assets		
Restricted:		
Nonexpendable	187,767,530	166,599,785
Expendable	232,985,246	207,644,830
Student Loans	13,794,262	12,562,237
Other	13,262,595	14,354,938
Unrestricted:	88,266,059	83,125,319
Total Net Assets	\$ 536,075,692	\$ 484,287,109
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 538,550,591</b>	<b>\$ 487,838,785</b>

Note: Restricted net assets are subject to externally-imposed stipulations. Restricted – Nonexpendable net assets are subject to an externally-imposed stipulation that they be maintained permanently (generally, these equate to the *Long Term Fund*'s "historic dollar value," or original gift principal, of all True Endowments). Restricted – Expendable net assets are subject to externally-imposed stipulations as to usage or purpose, but are otherwise fully expendable (generally, these equate to the market values of all such Designated and Expendable Endowments, plus the *Intermediate Term* and *Income Fund* market values of all True Endowments, and the excess/deficit of the market value over/under the "historic dollar value" for the *Long Term Fund* holdings of True Endowments). Unrestricted net assets are not subject to externally-imposed stipulations of any kind and are fully expendable (generally, these would equate to the market values of all such Designated and Expendable Endowments, plus the *Intermediate Term* and *Income Fund* market values of all True Endowments.)

<b>FINANCIAL STATEMENTS</b> <b>As of Fiscal Years Ended June 30</b>
--

### STATEMENTS OF CASH ACTIVITIES AND INVESTMENT GAINS

<u>RECEIPTS/GAINS</u>	2014	2013
Contributions	\$9,954,598	\$9,244,786
Net Investment Income, Realized/Unrealized Gains	61,750,582	40,913,543
Total Contributions, Investment Gains/Losses	\$ 71,705,180	\$ 50,158,329
Transfers In:		
From Other UW Funds	3,460,488	2,671,696
Student Loans	1,484,581	399,292
Total Transfers In	\$ 4,945,069	\$ 3,070,988
<b>TOTAL RECEIPTS/GAINS</b>	<b>\$ 76,650,249</b>	<b>\$ 53,229,317</b>
<u>DISBURSEMENTS</u>		
Distributions to UW Institutions:		
Research	7,782,390	7,395,838
Extension and Public Service	4,100,294	3,747,741
Student Aid and Services	3,988,329	3,377,938
Instruction	1,109,210	1,643,112
Academic Support	1,024,348	855,764
Other	879,702	928
Total Distributions to UW Institutions	\$ 18,884,273	\$ 17,021,321
Transfers Out:		
To Other UW Funds	2,567,029	5,153,498
Student Loans	1,486,710	1,368,621
Total Transfers Out	\$ 4,053,739	\$ 6,522,119
Expenses:		
Investment Management and Custody	1,281,511	1,245,970
General Administrative	642,143	452,250
Total Expenses	\$ 1,923,654	\$ 1,698,220
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 24,861,666</b>	<b>\$ 25,241,660</b>
<u>EXCESS OF RECEIPTS/GAINS OVER DISBURSEMENTS</u>	51,788,583	27,987,657
Net Assets - Beginning of Period	484,287,109	456,299,452
Net Assets - End of Period	\$ 536,075,692	\$ 484,287,109

Note: Transfers to/from Other UW Funds consist primarily of transfers to/from sponsored gift and grant appropriations where the sponsor requires the funds be invested (or endowed) to benefit the stipulated programs/projects.

<p align="center"><b>SUPPLEMENTARY DATA</b>  <b>For Fiscal Years Ended June 30</b></p>
--

**INVESTMENT MANAGEMENT AND OTHER RELATED FEES**

	2014	2013
Intermediate Term Fund		
Reams Asset Management	\$ 79,882	\$ 82,399
Applied Security Analysis Program <sup>1</sup>	0	0
Long Term Fund		
GMO	598,463	615,945
UBS Global Asset Management	592,810	512,641
300 North Capital	0	24,629
<b>Total Investment Management Fees<sup>2</sup></b>	<b>\$ 1,271,155</b>	<b>\$ 1,235,614</b>

<sup>1</sup> Applied Security Analysis Program is the UW-Madison Business School's applied investment management program for graduate students. Trust Funds pays no management fees to the program.

<sup>2</sup> The fees listed in the above chart are only those separately billed to UW Trust Funds. Trust Funds also invested through various commingled fund providers: GMO Emerging Markets Fund III, GMO Real Return Global Balanced Fund, GMO Forestry Fund, Adams Street Partners Private Equity Funds, JP Morgan Private Equity Funds, Seix Advisors High Yield Fund, iShares Russell 2000 Index Fund, iShares Russell Midcap Index Fund, iShares Barclays TIPS Index Fund, iShares S&P 500 Index Fund, and iShares MSCI EAFE Index Fund. Fees for these funds are taken directly out of fund assets rather than separately billed. Estimated investment management expenses for these various providers for 2014 were as follows: \$325,201; \$356,545; \$43,732; \$361,706; \$267,103; \$174,138; \$5,168; \$18,647; \$11,023; \$6,675; and \$30,667, respectively.

Investment management expenses (including estimated fees through commingled funds) as a percent of total average Trust Fund assets (*Long Term* plus *Intermediate Term Funds*) were 0.63% and 0.66% for fiscal years 2014 and 2013, respectively. Fees as a percent of assets by separate Fund were 0.73% and 0.19% for the *Long Term Fund* and *Intermediate Term Fund*, respectively, for fiscal year ended 2014, versus 0.77% and 0.20%, respectively, for fiscal year ended 2013.

**CUSTODY FEES**

	2014	2013
BNY Mellon Trust	\$ 10,356	\$ 10,356

Trust Funds' custodial services are provided through a custodial agreement with BNY Mellon Trust. This agreement was negotiated by the State of Wisconsin Investment Board (SWIB), which also employs BNY Mellon. Fees are billed to SWIB and charged back to Trust Funds. Custodial expenses as a percent of average Trust Fund assets were 0.002% and 0.002% for fiscal years 2014 and 2013, respectively. While commingled fund shares are recorded and custodied at BNY Mellon, the actual securities held by these funds are custodied elsewhere.

<p align="center"><b>SUPPLEMENTARY DATA</b>  <b>For Fiscal Years Ended June 30</b></p>
--

**ADMINISTRATIVE EXPENSES**

	2014	2013
Staff and Staff Support		
Salaries	\$ 281,722	\$ 277,603
Fringe Benefits	120,430	112,297
Computer Hardware/Software	(9,725)	9,918
Travel and Training Expenses	5,208	7,806
Other Expenses	2,726	2,664
Telecommunications/Telephone Service	1,868	1,560
Publications	1,702	1,559
Office Supplies/Equipment	230	526
Professional Services		
Huron Consulting	196,652	0
Trust Accounting System (SunGard)	38,987	36,535
Information Services Support	2,343	1,782
Total Administrative Expenses	\$ 642,143	\$ 452,250

Total administrative expenses as a percent of average total Trust Fund assets (*Long Term, Intermediate Term* and *Income Funds*) were 0.14% and 0.10% for fiscal years 2014 and 2013, respectively. The “Huron Consulting” fees in 2014 were a one-time, extraordinary expense, related to a project to replace the third-party SunGard accounting/recordkeeping system with an internally-developed SFS/PeopleSoft solution.

**UW SYSTEM TRUST FUNDS:  
TRUSTEES AND STAFF**

**Business and Finance Committee of the Board of Regents of the UW System**  
As of June 30, 2014

Janice Mueller (Chair)  
Charles Pruitt (Vice Chair)  
John Behling  
José Delgado  
Margaret Farrow  
Janice Mueller  
Nicolas Harsy  
Tim Higgins

**UW System Administration**

Senior Management  
Ray Cross, President  
David Miller, Senior Vice President for Administration  
Tomas L. Stafford, General Counsel and Assistant Trust Officer

Office of Trust Funds Staff  
Douglas J. Hoerr, Director and Assistant Trust Officer  
Thomas R. Reinders, Senior Investment Portfolio Analyst  
Lori J. Keil, Senior Accountant  
Carol Yanna, Financial Specialist

## **UW SYSTEM TRUST FUNDS REVIEW OF PROXY VOTING POLICY**

### **BACKGROUND**

Proxy proposals are resolutions to be voted on at shareholder meetings. There are two general types of proposals: “management proposals” put forward by the company’s management, and “shareholder proposals” put forward by a company’s shareholder(s). Each year, prior to a company’s annual shareholder meeting, proxy statements containing information regarding the topics and proxy proposals to be addressed at the company’s annual meeting are provided to shareholders. These proxy statements include both binding and advisory resolutions. Proxy voting is an opportunity for individual shareholders of company stock to participate in and influence the decision-making of the company’s board of directors.

The Board of Regents has maintained various policies and guidelines for voting proxies related to UW System Trust Funds investments since 1978. Current Regent Policy (RPD 31-10, Proxy Voting, included as Attachment 1) stipulates the following:

*“UW System Administration will regularly identify ‘non-routine’ corporate governance and management issues or issues involving some aspect of ‘social responsibility’ for, and provide analyses and recommendations to, the Board... to assist in its review. The Committee will then develop voting positions on the proxy proposals....”*

At the April 2014 meeting of the Business and Finance Committee, the annual list of non-routine proxy proposals related to the common stock of companies held within the UW System Trust Funds’ portfolios was presented to the Committee. However, the Committee declined to develop or approve recommended voting positions pending a review of the current policy and its history. The Committee deemed this appropriate, given the fact that some new members were not comfortable with elements of the policy and past procedures, including the level of Committee involvement in proxy voting.

### **REQUESTED ACTION**

This item is for informational and deliberation purposes.

### **DISCUSSION AND ALTERNATIVES FOR CONSIDERATION**

This report provides some history of the Board’s proxy voting policies and procedures, reviews other related Regent policies involving aspects of “socially responsible investing” (SRI), and examines peer institution data regarding proxy voting in particular and SRI efforts more generally. It also provides an overview of the proxy voting policies at the State of Wisconsin

Investment Board (SWIB). In light of these reviews, some alternatives to current policy and procedures are presented.

The UW System Office of Trust Funds, managing total assets approximating \$500 million, can vote on proxies only for common stock held in separate investment accounts. Proxies for investments in mutual funds or other commingled funds are voted on by the fund manager. The percentage of UW System Trust Funds investments held in separate accounts has decreased dramatically over the past twelve years, from 81 percent of total equities in 2002 to only 24 percent currently. During this time period, UW System Trust Funds terminated and/or replaced several equity investment managers with commingled funds. However, this trend may see some reversal in the future as assets under management continue to grow, and better fee structures and the ability to customize investment guidelines make separate accounts more attractive in some cases.

### **History of Proxy Voting Policies and Practices**

The Board of Regents first moved to adopt a proxy voting policy on April 7, 1978. After consideration by the full Board, however, it was moved that the resolution as presented, be sent back to the Business and Finance Committee for recommended language changes. The policy was reconsidered at the meeting of June 9, 1978, and Resolution 1682: “Procedures and Guidelines for Voting Proxies” was adopted. This original policy is presented in its entirety as Attachment 2. While much of the language and many of the procedures are similar to current policy, adopted in 2012, the following sections from the 1978 version are substantively different:

*B. "Non-routine" issues should be reviewed with the Vice President and Controller to develop a position on how the proposals should be voted.*

*C. In those cases where the Trust Officer and the Vice President determine that the pros and cons of particular issue are evenly balanced, a meeting of the Proxy Review Committee (consisting of the Chairman of the Business and Finance Committee and/or the Regents designated by the Chairman, the Senior Vice President, Vice President and Controller, Senior Legal Counsel, Investment Counsel, and Trust Officer) will be called and a determination of how to vote will be made by such committee.*

*F. Any proposals judged by the Proxy Review Committee to be highly controversial should be referred to the Business and Finance Committee for final decision.*

Also of note, regarding “non-routine” issues, there is no reference in the 1978 procedures, as there is today, to issues dealing with “some aspect of ‘social responsibility,’” or to “issues described or alluded to under RPD 31-13, *Social Responsibility Investment Considerations*,” which did not then exist. The development of this other relevant Regent Policy will be separately discussed later.

Following the initial proxy policy adoption in 1978, it appears from Regent records, that the procedures and guidelines were modified in 1992; however, a copy of the exact revisions could not be found. The proxy voting policy was next updated at the April 10, 1997 Board meeting.



This revised policy document is presented in its entirety as Attachment 3. And while much of the language and many of the procedures are similar or the same as under the 1978 policy, the following sections in the 1997 version are substantively different:

*PROXIES - EXTERNALLY MANAGED ASSETS:*

*Proxies will be voted by the respective portfolio managers in accordance with each manager's proxy voting guidelines with two exceptions. Proxy issues dealing with discrimination (Ch. 36.29 WI STATS) or the environment (Regent Policy 74-3(a)) will be voted by the Trust Officer or Assistant Trust Officer, on the proxy card sent to the portfolio managers. Each manager will provide a periodic report of how each proxy issue was voted. Proxy guidelines for internally managed assets will be followed when voting these two issues.*

*PROXIES - INTERNALLY MANAGED ASSETS:*

*I. The Trust Officer or Assistant Trust Officer studies all proxies and votes routine proposals in accordance with management's recommendations.*

*II. Non-routine issues will be reviewed with the Chairman or Vice Chairman of the Business and Finance Committee to develop a position on how the proposals should be voted.*

Again, while there is no reference to issues of “social responsibility” per se, there is reference to separate policies regarding issues dealing with discrimination and the environment. (These issues were addressed in two former RPDs, which were consolidated in 2012 into RPD 31-13, “Social Responsibility Investment Considerations.”) Also, importantly, the responsibility for developing voting positions on “non-routine” issues changes from the Vice President and Controller in 1978 to essentially the Chair or Vice Chair of the Business and Finance Committee. (Presumably, some of these changes from the 1978 policy version were also incorporated into the missing 1992 version. This is largely surmised from the fact that the State law and RPD dealing with discrimination were precipitated by the Apartheid era in South Africa, which began to crumble in 1991 and was essentially completely abolished by 1994.)

It appears that beginning with the 1999 proxy voting season, Trust Funds staff began a process of grouping the many “non-routine” proxy proposals dealing with corporate governance and “social responsibility” under general issues or themes. This likely resulted from the fact that many shareholder proposals presented at many companies over a number of years are related to fairly large-scale shareholder campaigns regarding a particular issue or theme. A proxy review service used by Trust Funds for many years (the Investor Responsibility Research Center, or “IRRC”), also employs this methodology in its reporting. Individual shareholder proxies presented to various companies related to a particular theme are generally very similar if not nearly identical in their language.

These general issues or themes were then analyzed and presented to the Board when related proxy proposals for stocks held first came up for voting by Trust Funds. If a vote supporting the

specific proposal was recommended by staff, the support of the related issue or theme was also generally recommended. If support for the general theme or issue was approved by the Board, that issue or theme came to be referred to as a “previously-approved” or “pre-approved issue.”

Although the Board could choose not to support a specific proposal falling under one of the “pre-approved issues” in any given year, the fact that a proposal falls into such a category provides a certain impetus for the current Board to support it. It is likely that this approach was partly adopted to provide some efficiency to the Board’s review and deliberation process; for example, the Board would not necessarily have to completely revisit a theme or issue every time a similar proposal at a specific company came up for a vote. (In a certain way, this approach can be seen as resembling the use of broader general guidelines for proxy voting, where individual proxies are not brought to the governing board for approval, only the general guidelines, which may evolve over time. This is the approach SWIB takes, and it will be discussed in more detail later.)

