

04/01/2016

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business and Finance Committee

Thursday, April 7, 2016  
10:45 a.m. – 12:15 p.m.  
University Union, Phoenix C  
UW-Green Bay  
Green Bay, Wisconsin

- a. Approval of the Minutes of the February 4, 2016 Meeting of the Business and Finance Committee
- b. UW-Green Bay Presentation – *Business and Finance in a Transitional Time*
- c. Review and Approval of Non-resident and Graduate Program Tuition Initiatives at UW Institutions  
[Resolution I.2.c.]
- d. UW System Trust Funds – Annual Report
- e. UW System Trust Funds – Annual Endowment Benchmarking Report
- f. UW System Trust Funds – Quarterly Investment Report
- g. Approval of Tripp Trust Transfer to UW-Madison for Brittingham House Maintenance  
[Resolution I.2.g.]
- h. Financial Management Report (3<sup>rd</sup> Quarter FY 2016)
- i. UW-Madison Contractual Agreement – Waisman Biomanufacturing and Agilis Biotherapeutics, LLC  
[Resolution I.2.i.]
- j. UW-Eau Claire Dining Services Contractual Agreement with Sodexo Operations, LLC  
[Resolution I.2.j.]
- k. Report of the Vice President(s)
  - Resource Allocation Team Update
  - Administrative Reform Agenda

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Thursday, April 7, 2016  
3:00 p.m. (time approximate)  
University Union, Phoenix AB

I.6. Joint Meeting of the Audit Committee and the Business & Finance Committee

- a. Independent Auditor's Report on the Financial Statements and Other Reporting Required by *Government Auditing Standards*
- b. Legislative Audit Bureau Report 16-3, "University of Wisconsin System"

Proposed Nonresident  
and Graduate Tuition Increases

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Resolution I.2.c:

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellors of the University of Wisconsin-La Crosse, the University