The initial issues presented to the Board for approval in 1999 were the following (which table is excerpted from the report to the Board):

	Issue	Recommended Vote	Related Regent Policy
1	Endorse Ceres Principles *	FOR	74-3
2	Report on Equal Employment Opportunity (EEO)	FOR	78-1
3	Increase and report on board diversity	FOR	78-1
4	Implement MacBride Principles **	FOR	78-1
5	Adopt sexual orientation non-discrimination policy	FOR	78-1

\* The Ceres Principles, developed in 1989, are a ten-point code of corporate environmental conduct to be publicly endorsed by companies as an environmental mission statement or ethic.

\*\* The MacBride Principles, consisting of nine fair employment principles, are a corporate code of conduct for U.S. companies doing business in Northern Ireland.

This list of “previously-approved issues” has grown over the years and currently includes 26 issues. These are listed below, along with the corresponding year each issue was approved for support by the Board:

	Issue	Year Approved
1	Report on/implement pharmaceutical policy/pricing	2002
2	Report on/label genetically modified organisms (GMOs)	2002
3	Shareholder approval for future golden parachutes	2002
4	Redeem or vote on poison pill	2002
5	Report on/implement recycling development programs	2002
6	No consulting by auditors	2002
7	Endorse core International Labor Organization’s (ILO) principles *	2001
8	Predatory lending prevention	2001
9	Report on executive compensation as related to performance and social issues	2001

10	Report on global warming	2000
11	Report on international lending policies	2000
12	Global labor standards	2000
13	Endorse Ceres Principles	1998
14	Report on Equal Employment Opportunity (EEO)	1998
15	Increase and report on board diversity	1998
16	Implement MacBride Principles	1998
17	Adopt sexual orientation non-discrimination policy	1998
18	Report on health pandemic in Africa	2003
19	Sustainability reporting	2004
20	Review animal welfare methods	2005
21	Report on political contributions	2007
22	Report on product toxicity	2009
23	Report on internet privacy	2009
24	Adopt Eurodad Charter on responsible lending **	2009
25	Adopt health care reform principles	2009
26	Report/act on environmental impact of various practices	2010

\* Promulgated in 1998, the ILO Declaration on Fundamental Principles and Rights at Work is an expression of commitment by governments, employers' and workers' organizations to uphold basic human values.

\*\* The Eurodad Charter, developed by the European Network on Debt and Development, outlines “responsible financing” standards to help ensure that lending and investments in developing countries deliver positive development outcomes.

Each of these issues was recommended for approval following a detailed review. When submitted to the Board for its consideration, a brief write-up describing the issue or theme, including the language for a typical resolution, would be included. An example for the issue “Report on Equal Employment Opportunity (EEO)” is provided below:

#### Overview

*The shareholder resolutions relating to reporting on EEO and affirmative action ask companies to make available information that is gathered for and reported to the Equal Employment Opportunity Commission. The information required includes statistical information in defined job categories, summary information of affirmative action policies, and reports on any material litigation involving race, gender or the physically challenged.*

#### Evaluation

*Typical resolution: American International Group: Prepare a report at reasonable cost excluding confidential information on (a) the nine major EEOC job categories; (b) a summary description of affirmative action policies including the purchase of goods and services from minority and/or female-owned business; and (c) major relevant litigation. Similar resolutions (no more constraining than AIG): Circuit City, Home Depot, and Wal-Mart. A Dayton Hudson resolution would require that the company file an affirmative action plan with Minneapolis. Company disadvantages: the time and effort of preparing the report. Company advantages: any protection from the eventual legal cost and positive public reaction. The Trust Funds would gain the advantage of taking a*

*public position on an area of policy deemed important by 78-1 without incurring any direct cost.*

The proxy voting policy itself remained unchanged from 1997 through 2001 and was next updated at the Board meeting of April 5, 2002. This revised policy document is presented in its entirety as Attachment 4. Again, while much of the language and many of the procedures are similar or the same as under the prior 1997 policy, the following sections are substantively different:

*E. Issues dealing with discrimination (per Ch. 36.29 WI STATS and Regent Policies 78-1 and 78-2), the environment (per Regent Policy 74-3(a)), or with substantial social injury (per Regent Policy 97-1);*

*IV. To ensure that non-routine proxy proposals are identified, analyzed and reviewed, and that the Committee's voting position is properly determined, conveyed to portfolio managers and then tracked for compliance, the following procedures will generally be followed:*

*A. During the first quarter of each year, the Trust Funds Office will identify all non-routine shareholder proposals for the upcoming proxy season (primarily March through May). To the extent possible, these proposals will be grouped into identifiable "issues" (or themes).*

*B. Trust Funds will research and analyze any new non-routine, controversial issues or company-specific proposals. These analyses will consider, among other things, the following factors:*

*i. Application/interpretation of Regent policies*

*ii. Background and technical requirements of shareholder proposals*

*iii. Expected impact on firms' financial position*

*C. Trust Funds will present the following to the Committee annually for its review (generally at the March Board of Regents meeting; for "off-season" proxies, these will be brought to the Committee at the nearest monthly meeting where possible):*

*i. A list of new non-routine issues and any company-specific proposals for the upcoming proxy season, to which an existing Regent policy (may) apply*

*ii. A list of previously approved non-routine issues*

*iii. Write-ups/analyses of new and previously approved issues (approved for affirmative voting)*

*iv. A list showing each specific upcoming proposal, by company, and the relevant Regent policy which (may) apply, and the recommended vote (if the shareholder proposal is consistent with Regent policy, does not impose unnecessary or burdensome requirements on the firm, and is not expected to have a highly negative impact on the firm's financial position, an affirmative vote will generally always be recommended)*

*D. The Committee will then vote on all upcoming shareholder proposals presented to them.*

*H. Trust Funds will present to the Committee at least annually, the results of the proxy voting season (generally at the September or October Board of Regents meeting).*

Note that the 2002 version codifies the “previously-approved issue” approach that had been practiced for the prior few years. In discussing what constitutes non-routine issues, it also references a new Regent Policy, RPD 97-1 (which as will be discussed later, has evolved into the current RPD 31-13, “Social Responsibility Investment Considerations”), and the concept of “substantial social injury.”

The proxy voting policy then remained unchanged from 2002 through 2011. Then in February 2011, the President of the Board of Regents announced the beginning of a process to review, update, and put into a standard format, all Regent Policy Documents (“RPDs”). This review process resulted in a reformatting and streamlining of the proxy voting guidelines at the Board’s meeting of October 5, 2012. Again, the current policy, RPD 31-10, renamed “Proxy Voting,” is provided as Attachment 1. It should be noted that while many of the detailed procedure descriptions were removed in this policy update (including the references to “pre-approved issues” lists, analyses, etc.), Trust Funds has continued to operate in the same fashion as detailed more explicitly in the prior document.

### **Other Related Regent Policies and Their History**

#### **RPD 31-13: Social Responsibility Investment Considerations**

As previously discussed, RPD 31-13 evolved from a former RPD, 97-1. As part of the review of all Regent policy documents, RPD 97-1 was reformatted and revised to among other things incorporate older, related RPDs dealing with issues of discrimination and the environment. The current RPD 31-13, “Social Responsibility Investment Considerations,” is provided in its entirety as Attachment 5. Note that both RPD 31-13 and the current proxy voting policy, RPD 31-10 (see Attachment 1), refer to each other in the body of their respective documents.

The issue of “socially responsible investing” (SRI) with regard to UW System Trust Funds (beyond the issues of the environment and discrimination, which were recognized and incorporated into policy earlier), was apparently first considered in 1991. In 1990, a member of the University community asked the Business and Finance Committee to consider selling all investments in the securities of tobacco-producing companies. The Committee discussed the request but declined to take any action. However, Vice President for Business and Finance Fred Poellnitz, believing that “increasing attention [would] be drawn to the social aspects of Board of Regent decisions,” decided upon (or recommended) the formation of an internal working group, under his direction, to consider a “social” investment component to the Trust Funds’ investment policy.

Following is an excerpt from a January 1991 memo from Poellnitz to the Committee discussing the working group’s findings:

*"... [m]any individuals are concerned about a wide variety of ... social issues and believe that an evaluation of how companies rate on these issues should be factored into investment decisions... Economic return and preservation of capital have traditionally been the primary objectives of the UW Board of Regents in meeting its fiduciary responsibilities... While the Board is certainly not precluded from a more explicit factoring of social issues into the investment guidelines, a decision to restrict investments on the basis of non-economic criteria would set a precedent and would almost certainly require extensive public debate of social issues and [a]narrowing of investment options.*

*After considering the arguments for and against a more restrictive investment policy, I recommend that the Board of Regents should not change its policy at this time."*

The Business and Finance Committee apparently concurred with this recommendation, as no further in-depth discussions took place until 1996. Then in mid-1996, the "Coalition for Socially Responsible Investment" and the "Free Burma Coalition" petitioned the Board of Regents, again requesting divestitures of companies held within the Trust Funds portfolio. No divestment action resulted from this. Apparently in response to these petitions, in the fall of 1996, Trust Funds staff was called on to conduct a peer survey regarding the Burma issue in particular, but it also asked institutions if they had any formal socially responsible investment policies. It appears that these findings on other Universities were sufficient enough to prompt a continued dialogue among the Regents.

In January 1997, Vice President for Finance Marcia Bromberg sent information to the Committee "that [would] be useful in beginning discussion about a socially responsible investment policy." This information included a range of possible positions the Regents might adopt and more detail on the responsible investment policies of Stanford, Harvard and Vermont (including advisory committee composition and responsibilities, as well as actual policy statements). The "possible positions" given were the following: 1) retain the current policy (basically, follow s. 36.29 (1), *Wis. Stats.*, dealing with non-discrimination, reflected in former RPDs 78-1 and 78-2 (now incorporated into RPD 31-13)); 2) develop a policy statement that acknowledges the need to be aware of public concerns about corporate business practices...and the need to, at times, make investment decisions that take these factors into account; 3) increase participation in proxy voting (presuming use of a proxy review service); and 4) solicit input from others (which included the concept of an annual public forum, as well as the concept of a "formal committee to comment on social issues, suggest proxy positions, review corporations...").

Business and Finance Committee Chair Kathleen Hempel then submitted a draft position paper, entitled "Investment Policy Issues - Social Responsibility," to Regent President Grebe and Regent Vice President Lubar in late February 1997. This paper essentially included, in basic form, each of the five elements of Regent Policy 97-1 (the precursor to RPD 31-13), which was adopted by the Board of Regents on March 7, 1997. Former RPD 97-1 is provided in its entirety as Attachment 6.

A University News Release dated March 5, 1997 offered the following:

*"Regent Hempel...said the proposed policy strikes an important balance between the fiduciary responsibilities of the Board investing trust funds to maximize the return on assets and the Board's long-standing concern for social justice."*

From the Executive Summary of the subsequent Regent meeting agenda item, the following excerpt is of note:

*"...members of the community have demonstrated ongoing concern about the University system's responsibility to incorporate an awareness of ethical and social issues within its investment oversight function. The policy outlined herein acknowledges that concern without compromising the Board's fiduciary responsibility.*

*...Several [other] institutions have an advisory committee comprised of members of the academic community (students, faculty, alumni, [and] staff). The Regents prefer to interact themselves with the broadest base through an open forum that will allow all interested parties to communicate their concerns directly to the Board."*

Note too that former RPD 97-1 required the hiring of a proxy review service, in addition to the holding of an annual public forum to solicit input from others. The Office of Trust Funds has maintained the same proxy review service (formerly Investor Responsibility Research Center, now Institutional Shareholder Services) since 1997, although the requirement to subscribe to a service was removed when the policy was updated in 2012. The annual public forum was held every year from 1997 through 2010 with attendance ranging from ten people to approximately 60 people. The 2011 forum had zero attendance, despite several students having signed up to speak. In 2012, there were no registered speakers. As a result of the decreased interest, the annual forum requirement was also removed in the 2012 policy update, and the language was changed to "the Board of Regents may schedule a public forum at the request of parties interested in presenting such concerns."

#### RPD 31-16: Sudan Divestment

RPD 31-16: Sudan Divestment was created via Resolution 9237, adopted August 18, 2006. The Board's primary purpose in adopting RPD 31-16 was to join other institutional investors in restricting and discouraging investment in businesses that support the Sudanese government, which the U.S. Congress declared as having sponsored or abetted genocide and ethnic cleansing in the Darfur region. The Board resolution follows closely similar resolutions adopted by the University of California system and the State of California, which had consulted closely with the "Sudan Divestment Task Force." While there have been diplomatic efforts at ending the Darfur conflict since the date of the Regents' initial resolution, problems still remain, as indicated by, for example, International Criminal Court statements that genocide is still occurring. The current policy remains valid as the U.S. State Department still lists Sudan as a state sponsor of terrorism, the U.S. government still has in place several sanctions against Sudan, and the activities of foreign-domiciled corporations are not subject to U.S. law. Therefore, the conditions which would trigger the expiration of this policy have not been met.

There have been other significant developments in Sudan since this policy was adopted in 2006. Perhaps most significantly, a referendum in early 2011 resulted in the creation of the independent state of South Sudan (with Juba as its capital). This referendum had been called for under the Comprehensive Peace Agreement signed in 2005, which ostensibly ended the decades-long Sudanese civil war. However, significant fighting continues between Sudan and South Sudan, as does non-compliance with other critical provisions of both the Peace Agreement and a subsequent U.N. resolution (2046). Furthermore, it appears that the Sudanese government continues to perpetrate a humanitarian crisis in the southern regions of South Kordofan and Blue Nile (which remain part of its territory) by, among other things, the denial of access by international humanitarian aid and the indiscriminate aerial bombardment of civilians.

RPD 31-16, “Sudan Divestment,” is provided in its entirety as Attachment 7. Note that this policy pertains to a very specific social issue that may change or disappear over time. As a result, 31-16 was retained as a stand-alone policy during the RPD review process in 2012.

### **Review of Peer Institution Data Regarding Proxy Voting and SRI Policies**

For comparative purposes, provided below is certain data culled from last year’s “NACUBO (National Association of College and University Business Officers) Commonfund Survey of College and University Endowments” (“NCSE”). This survey gathers data on university investment policies and includes several questions relating to proxy voting and overall SRI policies. The 2013 study reflected input from 533 private and 302 public institutions with an average endowment size of \$537 million.

#### Results for the NCSE question:

*Which of the following Environmental, Social and/or Governance (E/S/G) criteria does your institution use in investing in any asset?*

#### Percent Responding with Some Form of Social Investing Policy

NCSE All Pools	18%
<i>UW Trust Funds</i>	Yes <sup>1</sup>

#### SRI Criteria Considered in Policy<sup>1</sup>

	<i>UW Trust Funds</i>	NCSE All Pools	NCSE \$100-\$500MM	NCSE >\$1B
Environmental	Yes	7%	7%	9%
Social	Yes	16%	19%	20%
Governance	Yes	5%	5%	7%
Other	-	3%	5%	2%
None	-	71%	68%	56%
No answer	-	11%	9%	22%

<sup>1</sup> *Multiple responses were allowed.*



Results for the NCSE question:

*Do you and your portfolio managers vote your proxies consistent with your E/S/G criteria?*

Percent that Vote Proxies Consistent with Social Investing Policy<sup>1</sup>

	<i>UW Trust Funds</i>	<i>NCSE All Pools</i>	<i>NCSE \$100-\$500MM</i>	<i>NCSE &gt;\$1B</i>
Yes	Yes	48%	55%	50%
No	-	14%	15%	17%
No answer	-	38%	32%	33%

<sup>1</sup> *Numbers are percentages of only those institutions reporting some form of social investment policy.*

The NCSE survey found that 18 percent of the responding institutions reported having some form of social investment policy. Of that 18 percent, only half of the institutions reported voting proxies consistent with their social investment policies.

### **Overview of SWIB's Proxy Voting Policy**

The State of Wisconsin Investment Board has over \$100 billion in assets being managed by its own internal staff as well as outside investment management firms. The bulk of these assets represent the defined benefit pension plan assets for state employees. As is the UW System, SWIB is a state agency subject to open records laws.

SWIB's proxy voting policies are a major component of its overall corporate governance program and guidelines. SWIB's corporate governance program was implemented in 1986 to "protect their long-term investment earnings by exercising their shareholder rights," and voting activities comprise the core of their governance program. SWIB states that it has a fiduciary responsibility to vote its shares of corporate stock and develop proxy voting policies and guidelines. As a fiduciary to plan beneficiaries, SWIB and its staff treat each proxy vote as another asset of the fund, casting votes in accordance with the guidelines approved by the Board of Trustees and consistent with Wisconsin's Administrative Code §IB 2.03. They also maintain contact with companies and managements to express their position on various matters relating to corporate governance or social responsibility. SWIB states that it exercises its shareholder rights by voting proxies solely in the economic interest of fund participants. In addition, SWIB believes that by actively voting proxies, the long-term prospects and investment potential for a company are enhanced.

Other SWIB statements further suggest that there are times when "social issues" might also be factored into its efforts to promote their economic interests and long-term shareholder value. For instance, the following statements are taken from the SWIB website, under the topics of "Corporate Governance Overview" and "Corporate Citizenship:"

*"In most cases, governance activities are directly associated with SWIB assets. However, when warranted and to promote and enhance long-term shareholder value, SWIB may become involved in other governance activities that apply to a greater public issue and more broadly impact the integrity of public corporations."*

And,

*“Corporate citizenship refers to the ethics and policies a company uses with its employees and the communities in which it operates. These are frequently referred to as ‘social issues.’*

*Although SWIB may question a company at any time about a certain policy or practice, voting on shareholder resolutions is the primary way that SWIB can express its view on a policy or practice. Policies for voting corporate citizenship resolutions reinforce SWIB’s investment goals to enhance returns and long-term value.*

*Using proxy votes for the sole purpose of promoting social or political causes or goals is contrary to our fiduciary duties. When voting on a proxy resolution, SWIB’s investment analysis takes into account the impact of corporate citizenship on the prospects for a company’s long-term financial success.*

*Most social concerns fall into two areas: environmental issues and human or labor rights. When considering proxy resolutions on these or other issues, SWIB reviews each resolution on a case-by-case basis based on the directives contained in Wisconsin Administrative Code §IB 2.02.”*

Also, Wisconsin Administrative Code §IB 2.03(2), “Preamble to Guidelines for Voting Proxies,” states the following:

*“The function of the board is to invest and manage assets under its management and control pursuant to law. Investment objectives involving equity ownership are of a long-term nature. The long-term profitability and survival of a corporation depends in part upon responsiveness to changing societal demands. The board, as a shareholder, should be aware of new ideas which may reflect a change in societal attitudes and values through proxy resolutions submitted by shareholders other than management. The board of directors and officers of a corporation should be cognizant of and responsive to resolutions submitted by shareholders. Management of the corporation in its evaluation of these resolutions will have the most detailed knowledge of and the responsibility to evaluate their impact and long term effect on the corporation and its profitability and survival.”*

In addition to adhering to the basic proxy voting guidelines which follow this preamble (contained in Wisconsin Administrative Code §IB 2.03(3)), SWIB Trustees adopt, review annually, and occasionally modify their more detailed “Corporate Governance Guidelines.” Issues not specifically addressed by these guidelines are reviewed and decided on a case-by-case basis. SWIB also uses an external proxy voting service to assist in analyzing proxy issues, make recommendations based on SWIB's guidelines, and then vote its domestic and international proxies. (SWIB’s proxy voting service provider is Institutional Shareholder Services, the same provider UW System Trust Funds has used since 1997.) *Note that individual proxies are not annually presented for Trustee voting decisions; rather, the Trustees adopt general guidelines that SWIB staff and the proxy voting service then use to determine voting positions.*

The bulk of SWIB's "Corporate Governance Guidelines" provide guidelines for the voting of corporate governance-related proxies, which often come from company management itself, including such issues as executive compensation, board independence and diversity, auditor ratifications, takeover defenses (e.g., poison pill), voting rights (e.g., preemptive rights), and shareholder rights. Guidelines for voting on "social issues" are contained within the broad section entitled "Shareholder Proposals," as these proxies are generally brought forward by external shareholders. This section of the SWIB guidelines is presented in its entirety as Attachment 8.

### **Options for Proxy Voting Approaches for UW System Trust Funds**

As the foregoing discussion indicates, UW System Trust Funds and the Board of Regents have a fairly long history of considering various "social issues" and other corporate governance issues as they pertain to companies and industries in which Trust Funds has invested or may invest. Although not explicitly stated as in various SWIB statements and guidelines, one might surmise that Trust Funds and the Board of Regents also expect that a company's position on many societal issues will impact the company's long-term value, which remains the primary fiduciary focus of both institutions. That said, it must also be recognized that UW System Trust Funds' assets of some \$500 million currently, pale in comparison to the \$100 billion managed by SWIB. Certainly, SWIB's size gives it considerably more clout in its corporate governance efforts. Nevertheless, as with any election, one never knows what vote or votes makes a real difference in the outcome.

After reviewing this paper on the UW System Trust Funds' current proxy voting and related policies and the history behind them, the Board may wish to consider alternative approaches. Some options are provided below.

1. Maintain the current policies and practices.
2. Discontinue all internal proxy voting; direct investment managers to vote all proxies on the UW's behalf, even on "social issues." This would likely require rescinding RPD 31-10 and revising RPD 31-13 where needed.
3. Revise RPD 31-10, "Proxy Voting," section 3 and the "Oversight, Roles, and Responsibilities" section to change the responsibility for voting non-routine proxies from the Committee to internal Trust Officers. Maintain RPD 31-10's reference to RPD 31-13, "Social Responsibility Investment Considerations," which are very broad guidelines regarding "social issues." Revise RPD 31-13, only in section 3, to state that the Trust Officers are now responsible for voting non-routine proxies.
4. Adopt an approach similar to SWIB's: Board adopts more specific proxy voting guidelines for non-routine issues and reviews/updates them regularly; actual voting positions are developed by internal Trust Officers in conformance with these guidelines. This would require a wholesale revision or replacement of RPD 31-10 and minor revisions to RPD 31-13.

## **RELATED REGENT POLICIES**

Regent Policy 31-10: *Proxy Voting*

Regent Policy 31-13: *Social Responsibility Investment Considerations*

Regent Policy 31-16: *Sudan Divestment*

## Attachment 1

### **Regent Policy Document 31-10: Proxy Voting**

**Adopted by the Board of Regents, October 5, 2012**

#### **Scope**

The policy on *Proxy Voting* applies to the invested assets of University of Wisconsin System Trust Funds.

#### **Purpose**

The purpose of this policy is to describe who is responsible for identifying, analyzing, and voting various types of shareholder proxies, proposals put to shareholder vote which may impact the future and fortunes of the companies in which University of Wisconsin System Trust Funds are invested.

#### **Policy Statement**

The general policy of the UW System Board of Regents is to ensure that the voting of proxies is conducted in a diligent manner that reflects the Board's stewardship and fiduciary responsibilities. To this end, the following guidelines are to be adhered to:

1. Shareholder proxies dealing with "routine" corporate governance and management issues are generally to be voted by the investment managers, in accordance with each manager's proxy voting guidelines. "Routine" issues generally include such items as the following:
  - election of directors;
  - election of auditors ;
  - elimination of preemptive rights;
  - management recommendations regarding adding or amending indemnification provisions in charters or by-laws;
  - authorization to issue common stock under option and incentive plans under most circumstances;
  - issuance of additional shares of stock for corporate purposes under most circumstances (e.g., not for expressly preventing a takeover);
  - changes to the Board of Directors; proposals relating to cumulative voting, annual election of directors, and staggered Boards; and
  - outside director compensation (cash plus stock plans).
2. Shareholder proxies dealing with "non-routine" corporate governance and management issues or issues involving some aspect of "social responsibility" are generally to be voted internally. "Non-routine" corporate governance/management and "social responsibility" issues generally include such items as the following:
  - acquisitions and mergers;
  - shareholder proposals opposed by management and not supported by the investment managers;
  - amendments to corporate charter or by-laws which might materially affect shareholder rights;
  - issues described or alluded to under RPD 31-13, *Social Responsibility Investment Considerations*; and

- generally, other issues not covered in section 1.
- 3. UW System Administration will regularly identify “non-routine” corporate governance and management issues or issues involving some aspect of “social responsibility” for, and provide analyses and recommendations to, the Board of Regents’ Business, Finance, and Audit Committee to assist it in its review. The Committee will then develop voting positions on the proxy proposals, which will be conveyed by UW System Administration staff to the investment managers as needed.
- 4. UW System Administration will then present to the Committee, at least annually, the results of the proxy voting season.

### **Oversight, Roles, and Responsibilities**

UW System Administration is responsible for identifying and analyzing certain types of proxy proposals, and presenting such analyses and recommendations to the Business, Finance, and Audit Committee. The Business, Finance, and Audit Committee is responsible for developing a voting position on such proxies. UW System Administration and the investment managers are responsible for voting the proxies accordingly.

## **Attachment 2**

### **Procedures and Guidelines for Voting Proxies**

**Approved by the Board of Regents, June 9, 1978**

A. Trust Officer studies all proxies and votes routine proposals in accordance with management's recommendations.

Routine issues are defined as:

- (1) election of directors unless we have knowledge that a nominee has been found guilty or has pleaded guilty or nolo contendere in a criminal action,
- (2) election of auditors,
- (3) elimination of preemptive rights,
- (4) management recommendations regarding adding or amending indemnification provisions in amending charters or by-laws,
- (5) authorization to issue common stock under option and incentive plans provided that:

- (a) an actual or equivalent lowering in the exercise price is not being recommended for shares covered by existing plans, and
- (b) the maximum increase in shares outstanding over the life of the plan(s) does not exceed an average of one percent per year based on the number of shares outstanding on the date of notice of the meeting.

B. "Non-routine" issues should be reviewed with the Vice President and Controller to develop a position on how the proposals should be voted.

Non-routine issues are defined as:

- (1) acquisitions and mergers,
- (2) stockholder proposals opposed by management where we have no established precedent for voting,
- (3) amendments to corporate charter or by-laws which might materially affect shareholder rights,
- (4) all issues where the tentative recommendation is to vote against management's position,
- (5) any other issue not covered in A.

C. In those cases where the Trust Officer and the Vice President determine that the pros and cons of particular issue are evenly balanced, a meeting of the Proxy Review Committee (consisting of the Chairman of the Business and Finance Committee and/or the Regents designated by the Chairman, the Senior Vice President, Vice President and Controller, Senior Legal Counsel, Investment Counsel, and Trust Officer) will be called and a determination of how to vote will be made by such committee.

D. In analyzing proxy proposals, a variety of information sources may be used, including: the proxy statement, the corporation management, the resolution sponsor, the investment community, media reports and special services, such as the Investor Responsibility Research Center.

E. The staff and Proxy Review Committee should generally support the management position on any proposal if it appears reasonable and is not to the long run detriment of the corporation's shareholders.

F. Any proposals judged by the Proxy Review Committee to be highly controversial should be referred to the Business and Finance Committee for final decision.

G. After voting all issues, Trust Officer mails the proxy and notes the date of mailing and how each proxy issue was voted.

H. Trust Officer prepares and submits on a quarterly basis (March, June, September, December) a report to the Business and Finance Committee summarizing the proxy voting record of the preceding period. The report includes:

- (1) Non-routine proposal summaries
- (2) Whether proposal sponsor was management or shareholder
- (3) Management's recommendation
- (4) How the proxy was voted



## **Attachment 3**

### **Procedures and Guidelines for Voting Proxies**

**Approved by the Board of Regents, April 10, 1997**

#### **PROXIES - EXTERNALLY MANAGED ASSETS:**

Proxies will be voted by the respective portfolio managers in accordance with each managers proxy voting guidelines with two exceptions. Proxy issues dealing with discrimination (Ch 36.29 WI STATS) or the environment (Regent Policy 74-3(a)) will be voted by the Trust Officer or Assistant Trust Officer, on the proxy card sent to the portfolio managers. Each manager will provide a periodic report of how each proxy issue was voted. Proxy guidelines for internally managed assets will be followed when voting these two issues.

Election of directors, unless there is knowledge that a nominee has been found guilty or has pleaded guilty or nolo contendere in a criminal action;

#### **PROXIES - INTERNALLY MANAGED ASSETS:**

I. The Trust Officer or Assistant Trust Officer studies all proxies and votes routine proposals in accordance with management's recommendations.

Routine issues are defined as:

- A. Election of directors, unless there is knowledge that a nominee has been found guilty or has pleaded guilty or nolo contendere in a criminal action;
- B. Election of auditors;
- C. Elimination of preemptive rights;
- D. Management recommendations regarding adding or amending indemnification provisions in charters or by-laws;
- E. Authorization to issue common stock under option and incentive plans provided that:
  - (1) an actual or equivalent lowering in the exercise price is not being recommended for shares covered by existing plans, and
  - (2) the maximum increase in shares outstanding over the life of the plan(s) does not exceed an average of 1 per cent per year based on the number of shares outstanding on the date of notice of the meeting.
- F. Issuance of additional shares of stock for corporate purposes provided the issuance is supported by the portfolio manager and shares are not expressly issued to prevent a takeover.
- G. Changes to the Board of Directors, proposals relating to cumulative voting, annual election of directors, and staggered Boards; provided the proposal is supported by the portfolio manager.
- H. Outside director compensation (cash plus stock plans) provided the compensation of the outside directors does not exceed 1% of net income.

II. Non-routine issues will be reviewed with the Chairman or Vice Chairman of the Business and Finance Committee to develop a position on how the proposals should be voted.

Non-routine issues are defined as:

- A. Acquisitions and mergers;
- B. Stockholder proposals opposed by management and not supported by the portfolio managers;
- C. Amendments to corporate charter or by-laws which might materially affect shareholder rights;
- D. All issues where the tentative recommendation is to vote against management's position;
- E. Any other issue not covered in I.

III. In those cases where the Trust Officer or Assistant Trust Officer and the Committee Chairman or Vice Chairman determine that the pros and cons of a particular issue are evenly balanced, or the issue is highly controversial, the proposal shall be referred to the Business and Finance committee for final decision. If the proxy voting deadline occurs after the next meeting of the Business and Finance Committee, the proxy will not be voted and the issue will be presented to the Committee to determine if a follow-up letter should be sent to the corporation. If the Trust Officer or Assistant Trust Officer and the Committee Chairman or Vice Chairman do not agree and the proxy voting deadline occurs before the next meeting of the Business and Finance Committee, the proxy will be voted as recommended by the portfolio managers.

IV. In analyzing proxy proposals, a variety of information sources may be used, including: our portfolio managers, the proxy statement, the corporation management, the resolution sponsor, the investment community, media reports, and special services such as the Investor Responsibility Research Center.

V. After voting all issues, Trust Officer or Assistant Trust Officer mails the proxy and notes the date of mailing and how each proxy issue was voted.

## **Attachment 4**

### **Procedures and Guidelines for Voting Proxies**

**Approved by the Board of Regents, April 5, 2002**

I. For internally managed assets, the Trust Officer or Assistant Trust Officer studies all proxies and votes routine proposals in accordance with management's recommendations. For externally managed assets, proxies dealing with routine issues will be voted by the respective portfolio managers in accordance with each manager's proxy voting guidelines.

Routine issues are defined as:

- A. Election of directors, unless there is knowledge that a nominee has been found guilty or has pleaded guilty or nolo contendere in a criminal action;
- B. Election of auditors;
- C. Elimination of preemptive rights;
- D. Management recommendations regarding adding or amending indemnification provisions in charters or by-laws;
- E. Authorization to issue common stock under option and incentive plans provided that:
  - (1) an actual or equivalent lowering in the exercise price is not being recommended for shares covered by existing plans, and
  - (2) the maximum increase in shares outstanding over the life of the plan(s) does not exceed an average of 1 per cent per year based on the number of shares outstanding on the date of notice of the meeting.
- F. Issuance of additional shares of stock for corporate purposes provided the issuance is supported by the portfolio manager and shares are not expressly issued to prevent a takeover.
- G. Changes to the Board of Directors, proposals relating to cumulative voting, annual election of directors, and staggered Boards; provided the proposal is supported by the portfolio manager.
- H. Outside director compensation (cash plus stock plans) provided the compensation of the outside directors does not exceed 1% of net income.

II. For both internally and externally managed assets, 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 are defined as:

- A. Acquisitions and mergers;
- B. Stockholder proposals opposed by management and not supported by the portfolio managers;
- C. Amendments to corporate charter or by-laws which might materially affect shareholder rights;
- D. All issues where the tentative recommendation is to vote against management's position;

- E. Issues dealing with discrimination (per Ch. 36.29 WI STATS and Regent Policies 78-1 and 78-2), the environment (per Regent Policy 74-3(a)), or with substantial social injury (per Regent Policy 97-1);
- F. Any other issue not covered in I.

III. Trust Funds Office will regularly identify non-routine issues for and provide analyses to the Committee to assist it in its review. In analyzing proxy proposals, a variety of information sources may be used, including: our portfolio managers, the proxy statement, the corporation management, the resolution sponsor, the investment community, media reports, and special services such as the Investor Responsibility Research Center.

IV. To ensure that non-routine proxy proposals are identified, analyzed and reviewed, and that the Committee's voting position is properly determined, conveyed to portfolio managers and then tracked for compliance, the following procedures will generally be followed:

- A. During the first quarter of each year, the Trust Funds Office will identify all non-routine shareholder proposals for the upcoming proxy season (primarily March through May). To the extent possible, these proposals will be grouped into identifiable "issues" (or themes).

- B. Trust Funds will research and analyze any new non-routine, controversial issues or company-specific proposals. These analyses will consider, among other things, the following factors:

- i. Application/interpretation of Regent policies
  - ii. Background and technical requirements of shareholder proposals
  - iii. Expected impact on firms' financial position

- C. Trust Funds will present the following to the Committee annually for its review (generally at the March Board of Regents meeting; for "off-season" proxies, these will be brought to the Committee at the nearest monthly meeting where possible):

- i. A list of new non-routine issues and any company-specific proposals for the upcoming proxy season, to which an existing Regent policy (may) apply
  - ii. A list of previously approved non-routine issues
  - iii. Write-ups/analyses of new and previously approved issues (approved for affirmative voting)
  - iv. A list showing each specific upcoming proposal, by company, and the relevant Regent policy which (may) apply, and the recommended vote (if the shareholder proposal is consistent with Regent policy, does not impose unnecessary or burdensome requirements on the firm, and is not expected to have a highly negative impact on the firm's financial position, an affirmative vote will generally always be recommended)

- D. The Committee will then vote on all upcoming shareholder proposals presented to them.

- E. Based on the Committee's approvals, Trust Funds will vote the proxies accordingly or will provide the specific voting instructions to the external portfolio managers where necessary.

- F. Portfolio managers will provide quarterly reports of all proxy voting activity for their Trust Funds' portfolios. This reporting will include a summary of each issue, the management recommendation, and the actual vote cast by the manager. Trust Funds

staff will review these reports to verify compliance with instructions. Annual notification letters will also be sent to managers reminding them of the Trust Funds proxy voting policy and summarizing its requirements. (In addition, as part of the investment manager search and procurement process, manager candidates will be informed that complying with the proxy voting policy is a mandatory requirement.)

G. The Trust Funds Office will maintain all supporting research and documentation of proxy votes cast on behalf of the Trust Funds.

H. Trust Funds will present to the Committee at least annually, the results of the proxy voting season (generally at the September or October Board of Regents meeting).

## **Attachment 5**

### **Policy 31-13: Social Responsibility Investment Considerations**

**Adopted by the Board of Regents, October 5, 2012**

#### **Scope**

The policy on *Social Responsibility Investment Considerations* applies to the invested assets of the University of Wisconsin System's Trust Funds, and to individuals interested in providing input regarding the corporate policies or practices of the companies and other entities in which the University of Wisconsin System invests.

#### **Purpose**

The purpose of this statement is to communicate the Board of Regents' policies and practices for considering the various aspects of the social responsibility of the companies, governments, or other entities in which it invests University of Wisconsin System Trusts Funds.

#### **Policy Statement**

The Board of Regents of the University of Wisconsin System, in discharging its fiduciary responsibilities for the university trust funds, will take into account concerns about corporate and other security issuers' social responsibility as outlined below.

1. The primary fiduciary responsibility of the Board of Regents is to maximize financial return on invested assets, taking into account an appropriate degree of risk.
2. However, the Board acknowledges the importance of maintaining an awareness of public concerns about corporate policies or other security issuers' policies or practices that are discriminatory (as defined by Wis. Stats. § 36.29(1)) or cause substantial social injury\*.
3. To enhance the Board's awareness of social concerns the Board of Regents, through the Business, Finance, and Audit Committee, directs the University of Wisconsin System Administration to conduct a proxy review to highlight proxy resolutions related to discrimination and substantial social injury. As further provided under RPD 31-10, the Committee will also determine its voting position for such shareholder resolutions.
4. The Regents also wish to solicit input from students, faculty, alumni and citizens on matters related to social concerns. To obtain this input, the Business, 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. The purpose of this forum is to offer the broadest opportunity for System constituencies to present such information to the Board of Regents.
5. Cognizant of the University of Wisconsin System, state, and federal commitments to environmental protection, the Board of Regents Business, Finance, and Audit Committee, in discharging its responsibility for managing the University of Wisconsin System Trust Funds, does so with the expectation that the companies and other entities in which it invests will evidence a similar commitment in their respective activities. In the event that any persons or group of persons, after careful investigation and evaluation of facts in evidence, concludes that a company in which the University of Wisconsin System Trust Funds has investments appears not to be performing in accord with the Committee's expectations and the appropriate governmental standards in this area, the Committee will afford those persons an opportunity

to detail their evidence and concerns to the Committee. The Committee may afford the company or other entity involved an opportunity to respond to the concerns expressed, before deciding what course of action is appropriate.

6. In accordance with Wis. Stats. § 36.29(1), all investments "...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. . . ." shall be divested in as prudent but rapid a manner as possible. The Board of Regents, to facilitate the application of this statute, interprets the language above as follows:
  - a. The words "that practices or condones through its actions" shall be interpreted to mean "employing persons in nations which by their laws discriminate on the basis of race, religion, color, creed or sex."
  - b. The University of Wisconsin System's investment counsel and its Trust Officer shall bring to the attention of the Business, Finance, and Audit Committee reports of the existence of laws in any other country that require companies doing business in such country to practice or condone discrimination on the basis of race, religion, color, creed or sex. The Business, Finance, and Audit Committee shall investigate such reports with a view toward determining whether this subsection shall be applied to investments in companies employing persons in the country in question.
7. Regents are aware that a position on social responsibility may affect potential contributors to the University System. For potential contributors who wish their donations to be invested in funds with social concerns as a high priority, the Business, Finance, and Audit Committee will ask University of Wisconsin System Administration staff to explore the use of investment alternatives to meet such objectives.

\* "Substantial social injury" with regard to corporate or other security issuers' behavior is defined as the injurious impact on employees, consumers, and/or other individuals or groups resulting directly from specific actions or inactions by a company. Included in this category are actions that violate, subvert, or frustrate the enforcement of rules of domestic or international law intended to protect individuals and/or groups against deprivation of health, safety, basic freedoms or human rights. Only actions or inactions by companies that are proximate to and directly responsible for identifiable social injury will be regarded as falling within these guidelines. (This definition is borrowed from the Stanford University "Statement on Investment Responsibility Concerning Endowment Securities").

### **Oversight, Roles and Responsibilities**

The Board of Regents has ultimate fiduciary responsibility for the management and administration of the University of Wisconsin System Trust Funds. The Board's Business, Finance, and Audit Committee is delegated oversight of the management and administration of the Trust Funds. UW System Administration is responsible for conducting proxy reviews and exploration of socially responsible investment alternatives. The Secretary of the Board of Regents has responsibility for scheduling requested public forums under section 4 of this policy.

## **Attachment 6**

### **Regent Policy Document 97-1: Investment and Social Responsibility** **Adopted by the Board of Regents, March 7, 1997**

That, upon recommendation of the Business and Finance Committee, the Board of Regents of the University of Wisconsin System in discharging its fiduciary responsibilities for the University Trust Funds will take into account its concerns about corporate responsibility as outlined below.

1. The primary fiduciary responsibility of the Board of Regents is to maximize financial return on invested assets, taking into account an appropriate degree of risk.
2. However, the Board acknowledges the importance of maintaining an awareness of public concerns about corporate policies or practices that are discriminatory (as defined by 36.29(1) Wis. Stats.) or cause substantial social injury,\* and it will take this factor into account.
3. To enhance the Board's awareness of social concerns the Regents through the Business and Finance Committee will direct UW System Administration to subscribe to a proxy review service which will highlight proxy resolutions related to discrimination and substantial social injury.\*
4. The Regents wish to solicit input from students, faculty, alumni and citizens on matters related to social concerns. To obtain this input, the Business and Finance Committee of the Board of Regents will schedule an annual forum at which concerns can be presented by interested parties. This forum will offer the broadest opportunity for System constituencies to present information to the Board of Regents.
5. The Regents are aware that a position on social responsibility may affect potential contributors to the University System. For potential contributors who wish their donations to be invested in funds with social concerns as a high priority, the Business and Finance Committee will ask UW Administrative Staff to explore the use of Investment alternatives to meet such objectives.

\* "Substantial social injury" with regard to corporate behavior is defined as the injurious impact on employees, consumers, and/or other individuals or groups resulting directly from specific actions or inactions by a company. Included in this category are actions that violate, subvert, or frustrate the enforcement of rules of domestic or international law intended to protect individuals and/or groups against deprivation of health, safety, basic freedoms or human rights. Only actions or inactions by companies that are proximate to and directly responsible for identifiable social injury will be regarded as falling within these guidelines.



## Attachment 7

### **Regent Policy Document 31-16: Sudan Divestment**

**Adopted by the Board of Regents, August 18, 2006**

#### **Scope**

The policy on *Sudan Divestment* applies to the invested assets of University of Wisconsin System Trust Funds.

#### **Purpose**

The purpose of this policy is to prevent, to the extent possible, making or retaining investments that would provide support to the government of Sudan. The policy was introduced in 2006 due to the ongoing genocide and ethnic cleansing in Darfur sponsored by the Sudanese government and is intended to remain in place as long as such conditions persist.

#### **Policy Statement**

The policy of the UW System Board of Regents is to join in concert with other institutional investors, states, municipalities, and the U.S. government in restricting and discouraging business activity that provides support to the current government of Sudan, due to acts of genocide or “ethnic cleansing” which have occurred in that country. The Board’s policy related to Sudan divestment is as follows:

1. The invested assets of the University of Wisconsin System held in *separately managed accounts*, over which the Board of Regents serves as trustees and fiduciaries, shall not be invested in companies (“targeted companies”) which either directly or through an affiliated instrumentality meet the following criteria:
  - a. Provide revenues to the Sudanese government through business with the government, government-owned companies, or government-controlled consortiums.
  - b. Offer little substantive benefit to those outside of the Sudanese government or its affiliated supporters in Khartoum, Northern Sudan and the Nile River Valley; this “outside” population specifically includes the country’s disaffected Eastern, Southern, and Western regions.
  - c. Have either demonstrated complicity in the Darfur genocide or have not taken any substantial action to halt the genocide. Substantial action shall include but is not limited to curtailment of operations or public pressure on the Sudanese government. Simple company statements shall not constitute evidence of substantial action.
  - d. Provide military equipment, arms, or defense supplies to any domestic party in Sudan, including the Sudanese government and rebels.
2. 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.
3. *Investment is permissible* in companies which, either directly or through an affiliated instrumentality, provide services clearly dedicated to social development for the whole country. Such entities include, but are not limited to those providing medicine and medical equipment, agricultural supplies and agricultural infrastructure, educational opportunities, journalism-related activities, and general consumer goods.

4. 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.
5. If it is determined that a company, which had previously been a targeted company, has ceased business operations with Sudan or its instrumentalities, then that company shall no longer be subjected to divestment and/or screening.
6. In the event that the government of Sudan sufficiently halts the ongoing genocide in Darfur for at least 12 months, as determined jointly by the State Department and Congress of the United States, the provisions of this resolution shall expire.
7. In the event that the United States revokes its current sanctions against Sudan, the provisions of this resolution shall expire.
8. The policy established by this resolution will be communicated to the various foundations which support University of Wisconsin campuses, so that the foundations may consider adopting similar policies.
9. Nothing in this resolution shall alter or diminish existing fiduciary or statutory obligations and other terms, conditions, and limitations on the investment of entrusted assets for the exclusive benefit and interest of beneficiaries, participants, and donors.
10. The Board directs University of Wisconsin System Administration staff to annually review the situation in Sudan and the status of U.S. sanctions, and report to the Board if and when there have been changes that would suggest this policy be rescinded.

### **Oversight, Roles, and Responsibilities**

UW System Administration is responsible for ensuring compliance with this policy, monitoring the situation in Sudan/Darfur, and reporting to the Board on any changes that might suggest the policy be expired in accordance with sections 6 and 7. The Regent Business, Finance and Audit Committee is responsible for determining if the conditions for expiration have been sufficiently met.

## **Attachment 8**

### **From SWIB's 2014 Proxy Voting Guidelines**

#### **Shareholder Proposals**

##### **I. All Proposals**

###### **A. Disclosure**

1. Per Wis. Admin. Code § IB 2.03 (3) (b), SWIB will generally support resolutions calling for disclosure of additional information pertaining to particular issues if
  - a. The requested information is on a subject relevant to the corporation's business
  - b. The requested information is of value to a majority of shareholders when evaluating the corporation or its managers
  - c. The costs of disclosure are reasonable
  - d. The company is not already providing all or a majority of the information in one form or another
  - e. The requested information will not disadvantage the corporation either competitively or economically

###### **B. Voting with management**

1. SWIB will generally vote with management and against shareholder resolutions unless the resolution clearly falls under the directives of the Wis. Admin. Code § IB 2.03.

##### **II. Social Proposals**

###### **A. Labor and Human Rights**

1. SWIB will generally support management if the company's position
  - a. Appears reasonable
  - b. Is not detrimental to the long-term viability of the company or shareholder value
  - c. Reflects society's values and attitudes on the corporation's long-term viability

###### **B. Health and Safety**

1. SWIB will review and analyze health and safety proposals from an economic perspective on a case-by-case basis based on the following
  - a. The effect the resolution may have on long-term shareholder value
  - b. The company's competitiveness and sustainability if the resolution addresses a specific state or federal law

##### **III. Environmental Proposals**

###### **A. Environmental Practices**

###### **1. Reporting**

- a. SWIB will generally support increased reporting if
  - i. A company's product or service has the potential to affect the environment adversely
  - ii. The company has been the subject of adverse publicity or litigation because of its environmental policies

iii. The company has failed to provide adequate information, as determined by SWIB staff, about its environmental practices to shareholders

b. SWIB may support proposals requesting disclosure reports of operations, risks, environmental impacts, fines, litigation and policies as it relates to fracking and flaring

## B. Climate Change

### 1. Reporting

a. SWIB will review all resolutions asking companies to report on their activities affecting the environment, either using the GRI format or another format on a case-by-case basis

b. SWIB will generally support shareholder resolutions asking the company to report on its preparations to comply with the Kyoto Accord if it does business in countries that have adopted the Accord

c. SWIB may support proposals requesting disclosure reports related to pollution, potential liabilities, and emissions as it relates to climate change

## C. Sustainability

### 1. Reporting

a. SWIB may support proposals requesting disclosure regarding operations, decision making, liabilities, and use of resources as it relates to sustainability

## IV. Governance Proposals

### A. Political Expenditures

1. SWIB may support disclosure of the total amount a company budgets and/or what the company spends on the various types of political expenditures

2. SWIB will review and analyze political expenditure proposals on a case-by-case basis based on the following factors

a. Disclosure practices

b. Any known activities such as fines or litigation

c. Level of political contribution oversight by both the management team and the board

3. SWIB will generally support political expenditure proposals when

a. Current disclosure on political contributions is insufficient or significantly lacking compared to its peers

b. There are verifiable or credible allegations of funds mismanagement through donations

c. There is no explicit board oversight or evidence that board oversight on political expenses is adequate

4. SWIB will generally not support political expenditure proposal if

a. Information requested is already available in another report

b. It does not request the disclosure of total contribution expenditures

### B. CEO/Chair

1. SWIB will generally support shareholder proposals requiring companies to separate the positions of chairperson and CEO

### C. Stock Ownership

1. SWIB will generally not support shareholder proposals requiring minimum stock ownership requirements

D. Shareholder Director Nominees

1. SWIB will generally vote against shareholder director nominees where the biographical information and then candidate(s) are not disclosed in a timely fashion

E. Board Diversity

1. SWIB may support proposals requesting the company to diversify the board

F. Pro-Rata Vesting

1. SWIB may support shareholder proposals asking companies to adopt a Pro-Rata vesting provision based on their current equity plan and historical awards

G. Independent Board Chair

1. SWIB may support shareholder proposals calling for a non-executive independent director to serve as chairman of the board

## **QUARTERLY REPORT OF GIFTS, GRANTS, AND CONTRACTS JULY 1, 2014 THROUGH DECEMBER 31, 2014**

### **BACKGROUND**

Regent Policy Document 13-1: General Contract Signature Authority, Approval and Reporting, requires that a summary of extramural gifts, grants, and contracts be reported quarterly to the Vice President for Finance for presentation to the Business and Finance Committee of the Board of Regents. The attached report is intended to meet that requirement.

The policy further directs that grants from and contracts with private, profit-making organizations with a value of more than \$500,000 require formal approval by the Board of Regents prior to execution. In addition, any contract with a value of less than \$500,000 that, in the judgment of the President of the UW System, warrants direct Board approval shall also be approved by the Board prior to execution. Grants and contracts falling under this requirement are included in the quarterly reports upon execution but are also presented individually to the Business and Finance Committee of the Board of Regents.

### **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 six-month period July 1, 2014, through December 31, 2014. Total gifts, grants, and contracts for the period were approximately \$778.6 million; this is a decrease of \$11.8 million from the same period in the prior year. Federal awards decreased \$46.8 million, while non-federal awards increased by \$35.0 million.

### **RELATED REGENT POLICIES**

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

**UNIVERSITY OF WISCONSIN SYSTEM  
GIFTS, GRANTS AND CONTRACTS AWARDED  
QUARTERLY REPORT & PRIOR-YEAR COMPARISON  
FISCAL YEAR 2014-2015 (2nd Quarter)**

<b>FISCAL YEAR 2014-2015</b>	<b>Public Service</b>	<b>Instruction</b>	<b>Libraries</b>	<b>Misc</b>	<b>Physical Plant</b>	<b>Research</b>	<b>Student Aid</b>	<b>Total</b>
<b>Total</b>	<b>51,752,754</b>	<b>42,425,194</b>	<b>620,890</b>	<b>45,965,469</b>	<b>5,229,846</b>	<b>528,388,465</b>	<b>104,176,079</b>	<b>778,558,696</b>
<b>Federal</b>	<b>31,433,108</b>	<b>32,546,109</b>	<b>0</b>	<b>7,936,341</b>	<b>0</b>	<b>303,976,057</b>	<b>98,263,294</b>	<b>474,154,908</b>
<b>Nonfederal</b>	<b>20,319,646</b>	<b>9,879,084</b>	<b>620,890</b>	<b>38,029,129</b>	<b>5,229,846</b>	<b>224,412,409</b>	<b>5,912,786</b>	<b>304,403,788</b>
<b>FISCAL YEAR 2013-2014</b>								
<b>Total</b>	<b>56,852,238</b>	<b>34,323,451</b>	<b>601,623</b>	<b>63,782,381</b>	<b>15,496,176</b>	<b>494,376,763</b>	<b>124,985,293</b>	<b>790,417,925</b>
<b>Federal</b>	<b>35,518,355</b>	<b>23,416,027</b>	<b>0</b>	<b>7,775,181</b>	<b>0</b>	<b>339,893,577</b>	<b>114,397,671</b>	<b>521,000,811</b>
<b>Nonfederal</b>	<b>21,333,883</b>	<b>10,907,424</b>	<b>601,623</b>	<b>56,007,201</b>	<b>15,496,176</b>	<b>154,483,186</b>	<b>10,587,622</b>	<b>269,417,114</b>
<b>INCREASE(DECREASE)</b>								
<b>Total</b>	<b>(5,099,484)</b>	<b>8,101,743</b>	<b>19,267</b>	<b>(17,816,913)</b>	<b>(10,266,330)</b>	<b>34,011,702</b>	<b>(20,809,214)</b>	<b>(11,859,229)</b>
<b>Federal</b>	<b>(4,085,247)</b>	<b>9,130,082</b>	<b>0</b>	<b>161,160</b>	<b>0</b>	<b>(35,917,520)</b>	<b>(16,134,378)</b>	<b>(46,845,902)</b>
<b>Nonfederal</b>	<b>(1,014,237)</b>	<b>(1,028,340)</b>	<b>19,267</b>	<b>(17,978,073)</b>	<b>(10,266,330)</b>	<b>69,929,222</b>	<b>(4,674,835)</b>	<b>34,986,675</b>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**GIFTS, GRANTS AND CONTRACTS AWARDED - BY INSTITUTION**  
**QUARTERLY REPORT & PRIOR-YEAR COMPARISON**  
**FISCAL YEAR 2014-2015 (2nd Quarter)**

FISCAL YEAR 2014-2015								
	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
Madison	15,534,661	25,090,449	608,289	33,781,738	5,305,880	502,607,925	7,493,184	590,422,126
Milwaukee	3,847,129	5,562,967	0	3,593,214	0	17,080,336	19,641,149	49,724,795
Eau Claire	604,521	879,688	0	0	0	955,249	7,313,970	9,753,428
Green Bay	150	1,921,255	0	328,330	0	490,249	4,681,235	7,421,220
La Crosse	136,379	0	0	916,308	4,000	1,307,400	5,433,317	7,797,404
Oshkosh	547,589	6,320,512	0	0	0	793,342	8,202,829	15,864,272
Parkside	246,776	285,449	5,350	318,528	28,204	14,100	4,413,030	5,311,437
Platteville	68,954	0	0	1,578,141	0	368,603	4,940,503	6,956,200
River Falls	288,840	302,549	0	1,163,181	4,682	724,373	4,932,090	7,415,715
Stevens Point	1,268,450	671,929	6,039	178,345	0	1,420,133	9,092,247	12,637,143
Stout	3,161,946	159,596	0	1,737,594	(112,955)	7,010	6,647,107	11,600,298
Superior	0	0	0	9,795	0	2,039,215	3,346,514	5,395,524
Whitewater	87,049	106,559	0	1,265,312	34	427,798	8,560,828	10,447,580
Colleges	7,700	2,065	1,211	704,503	0	6,805	9,478,076	10,200,360
Extension	25,952,610	0	0	370,756	0	93,364	0	26,416,730
System-Wide	0	1,122,176	0	19,725	0	52,565	0	1,194,465
<b>Totals</b>	<b>51,752,754</b>	<b>42,425,194</b>	<b>620,890</b>	<b>45,965,469</b>	<b>5,229,846</b>	<b>528,388,465</b>	<b>104,176,079</b>	<b>778,558,696</b>
Madison	13,707,636	17,144,979	0	2,142,395	0	284,608,525	3,700,449	321,303,984
Milwaukee	2,149,784	5,477,592	0	2,168,513	0	13,422,014	19,641,149	42,859,052
Eau Claire	594,714	728,488	0	0	0	869,278	7,313,437	9,505,917
Green Bay	0	1,464,740	0	50	0	339,249	4,667,573	6,471,612
La Crosse	54,494	0	0	900,308	0	831,876	5,433,317	7,219,995
Oshkosh	528,287	5,967,453	0	0	0	793,342	8,202,829	15,491,911
Parkside	206,216	0	0	0	0	0	4,234,819	4,441,035
Platteville	15,506	0	0	624,982	0	329,223	4,939,503	5,909,214
River Falls	269,829	299,617	0	786,452	0	676,262	4,411,923	6,444,083
Stevens Point	91,674	389,991	0	0	0	407,833	8,817,015	9,706,514
Stout	2,517,607	78,873	0	1,031,007	0	0	6,534,668	10,162,155
Superior	0	0	0	0	0	1,547,647	3,346,514	4,894,161
Whitewater	8,290	0	0	275,579	0	150,807	7,997,008	8,431,684
Colleges	0	0	0	7,055	0	0	9,023,089	9,030,144
Extension	11,289,071	0	0	0	0	0	0	11,289,071
System-Wide	0	994,376	0	0	0	0	0	994,376
<b>Federal Totals</b>	<b>31,433,108</b>	<b>32,546,109</b>	<b>0</b>	<b>7,936,341</b>	<b>0</b>	<b>303,976,057</b>	<b>98,263,294</b>	<b>474,154,908</b>
Madison	1,827,026	7,945,469	608,289	31,639,343	5,305,880	217,999,399	3,792,735	269,118,142
Milwaukee	1,697,345	85,375	0	1,424,701	0	3,658,322	0	6,865,743
Eau Claire	9,807	151,200	0	0	0	85,971	533	247,511
Green Bay	150	456,515	0	328,280	0	151,000	13,662	949,608
La Crosse	81,885	0	0	16,000	4,000	475,524	0	577,409
Oshkosh	19,302	353,059	0	0	0	0	0	372,361
Parkside	40,560	285,449	5,350	318,528	28,204	14,100	178,211	870,402
Platteville	53,448	0	0	953,160	0	39,380	1,000	1,046,987
River Falls	19,011	2,932	0	376,729	4,682	48,111	520,167	971,632
Stevens Point	1,176,776	281,938	6,039	178,345	0	1,012,300	275,232	2,930,630
Stout	644,339	80,723	0	706,587	(112,955)	7,010	112,439	1,438,142
Superior	0	0	0	9,795	0	491,568	0	501,363
Whitewater	78,759	106,559	0	989,732	34	276,991	563,820	2,015,895
Colleges	7,700	2,065	1,211	697,448	0	6,805	454,986	1,170,216
Extension	14,663,539	0	0	370,756	0	93,364	0	15,127,659
System-Wide	0	127,800	0	19,725	0	52,565	0	200,089
<b>Nonfederal Totals</b>	<b>20,319,646</b>	<b>9,879,085</b>	<b>620,890</b>	<b>38,029,128</b>	<b>5,229,846</b>	<b>224,412,408</b>	<b>5,912,786</b>	<b>304,403,788</b>



FISCAL YEAR 2013-2014								
	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
Madison	18,182,424	21,523,585	584,755	51,936,143	15,388,016	472,941,597	27,424,149	607,980,668
Milwaukee	5,191,678	1,436,390	0	3,594,375	37,160	15,025,997	18,989,100	44,274,699
Eau Claire	89,586	1,368,179	0	381	0	479,811	7,503,393	9,441,350
Green Bay	1,267	1,877,990	0	182,691	0	982,606	5,020,996	8,065,551
La Crosse	532,492	68,400	0	951,159	0	1,112,674	5,382,724	8,047,449
Oshkosh	789,658	4,790,032	0	237,284	0	1,026,785	8,230,399	15,074,158
Parkside	62,905	393,752	0	28,191	29,816	108,540	4,979,999	5,603,202
Platteville	75,443	0	0	1,220,364	0	360,873	4,976,684	6,633,365
River Falls	1,145,906	1,085,553	0	824,083	3,790	125,374	4,946,038	8,130,744
Stevens Point	1,878,287	620,486	0	271,731	0	1,784,204	8,904,073	13,458,780
Stout	1,696,610	231,819	0	1,498,976	0	54,971	6,786,356	10,268,731
Superior	30,000	0	0	769,882	0	334,681	2,749,125	3,883,688
Whitewater	25,270	13,070	0	458,256	37,394	38,650	8,462,953	9,035,593
Colleges	2,175	656,967	16,868	574,906	0	0	10,629,305	11,880,220
Extension	27,148,538	0	0	0	0	0	0	27,148,538
System-Wide	0	257,229	0	1,233,960	0	0	0	1,491,189
<b>Totals</b>	<b>56,852,238</b>	<b>34,323,451</b>	<b>601,623</b>	<b>63,782,381</b>	<b>15,496,176</b>	<b>494,376,763</b>	<b>124,985,293</b>	<b>790,417,925</b>
Madison	15,628,838	12,110,731	0	1,656,861	0	322,785,851	19,276,674	371,458,955
Milwaukee	3,200,261	1,341,390	0	2,099,886	0	13,199,520	18,988,125	38,829,182
Eau Claire	86,944	1,091,109	0	0	0	467,724	7,502,520	9,148,297
Green Bay	0	1,506,115	0	60	0	587,334	5,002,571	7,096,080
La Crosse	380,373	48,400	0	876,659	0	724,961	5,382,724	7,413,117
Oshkosh	779,458	4,625,077	0	9,359	0	778,785	7,734,087	13,926,765
Parkside	10,000	275,531	0	0	0	0	4,864,124	5,149,655
Platteville	0	0	0	384,198	0	332,907	4,976,684	5,693,789
River Falls	1,132,514	1,084,812	0	562,299	0	109,550	4,492,698	7,381,873
Stevens Point	323,557	429,564	0	(16,410)	0	844,070	8,851,947	10,432,728
Stout	1,508,709	76,312	0	988,659	0	42,608	6,486,852	9,103,140
Superior	0	0	0	722,497	0	20,266	2,599,125	3,341,888
Whitewater	4,400	0	0	256,149	0	0	7,983,264	8,243,813
Colleges	0	569,757	0	234,965	0	0	10,256,276	11,060,998
Extension	12,463,302	0	0	0	0	0	0	12,463,302
System-Wide	0	257,229	0	0	0	0	0	257,229
<b>Federal Totals</b>	<b>35,518,355</b>	<b>23,416,027</b>	<b>0</b>	<b>7,775,181</b>	<b>0</b>	<b>339,893,577</b>	<b>114,397,671</b>	<b>521,000,811</b>
Madison	2,553,586	9,412,854	584,755	50,279,283	15,388,016	150,155,746	8,147,475	236,521,714
Milwaukee	1,991,417	95,000	0	1,494,489	37,160	1,826,476	975	5,445,517
Eau Claire	2,642	277,070	0	381	0	12,087	873	293,053
Green Bay	1,267	371,875	0	182,631	0	395,272	18,425	969,470
La Crosse	152,119	20,000	0	74,500	0	387,713	0	634,332
Oshkosh	10,200	164,955	0	227,925	0	248,000	496,312	1,147,392
Parkside	52,905	118,221	0	28,191	29,816	108,540	115,875	453,547
Platteville	75,443	0	0	836,166	0	27,966	0	939,576
River Falls	13,392	741	0	261,784	3,790	15,824	453,340	748,871
Stevens Point	1,554,730	190,922	0	288,141	0	940,134	52,126	3,026,052
Stout	187,901	155,507	0	510,317	0	12,363	299,504	1,165,592
Superior	30,000	0	0	47,385	0	314,415	150,000	541,800
Whitewater	20,870	13,070	0	202,107	37,394	38,650	479,689	791,780
Colleges	2,175	87,210	16,868	339,941	0	0	373,029	819,222
Extension	14,685,236	0	0	0	0	0	0	14,685,236
System-Wide	0	0	0	1,233,960	0	0	0	1,233,960
<b>Nonfederal Totals</b>	<b>21,333,883</b>	<b>10,907,424</b>	<b>601,623</b>	<b>56,007,201</b>	<b>15,496,176</b>	<b>154,483,186</b>	<b>10,587,622</b>	<b>269,417,114</b>

**INCREASE (DECREASE) FROM FISCAL YEAR 2013-2014 TO FISCAL YEAR 2014-2015**

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
Madison	(2,647,763)	3,566,864	23,534	(18,154,405)	(10,082,136)	29,666,328	(19,930,965)	(17,558,542)
Milwaukee	(1,344,549)	4,126,577	0	(1,161)	(37,160)	2,054,339	652,050	5,450,096
Eau Claire	514,935	(488,491)	0	(381)	0	475,438	(189,423)	312,078
Green Bay	(1,117)	43,265	0	145,639	0	(492,358)	(339,760)	(644,331)
La Crosse	(396,113)	(68,400)	0	(34,851)	4,000	194,726	50,593	(250,045)
Oshkosh	(242,068)	1,530,480	0	(237,284)	0	(233,443)	(27,570)	790,115
Parkside	183,871	(108,303)	5,350	290,338	(1,611)	(94,441)	(566,969)	(291,766)
Platteville	(6,490)	0	0	357,777	0	7,730	(36,181)	322,836
River Falls	(857,066)	(783,004)	0	339,098	892	598,999	(13,948)	(715,029)
Stevens Point	(609,837)	51,443	6,039	(93,386)	0	(364,071)	188,174	(821,637)
Stout	1,465,337	(72,223)	0	238,617	(112,955)	(47,961)	(139,249)	1,331,566
Superior	(30,000)	0	0	(760,087)	0	1,704,534	597,389	1,511,836
Whitewater	61,779	93,489	0	807,056	(37,361)	389,148	97,875	1,411,987
Colleges	5,525	(654,902)	(15,656)	129,597	0	6,805	(1,151,230)	(1,679,860)
Extension	(1,195,928)	0	0	370,756	0	93,364	0	(731,808)
System-Wide	0	864,947	0	(1,214,235)	0	52,565	0	(296,724)
<b>Totals</b>	<b>(5,099,484)</b>	<b>8,101,743</b>	<b>19,267</b>	<b>(17,816,913)</b>	<b>(10,266,330)</b>	<b>34,011,702</b>	<b>(20,809,214)</b>	<b>(11,859,229)</b>
Madison	(1,921,203)	5,034,249	0	485,534	0	(38,177,326)	(15,576,226)	(50,154,971)
Milwaukee	(1,050,477)	4,136,202	0	68,627	0	222,493	653,025	4,029,870
Eau Claire	507,770	(362,621)	0	0	0	401,554	(189,083)	357,620
Green Bay	0	(41,375)	0	(10)	0	(248,085)	(334,998)	(624,468)
La Crosse	(325,879)	(48,400)	0	23,649	0	106,915	50,593	(193,122)
Oshkosh	(251,170)	1,342,376	0	(9,359)	0	14,557	468,742	1,565,146
Parkside	196,216	(275,531)	0	0	0	0	(629,305)	(708,620)
Platteville	15,506	0	0	240,784	0	(3,684)	(37,181)	215,425
River Falls	(862,685)	(785,195)	0	224,153	0	566,712	(80,775)	(937,790)
Stevens Point	(231,883)	(39,573)	0	16,410	0	(436,237)	(34,932)	(726,214)
Stout	1,008,899	2,561	0	42,348	0	(42,608)	47,816	1,059,016
Superior	0	0	0	(722,497)	0	1,527,381	747,389	1,552,274
Whitewater	3,890	0	0	19,430	0	150,807	13,744	187,871
Colleges	0	(569,757)	0	(227,910)	0	0	(1,233,187)	(2,030,854)
Extension	(1,174,231)	0	0	0	0	0	0	(1,174,231)
System-Wide	0	737,147	0	0	0	0	0	737,147
<b>Federal Totals</b>	<b>(4,085,247)</b>	<b>9,130,082</b>	<b>0</b>	<b>161,160</b>	<b>0</b>	<b>(35,917,520)</b>	<b>(16,134,378)</b>	<b>(46,845,902)</b>
Madison	(726,560)	(1,467,385)	23,534	(18,639,940)	(10,082,136)	67,843,654	(4,354,740)	32,596,429
Milwaukee	(294,072)	(9,625)	0	(69,788)	(37,160)	1,831,846	(975)	1,420,226
Eau Claire	7,165	(125,870)	0	(381)	0	73,884	(340)	(45,542)
Green Bay	(1,117)	84,640	0	145,649	0	(244,272)	(4,762)	(19,863)
La Crosse	(70,234)	(20,000)	0	(58,500)	4,000	87,811	0	(56,923)
Oshkosh	9,102	188,104	0	(227,925)	0	(248,000)	(496,312)	(775,031)
Parkside	(12,345)	167,228	5,350	290,338	(1,611)	(94,441)	62,336	416,854
Platteville	(21,996)	0	0	116,993	0	11,414	1,000	107,411
River Falls	5,619	2,191	0	114,945	892	32,287	66,827	222,761
Stevens Point	(377,954)	91,016	6,039	(109,796)	0	72,166	223,106	(95,422)
Stout	456,438	(74,784)	0	196,269	(112,955)	(5,353)	(187,065)	272,551
Superior	(30,000)	0	0	(37,591)	0	177,153	(150,000)	(40,438)
Whitewater	57,889	93,489	0	787,625	(37,361)	238,341	84,131	1,224,115
Colleges	5,525	(85,145)	(15,656)	357,507	0	6,805	81,957	350,993
Extension	(21,698)	0	0	370,756	0	93,364	0	442,422
System-Wide	0	127,800	0	(1,214,235)	0	52,565	0	(1,033,871)
<b>Nonfederal Totals</b>	<b>(1,014,237)</b>	<b>(1,028,340)</b>	<b>19,267</b>	<b>(17,978,073)</b>	<b>(10,266,330)</b>	<b>69,929,222</b>	<b>(4,674,836)</b>	<b>34,986,674</b>

## **MANAGEMENT FINANCIAL REPORT PERFORMANCE REPORT FY 2014-15**

### **BACKGROUND**

The Business and Finance Committee receives periodic Financial Management Reports regarding the status of the UW System Budget. These reports are prepared and presented based on financial information at the close of December, March, and June reflecting budget status at the end of the second, third and fourth fiscal quarters respectively.

The reports provide budget-to-actual revenue and expense information along with variances of that activity from approved budgets. They are intended to provide a high-level summary of activity in significant Fund groupings and areas of activity and provide the information necessary for the Committee to meet its fiduciary responsibilities with respect to UW System budget management and oversight. These cash-basis reports are prepared as internal management reports offering management and the Board a dashboard-type tool for use in monitoring the status of the University's budget. Such interim financial reports are not meant to replace the UW System's Annual Financial Report and related accrual-based, audited Financial Statements. The UW System Annual Financial Report presents a comprehensive look at the University's financial activities for a given fiscal year and is typically presented to the Board of Regents at its February meeting.

The high-level budget-to-actual reports presented here include a comparison of actual revenues and expenses to the Regent approved budgets along with variances from budget for the following major revenue and expenditure categories:

- Tuition & Fees, GPR and certain other revenues
- Auxiliary Operations
- Gifts, Grants, and Contracts
- General Operations
- Other Funding not included in the above categories

The quarterly financial management reports include both year-to-date actuals and year-end projections.

### **REQUESTED ACTION**

This report is for information only.

### **DISCUSSION**

The attached Financial Management Report presents the status of the UW System budget by major areas of activity for the period July 1, 2014 through December 31, 2014. While there are significant variances within individual fund groupings, this mid-year report shows expenditures at approximately 46.8% of the Regent approved budget, while revenues were at 61.4% of the budgeted level.

### **RELATED REGENT POLICIES**

None

**University of Wisconsin System**  
**Fiscal Year 2015 Budget to Actual Summary**  
**as of December 31, 2014 (Q2)**

CURRENT				Tuition and Fees, GPR, and other	PROJECTED				
Current Year: Budget to Actual					Year End Projection				
Budget	YTD	Variance	YTD%	Revenue	Budget	Projected Total Year End	Variance	% of Budget	
\$2,636,832,575	\$2,002,694,774	(\$634,137,801)	76.0%		Expenses	\$2,636,832,575	\$2,623,645,876	(\$13,186,699)	99.5%
\$2,636,832,575	\$1,145,050,724	\$1,491,781,851	43.4%			\$2,636,832,575	\$2,706,864,425	(\$70,031,850)	102.7%
				Net Year to Date	(\$83,218,549)			-3.16%	

Current Year: Budget to Actual				Auxiliary Operations	Year End Projection			
Budget	YTD	Variance	YTD%		Budget	Projected Total Year End	Variance	% of Budget
\$698,110,006	\$458,923,772	(\$239,186,234)	65.7%		\$698,110,006	\$689,034,647	(\$9,075,359)	98.7%
\$698,110,006	\$350,265,030	\$347,844,976	50.2%	Expenses	\$698,110,006	\$685,459,747	\$12,650,259	98.2%
				Net Year to Date			\$3,574,900	0.51%

Current Year: Budget to Actual				Gifts, Grants, and Contracts	Year End Projection			
Budget	YTD	Variance	YTD%		Budget	Projected Total Year End	Variance	% of Budget
\$1,205,616,063	\$613,065,414	(\$592,550,649)	50.9%		\$1,205,616,063	\$1,161,478,703	(\$44,137,360)	96.3%
\$1,205,616,063	\$565,746,931	\$639,869,132	46.9%	Expenses	\$1,205,616,063	\$1,132,078,172	\$73,537,891	93.9%
				Net Year to Date			\$29,400,531	2.44%

Current Year: Budget to Actual				General Operations	Year End Projection			
Budget	YTD	Variance	YTD%		Budget	Projected Total Year End	Variance	% of Budget
\$243,019,554	\$143,112,001	(\$99,907,553)	58.9%		\$243,019,554	\$301,835,564	\$58,816,010	124.2%
\$243,019,554	\$153,940,677	\$89,078,877	63.3%	Expenses	\$243,019,554	\$341,889,068	(\$98,869,514)	140.7%
				Net Year to Date			(\$40,053,504)	-16.48%

Current Year: Budget to Actual				Other Funding	Year End Projection			
Budget	YTD	Variance	YTD%		Budget	Projected Total Year End	Variance	% of Budget
\$1,314,292,664	\$529,242,733	(\$785,049,931)	40.3%		\$1,314,292,664	\$1,285,150,885	(\$29,141,779)	97.8%
\$1,314,292,664	\$641,717,138	\$672,575,526	48.8%	Expenses	\$1,314,292,664	\$1,323,278,103	(\$8,985,439)	100.7%
				Net Year to Date			(\$38,127,218)	-2.90%

Current Year: Budget to Actual				Summary Totals	Year End Projection			
Budget	YTD	Variance	YTD%		Budget	Projected Total Year End	Variance	% of Budget
\$6,097,870,862	\$3,747,038,694	(\$2,350,832,168)	61.4%		\$6,097,870,862	\$6,061,145,675	(\$36,725,187)	99.4%
\$6,097,870,862	\$2,856,720,500	\$3,241,150,362	46.8%	Expenses	\$6,097,870,862	\$6,189,569,515	(\$91,698,653)	101.5%
				Net Year to Date			(\$128,423,840)	-2.11%

The FY2015 projections represent purely straight-line, calculations based upon revenue and expenditure patterns in the previous year.

**University of Wisconsin System**  
**Dashboard of Major Revenues and Expenditures**  
**As of December 31, 2014 (Q2)**

**GPR/Fees**

	Current Year - Budget to Actual				Prior Year Actuals			Current Year - Projected (Based on Prior Year to Date %)			
	Budget	YTD	Variance	YTD%	Total	YTD	YTD %	Budget	Projected Total	Variance	% of Budget
<b><u>Revenues</u></b>	<b>2,636,832,575</b>	<b>2,002,694,774</b>	<b>(634,137,801)</b>	<b>76.0%</b>	<b>2,568,278,934</b>	<b>1,960,431,797</b>	<b>76.3%</b>	<b>2,636,832,575</b>	<b>2,623,645,876</b>	<b>(13,186,699)</b>	<b>99.5%</b>
Academic Fee Revenue	1,348,961,629	740,464,313	(608,497,316)	54.9%	1,329,619,582	741,134,948	55.7%	1,348,961,629	1,328,416,442	(20,545,187)	98.5%
State Appropriation (GPR)	1,178,197,283	1,178,197,283	-	100.0%	1,151,402,700	1,151,402,700	100.0%	1,178,197,283	1,178,197,283	-	100.0%
Other	109,673,663	84,033,178	(25,640,485)	76.6%	87,256,652	67,894,149	77.8%	109,673,663	107,998,316	(1,675,347)	98.5%
<b><u>Expenditures</u></b>	<b>2,636,832,575</b>	<b>1,145,050,724</b>	<b>1,491,781,851</b>	<b>43.4%</b>	<b>2,660,670,230</b>	<b>1,122,516,851</b>	<b>42.2%</b>	<b>2,636,832,575</b>	<b>2,706,864,425</b>	<b>70,031,850</b>	<b>102.7%</b>
Salaries	1,375,509,334	640,854,290	734,655,044	46.6%	1,352,275,409	624,199,451	46.2%	1,375,509,334	1,388,356,712	12,847,378	100.9%
Fringe benefits	576,500,480	280,006,187	296,494,293	48.6%	532,946,488	271,789,035	51.0%	576,500,480	549,059,361	(27,441,119)	95.2%
Supply and Expense	332,971,525	130,932,642	202,038,883	39.3%	390,607,521	134,495,140	34.4%	332,971,525	380,261,136	47,289,611	114.2%
Capital	33,690,944	21,563,374	12,127,570	64.0%	52,486,464	20,456,559	39.0%	33,690,944	55,326,277	21,635,333	164.2%
Financial Aid	55,227,192	29,650,243	25,576,949	53.7%	87,137,278	29,923,991	34.3%	55,227,192	86,340,136	31,112,944	156.3%
Other	262,933,100	42,043,988	220,889,112	16.0%	245,217,070	41,652,675	17.0%	262,933,100	247,520,803	(15,412,297)	94.1%

<b>Column Descriptions</b>	Budget:	Regent approved and published annual "Redbook" base budget.
	Current YTD Actuals:	Amounts actually collected and expended through the report date in the current fiscal year.
	Variance:	Difference between the budget and the actual revenues and expenditures.
	YTD %:	Year to date actual revenues and expenditures as a percentage of the budget.
	Prior Year Actual Total:	Actual total revenues and expenditures at the close of the prior fiscal year.
	Prior YTD Actuals:	Actual revenues and expenditures through the same period of the prior fiscal year.
	Prior YTD %:	Percentage of the prior year's total actual revenues and expenditures posted through the same period of the prior fiscal year.
	Projected Total:	Amount expected if current year collections and expenditures were made at the same rate as the prior year. Calculated as current year activity divided by the prior year to date %.
	Projected Variance:	Difference between budget and projected total.
	Projected %	Projected total as a percentage of budget.

**University of Wisconsin System**  
**Dashboard of Major Revenues and Expenditures**  
**As of December 31, 2014 (Q2)**

## Auxiliary Operations

	Current Year - Budget to Actual				Prior Year Actuals			Current Year - Projected (Based on Prior Year to Date %)			
	Budget	YTD	Variance	YTD%	Total	YTD	YTD %	Budget	Projected Total	Variance	% of Budget
<b><u>Revenues</u></b>											
<b>Auxiliary Operations (128)</b> (e.g., Housing, Food Service, Union, etc.)	698,110,006	458,923,772	(239,186,234)	65.7%	658,464,071	438,562,584	66.6%	698,110,006	689,034,647	(9,075,359)	98.7%
<b><u>Expenditures</u></b>	698,110,006	350,265,030	347,844,976	50.2%	619,732,507	320,839,190	51.8%	698,110,006	685,459,747	12,650,259	98.2%
<b>Salaries</b>	243,269,185	115,065,189	128,203,996	47.3%	222,975,551	106,888,973	47.9%	243,269,185	240,031,532	3,237,653	98.7%
<b>Fringe benefits</b>	78,671,488	39,829,425	38,842,063	50.6%	71,495,985	37,805,153	52.9%	78,671,488	75,324,228	3,347,260	95.7%
<b>Supply and Expense</b>	303,638,321	166,688,523	136,949,798	54.9%	271,364,850	152,947,246	56.4%	303,638,321	295,745,149	7,893,172	97.4%
<b>Capital</b>	48,628,475	18,736,915	29,891,560	38.5%	28,960,139	14,038,359	48.5%	48,628,475	38,652,927	9,975,548	79.5%
<b>Financial Aid</b>	15,218,600	3,504,160	11,714,440	23.0%	6,077,703	5,328,963	87.7%	15,218,600	3,996,508	11,222,092	26.3%
<b>Other</b>	8,683,937	6,440,818	2,243,119	74.2%	18,858,279	3,830,496	20.3%	8,683,937	31,709,403	(23,025,466)	365.2%

**University of Wisconsin System**  
**Dashboard of Major Revenues and Expenditures**  
**As of December 31, 2014 (Q2)**

**Gifts, Grants, and Contracts**

	Current Year - Budget to Actual				Prior Year Actuals			Current Year - Projected (Based on Prior Year to Date %)			
	Budget	YTD	Variance	YTD%	Total	YTD	YTD %	Budget	Projected Total	Variance	Projected %
<b><u>Revenues</u></b>	<b>1,205,616,063</b>	<b>613,065,414</b>	<b>(592,550,649)</b>	<b>50.9%</b>	<b>1,188,847,008</b>	<b>627,511,276</b>	<b>52.8%</b>	<b>1,205,616,063</b>	<b>1,161,478,703</b>	<b>(44,137,360)</b>	<b>96.3%</b>
<b>Federal Grants and Contracts</b>	640,909,918	360,164,247	(280,745,671)	56.2%	615,111,890	367,898,556	59.8%	640,909,918	602,180,430	(38,729,488)	94.0%
<b>Non-federal Gifts, Grants and Contracts</b>	537,889,606	246,799,986	(291,089,620)	45.9%	549,135,813	245,019,644	44.6%	537,889,606	553,125,899	15,236,293	102.8%
<b>Trust Funds</b>	26,816,539	6,101,181	(20,715,358)	22.8%	24,599,305	14,593,076	59.3%	26,816,539	10,284,659	(16,531,880)	38.4%
<b><u>Expenditures</u></b>	<b>1,205,616,063</b>	<b>565,746,931</b>	<b>639,869,132</b>	<b>46.9%</b>	<b>1,145,535,134</b>	<b>571,777,312</b>	<b>49.9%</b>	<b>1,205,616,063</b>	<b>1,132,078,172</b>	<b>73,537,891</b>	<b>93.9%</b>
<b>Salaries</b>	524,312,033	251,393,787	272,918,246	47.9%	492,167,976	248,536,722	50.5%	524,312,033	497,825,715	26,486,318	94.9%
<b>Fringe benefits</b>	159,588,200	94,073,332	65,514,868	58.9%	176,770,785	91,831,527	51.9%	159,588,200	181,086,140	(21,497,940)	113.5%
<b>Supply and Expense</b>	340,345,290	146,797,478	193,547,812	43.1%	309,201,150	149,426,960	48.3%	340,345,290	303,760,105	36,585,185	89.3%
<b>Capital</b>	92,645,704	14,494,612	78,151,092	15.6%	32,607,100	16,801,948	51.5%	92,645,704	28,129,314	64,516,390	30.4%
<b>Financial Aid</b>	70,865,473	44,718,976	26,146,497	63.1%	87,673,166	43,292,078	49.4%	70,865,473	90,562,856	(19,697,383)	127.8%
<b>Other</b>	17,859,363	14,268,746	3,590,617	79.9%	47,114,957	21,888,077	46.5%	17,859,363	30,714,044	(12,854,681)	172.0%

**University of Wisconsin System**  
**Dashboard of Major Revenues and Expenditures**  
**As of December 31, 2014 (Q2)**

**General Operations**

	Current Year - Budget to Actual				Prior Year Actuals			Current Year - Projected (Based on Prior Year to Date %)			
	Budget	YTD	Variance	YTD%	Total	YTD	YTD %	Budget	Projected Total	Variance	% of Budget
<b>Revenues</b>											
General Operations (136)	243,019,554	143,112,001	(99,907,553)	58.9%	246,369,011	116,813,147	47.4%	243,019,554	301,835,564	58,816,010	124.2%
<b>Expenditures</b>											
Salaries	96,023,502	48,709,840	47,313,662	50.7%	89,791,074	43,336,452	48.3%	96,023,502	100,924,479	4,900,977	105.1%
Fringe benefits	34,877,233	18,296,871	16,580,362	52.5%	30,802,412	15,845,885	51.4%	34,877,233	35,566,821	689,588	102.0%
Supply and Expense	100,689,131	50,502,672	50,186,459	50.2%	119,282,658	44,839,881	37.6%	100,689,131	134,346,765	33,657,634	133.4%
Capital	4,480,084	4,355,588	124,496	97.2%	10,740,683	3,497,400	32.6%	4,480,084	13,376,219	8,896,135	298.6%
Financial Aid	6,778,004	27,781,904	(21,003,900)	409.9%	27,948,807	24,942,336	89.2%	6,778,004	31,130,648	24,352,644	459.3%
Other	171,600	4,293,802	(4,122,202)	2502.2%	21,713,579	3,512,407	16.2%	171,600	26,544,136	26,372,536	15468.6%





**UW SYSTEM INFORMATION TECHNOLOGY REPORT  
UW STRATEGIC PLANS  
FOR MAJOR INFORMATION TECHNOLOGY PROJECTS**

**BACKGROUND**

As prescribed in 2007 Wisconsin Act 20, the Board of Regents is required to create a reporting format for the University of Wisconsin System and each of the University of Wisconsin institutions' "strategic information technology plans." The strategic plans are to be provided to the Board by March 1 of each year.

The statute also requires the Board to create specific and detailed policies on all "large" IT projects [defined as costing over \$1 million] or projects defined as vital to the functions of the system or the institution. These policies were approved at the April 2008 meeting, and were submitted to the Joint Committee on Information Policy and Technology for approval.

The statute further requires the Board of Regents to provide to the Joint Committee on Information Policy and Technology on March 1 and September 1 of each year a specific and detailed "progress" report on all large and high-risk projects.

**REQUESTED ACTION**

This report is for information only.

**DISCUSSION**

This past year, working collaboratively, the CIO Council created four tenets based on the need to move forward in addressing the opportunities and challenges we face as a System and the consortium of campuses. These tenets are as follows:

- Elevate the professionalism of IT leadership and staff
- Change IT from a cost center to a value center
- Substantially increase investment in academic technology
- Transform the UW System's capacity to leverage academic and administrative technology-enabled services

The focus of UW System Administration has been in implementing several strategic activities based on these tenets. The tenets and the specific initiatives are accessible through the link,

<https://www.wisconsin.edu/systemwide-it/strategic-plans>

Under the general category of general IT services, the following are highlighted:

- National Institute of Standards and Technology (NIST) based risk framework for IT Security
- Data Governance Council
- Innovation Fund
- Student Information System (SIS) Implementation at UW-Stevens Point
- Service Catalog
- Web Redesign & migration to Amazon
- Interactive Reporting (IR) Tool Replacement / Business Intelligence (BI) Infrastructure
- Document Management & Workflow

Under Learning Technologies and improving access to electronic collections, the following are highlighted:

- Canvas Pilot
- Academic Systems Roadmap
- UWS Student Survey
- Faculty Development
- Learning Environment RFP
- Alma Implementation

These efforts not only improve the efficiency and effectiveness of UW System Administration, but they also provide opportunities to accomplish more as a UW System by adopting common standards and services.

Several campuses, as well as System Administration, are focusing on the redesign of their websites. These include UW-Eau Claire, UW-Green Bay, UW-River Falls and UW-Milwaukee. This not only increases effectiveness of campus services, but also increases recruitment of students.

The average number of devices each student brings to the campus numbers around 3.5 based on Educause research. Students also are demanding more wireless access across the Campus and within the residence halls. To meet this demand and other requirements, several Campuses are in the process of upgrading their wired and wireless networks. This increases the opportunity to provide Voice over IP (internet protocol) services which also include collaboration services.

Several campuses are in the process of planning the migration or migrating to a Cloud solution based on Microsoft Office365 for their email services. Several Campuses, as well as UW System Administration, have successfully completed this migration. This provides an opportunity to consider a single instance of an email system for all of UW System or a federated approach which includes all Campuses. This would possibly lead to better collaboration among the Campuses.

What follows is a list of IT related activities that are being conducted at the various Campuses across the UW System.

**UW Colleges and UW Extension:** Currently implementing the two year plan of upgrading the wired and wireless LAN. The IT Strategic Plan is based on developing more standard based solutions and increasing the user experience. Also focusing on transforming the IT organization to be more service driven and customer focused.

**UW-Eau Claire:** Redesigned several classrooms to be interactive learning environments and currently transitioning to a newly designed website.

**UW-Green Bay:** Currently evaluating multiple Customer Relationship Management (CRM) software solutions and improving the processes associated with student financials. Also actively pursuing the migration to Office 365 and upgrading the current Storage Area Network (SAN).

**UW-Madison:** Created an IT strategic plan aligned with campus strategic plan. Formalizing the how IT decisions are made is an important part of the strategy. Have created an advanced computing infrastructure which offers computing cycles to any of the researchers within the UW System.

**UW-Milwaukee:** Elevated the discussion for the need for IT investments to the Cabinet level. This also includes discussion of the issues related to staffing critical needs. Actively looking at the replacement of a Content Management System and the Xythos storage environment. Completed the email migration to the Cloud by implementing the Microsoft Office 365 environment.

**UW-Oshkosh:** Evaluating implementing IT Services based on standard practices such as Control Objectives for Information and related Technology (COBIT). Also creating a portfolio based approach to managing services and improving IT governance and redesigning the organization. This will result in an organization that is more focused on improving customer experiences and operational efficiency.

**UW-Parkside:** Currently focused on implementing improvements to the campus IT infrastructure, such as Virtual Desktop Infrastructure (VDI), storage enhancement, network backbone and updating classrooms. Also considering migrating towards a VoIP environment on campus.

**UW-Platteville:** Implementing IT priorities based on the recommendations of Huron Consulting. Continuing to extend the Business Intelligence (BI) capability that the campus initiated a few years ago. The focus will be on data from the Human Resources Information System and Student Financials. Created a Project Office and is developing it into a Center of Excellence using best practices. Implementing the conversion to VoIP across the campus, as well as completing the migration of the email system to the Cloud by using Microsoft Office365.

**UW-River Falls:** Current projects include elevating IT decision making process at the campus by actively involving customers and stakeholders and aligning the IT Strategic Plan more closely to campus needs. Efforts are underway to improve document management and workflow, thereby increasing the effectiveness of other work units and providing a repository for configuration controlled documents.

**UW-Stevens Point:** Actively working with UW System Administration on migrating from a legacy Student Information System (SIS) to the Oracle Campus Solutions environment. This is the environment that all other campuses are already using. Also pursuing an implementation of email and other office applications in the Cloud by migrating to the Microsoft Office365 environment.

**UW-Stout:** Pursuing three major IT improvements. These deal with migrating the email service from an on-premises to a Cloud solution through the use of Microsoft Office 365, consolidating data centers and upgrading the campus wireless network.

**UW-Whitewater:** Currently in the second year of implementing the strategic plan. Eighty percent of the new ideas have come from customer input and the remaining from the staff of the central IT organization. Actively looking at upgrading the Local Area Network (LAN) and creating a tiered network storage architecture. Presently conducting a market analysis for a CRM solution.

The detailed Campus IT Strategic Plans can be found by following the link,

<https://www.wisconsin.edu/systemwide-it/strategic-plans>

## **RELATED REGENT POLICIES**

None

# **UW SYSTEM INFORMATION TECHNOLOGY REPORT STATUS REPORT ON LARGE/VITAL INFORMATION TECHNOLOGY PROJECTS**

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

2007 Wisconsin Act 20 requires the Board of Regents to provide in March and September of each year a specific and detailed progress report on all large (defined as costing over \$1 million) and high-risk IT projects to the Joint Committee on Information Policy and Technology. The Board policy on the format of these reports was approved in April 2008. There are two major projects in this report.

### **REQUESTED ACTION**

This report is for information only.

### **DISCUSSION**

Attached is the progress report on the UW System's major information technology projects. They are UW Colleges and UW Extensions' Campus Network Infrastructure Project (CNIP) and UW System Administration's Compensation Administration Tool (CAT) Project. The descriptions of these projects are enclosed. The CNIP has experienced a delay which impacts deployment of the network infrastructure only at the UW-Waukesha campus. Training their own employees to do the network infrastructure assessments has made it possible for the remaining campuses to stay on schedule. This project is on target with respect to scope and budget status. The CAT Project is on target with respect to schedule, scope and budget status.

### **RELATED REGENT POLICIES**

Regent Policy Document 25-2: Guide to Plan and Implement Management Information Systems.

## **Project: Campus Network Infrastructure Project (CNIP)**

### **Description:**

The wired and wireless networks at each of the 13 two-year colleges and online are aging. The increased frequency of new technology being introduced to students and staff have stressed the abilities of the existing infrastructure. Most of the infrastructure is 8-10 years old and struggles to support the increased number of devices on campus.

The scope of this project includes the upgrade or replacement of wired network switches and uninterrupted power supplies, and the expansion or replacement of wireless networks.

### **Strategic Business Drivers for the Project:**

- **Growth of Mobile Devices:** UW Colleges, like other institutions in the UW System and across the country, are seeing an increase in the use of mobile devices (laptops, smartphones, tablets). EDUCAUSE research estimates that a typical student comes to campus with an average of 3.5 mobile devices. UW Colleges must upgrade its network infrastructure to support the increased demand for network access.
- **Aging Equipment:** The network equipment on UW Colleges campuses average 8-10 years in age. Some of the equipment is no longer supported by vendors and the equipment struggles to support demand and is incapable of supporting some newer technology.
- **Opportunities presented by new technology:** Since the upgrade to UW Colleges networks nearly 10 years ago, new technology has introduced new functionality that may impact delivery of class material and create opportunities for classroom collaboration.

### **Project:**

In the summer/fall of 2013, a network assessment was performed on each of the UW Colleges campuses to evaluate their readiness for new technology, specifically Voice over Internet Protocol (VoIP) telephone services. This assessment revealed that the existing network infrastructure could not support newer technologies such as VoIP, and in some cases could not support the existing needs of the campuses. The campus infrastructure network equipment inventory was validated with the campuses and this two year project was proposed to the Chancellor for UW Colleges and UW Extension. The project was approved in January 2014. Funding for the project was not available until July 2014.

**Project Timeline:** July 2014 – June 2016

**Project Budget:** \$1,800,000

**Source of Funds:** 100% UW Colleges Reserves

**Project Dashboard:** (See Appendix 1 for dashboard definitions)

<p>Determine the status for each of the categories below based on the criteria identified on the right and on the back of this page.</p> <p>Insert an X in the column that best describes the status of the category or color/share the appropriate status box.</p> <p>If a category has a status of <b>Yellow</b> or <b>Red</b>, describe the problem/issue and what actions will be taken to correct the problem/issue.</p>		STATUS COLOR INDICATORS
	Green	On target as planned
	Yellow	Encountering issues
	Red	Problems

Project Status Dashboard:	Green	Yellow	Red
Schedule Status		X	
Scope Status	X		
Budget Status	X		
Other Issues (Staffing, Risks, etc.)	X		

**Problem/Issue:** The vendor selected to complete the wireless survey for UW-Waukesha missed two deadlines due to their employee health issues. Once the estimate was received the institution disputed the vendor's calculations. The end result was a second survey with a reduced estimate.

This delay only impacts UW-Waukesha. The remaining campuses' timelines are not affected.

**Corrective Action:** UW-Waukesha purchased and trained five of its own employees on the same software used by the vendor. The money spent was less than the amount the campus would have paid for a vendor to complete the remaining campuses. This also allows completion of the surveys on the campus's timeline.

**Status of Planning and Documentation:**

	Status
Governance Structure	Established and staffing in process
Project Charter	Completed
Communication Plan	Completed
Project Plan	In process (iterative)
Project Budget	In place
Quality Assurance Plan	Completed



**Appendix 1: Project Dashboard Definitions:**

<b>Project Status Category Descriptions</b>
<p><b>Schedule Status</b> (refers to target implementation date of phase or project)</p> <p><b>Green</b> – Indicates that the project or phase will be completed on target or on the planned date.</p> <p><b>Yellow</b> – Indicates that the project or phase may be falling behind and work needs to be done to determine if the project can recover and still complete on the scheduled date or if adjustments must be made to the schedule date.</p> <p><b>Red</b> – Indicates that the project or critical tasks have fallen behind schedule and corrective action must be taken to make the scheduled date or the scheduled date must change.</p>
<p><b>Scope Status</b></p> <p><b>Green</b> – The scope has not changed in any way that will keep the implementation from meeting the objectives planned for the project.</p> <p><b>Yellow</b> – The scope of the project has increased. Budget and implementation date are impacted by less than 10%. Or the scope of the project has decreased but objectives are not substantially impacted.</p> <p><b>Red</b> – The scope of the project is under review and changes are being requested that will mean the implementation will not meet the project objectives in some substantial way or doing them later will increase cost 10% or more above the original total cost of the project approved by the sponsors.</p>
<p><b>Budget Status</b></p> <p><b>Green</b> – Currently on target with project budget.</p> <p><b>Yellow</b> – Project is over budget by 10 – 25%.</p> <p><b>Red</b> – Project is over budget by 25% or more.</p>
<p><b>Other Issues (Staffing, Risks, etc.)</b></p> <p><b>Green</b> – No staffing, risks, or other issues/concerns exist.</p> <p><b>Yellow</b> – Staffing concerns/issues exist that need to be monitored and possible adjustments made. Key staff departing. One or more risks or other issues may be surfacing which need to be monitored and contingency plans developed.</p> <p><b>Red</b> – Staffing concerns/issues exist and will impact project schedule, budget, deliverables, risks, etc. Key staff lost. One or more risks or other issues have surfaced and will have an impact on budget, deliverables, staffing, scope, and/or schedule. Corrective action must be taken or contingency plans executed.</p>

## **Project: Compensation Administration Tool (CAT) – Implementation**

### **Description:**

#### **Background:**

Institutions at the University of Wisconsin System (UWS) currently utilize a mainframe based budgeting system along with a variety of shadow systems to capture and distribute annual compensation and funding changes for unclassified employees. Unlike the unclassified employee category, compensation increases for classified employees have been “across the board” loaded programmatically *en masse* into HRS and are not entered into the budget system by employee.

#### **Business Case:**

The Joint Committee on Employee Relations (JCOER) has approved two new personnel systems for the university with an implementation date of July 1, 2015. The new personnel systems for UW-Madison and the other institutions will give additional flexibility to the university including the ability to distribute merit-based compensation changes to classified (university staff) and unclassified employees.

- There is no system for institutions to enter classified (university staff) merit-based compensation increases as determined by the Board of Regents Pay Plan Guidelines.
- The budget system is not equipped to accept classified (university staff) merit-based compensation increases.
- Analytics will enable institutions to monitor and analyze compensation increases and funding changes prior to loading to the Human Resource System (HRS).

### **Scope:**

#### **The scope and objectives of the Compensation Administration Tool are to:**

- ✓ Replace three programs in the 3270 mainframe budget system, eliminating person-level data in that system
- ✓ Provide users with the ability to upload compensation and funding changes *en masse* for subsets of the population
- ✓ Transfer finalized compensation and funding data to HRS and summary level data to the budget system
- ✓ Give users the ability and option to enter proposed compensation and funding changes directly into PeopleSoft and bypass the use of spreadsheets
- ✓ Give users the ability and option to edit proposed compensation and funding changes previously loaded via spreadsheets
- ✓ Support advanced search capabilities
- ✓ Display a summary of an employee’s historical record in HRS, for easy reference within the compensation administration tool
- ✓ Display summary information by Business Unit, Dept, etc. during the budgeting processes
- ✓ Provide necessary edits to ensure data accuracy as required for budgeting purposes within the PeopleSoft environment.

#### **Excluded from Scope:**

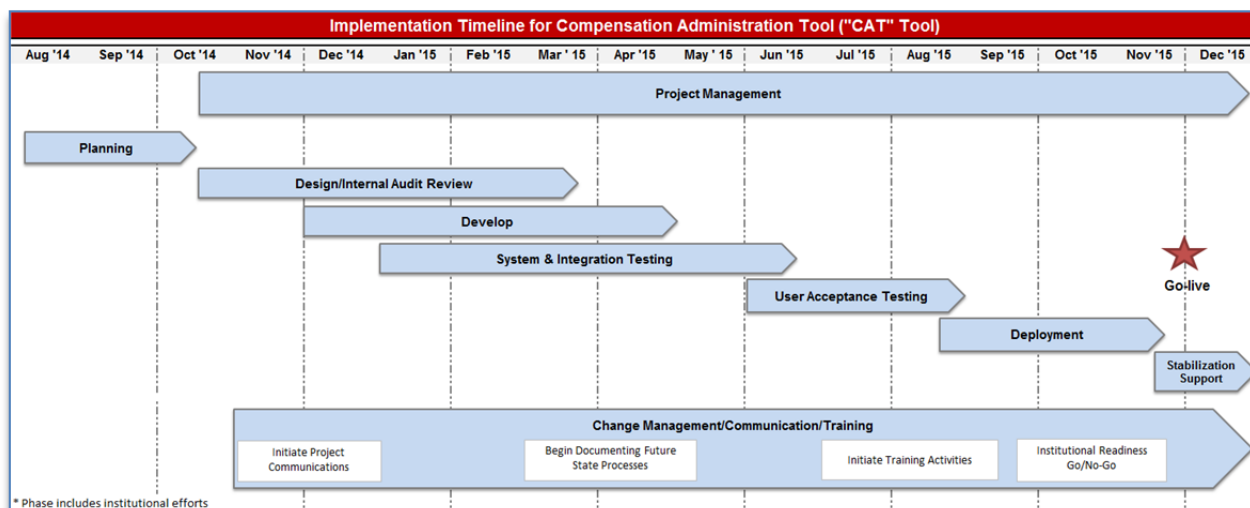
- ✓ Replacing the 3270 mainframe budgeting system for non-salary budgets, reconciling and budget summary reporting purposes
- ✓ Long-range salary planning

#### **High Level Business Processes in Scope:**

- Initialize data from HRS
- Apply institutional salary and funding calculations based upon institutional pay plan guidelines

- Build salary dollars and FTE to budget system allocation levels and update the budget system salary and FTE lines
- Produce reports to ensure institutions can monitor and analyze merit-based compensation, other compensation and job changes, salary line allocations and FTE levels by funding sources
- Mass update individual compensation adjustments to HRS
- Pass funding for individuals to HRS

## Project Timeline:



### Detailed description of phases from the above timeline:

#### Planning < Complete>\*

- Develop high level requirements
- Proposed timeline
- Estimated budget

#### Project Management

- Project planning, administration, status reporting, and support
- Manage timeline, resources and costs
- Escalate risks and executive status reporting

#### Design/Internal Audit Review\*

- Conduct fit-gap sessions
- Refine Requirements
- Involve system internal audit / chief audit exec.
- Discuss Future State Processes
- Document "functional designs"
- Review in-depth reporting needs

#### Develop

- Translate "Functional Design" into PeopleSoft Program "CAT" Tool
- Preliminary "Unit Testing"
- Develop priority reports

#### System & Integration Testing\*

- Document test scenarios
- Test the "CAT" Tool against requirements
- Fix issues identified (retest)

- Test and revisit reports

#### User Acceptance Testing\*

- Institutional end-user testing
- Gather feedback and gain buy-in
- Pilot CAT Tool with institutions

#### Deployment\*

- Knowledge transfer and training delivery
- Implementation of CAT Tool in PeopleSoft
- Deploy new reports

#### Stabilization Support\*

- Post go-live support

#### Change Management | Communication | Training\*

- Identify all stakeholders, institutional end users, and project Change Management Liaisons
- Deliver consistent and regular project communications targeted at various audience levels
- Develop and communicate the future state business process
- Create training plan, training materials, support/knowledge transfer materials, and deliver training

\* Phase includes institutional efforts

## Project Budget:

Project Phases	Estimated Cost
Planning*	\$ 62,000
<b>Planning Phase Total</b>	<b>\$ 62,000</b>
Design/Internal Audit Review*	\$ 278,000
Develop - PeopleSoft (HRS)	\$ 303,600
Develop - Mainframe (3270)	\$ 32,400
System & Integration Testing*	\$ 174,000
User Acceptance Testing*	\$ 40,000
Deployment*	\$ 25,000
Stabilization Support (Post Go-Live)*	\$ 12,000
Change Management/Communications/Training*	\$ 249,000
Project Management	\$ 466,000
<b>Implementation Phase Subtotal</b>	<b>\$ 1,580,000</b>
Contingency	\$ 100,000
Supplies & Expenses	\$ 5,000
<b>Implementation Phase Total</b>	<b>\$ 1,685,000</b>
<b>Total Estimated Project Cost</b>	<b>\$ 1,747,000</b>



Breakdown of Implementation Costs by Resource			Total Funding Request for CAT project
Resource	Average Hourly Cost	Estimated Cost	
UW Business Analysts	\$ 50	\$ 63,000	-- **
DoIT - PeopleSoft (HRS)	\$ 100	\$ 288,000	-- **
DoIT - Mainframe 3270	\$ 100	\$ 73,000	\$ 73,000
Consultants	\$ 200	\$ 1,156,000	\$ 1,156,000
Contingency + S&E	-	\$ 105,000	\$ 105,000
<b>Total</b>		<b>\$ 1,685,000</b>	<b>\$ 1,334,000</b>

\*Institutional staff time will be needed for these phases and is not included in these cost estimates.

\*\* UWSA/Service Center absorbed opportunity costs

## Project Dashboard:

<p>Determine the status for each of the categories below based on the criteria identified on the right and on the back of this page.</p> <p>Insert an X in the column that best describes the status of the category or color/shade the appropriate status box.</p> <p>If a category has a status of Yellow or Red describe the problem/issue and what actions will be taken to correct the problem/issue.</p>		<b>STATUS COLOR INDICATORS</b>
	Green	On target as planned
	Yellow	Encountering issues
	Red	Problems

**Project Status Dashboard:**

Compensation Administration Tool – Implementation	Green	Yellow	Red
<b><u>Schedule Status:</u></b> <i>Overall the project activities are on track compared to the approved project plan and work-breakdown-structure.  The design of the primary landing page of the CAT Tool is scheduled to take 2 weeks more than originally estimated. This can be attributed to adjusting high level business requirements collected during the planning phase of the project to the micro level as the result of fit/gap and design sessions.</i>	X		
<b><u>Scope Status:</u></b> <i>There are no scope changes currently proposed for the project.</i>	X		
<b><u>Budget Status:</u></b> <i>On track and reported on a weekly basis.</i>	X		
<b><u>Other Issues (Staffing, Risks, etc.):</u></b> <i>None at this time.</i>	X		

**Status of Planning and Documentation to Support CAT Implementation:**

	Status
Governance structure	In progress
Project Charter	Completed
Change Mgmt. Plan	In Progress
Project Plan	Completed
Project Budget	Completed

**Project Timeline:** August 2014 - December 2015

**Project Budget:** \$1,334,000

**Source of Funds:** UW Systemwide Fund Balances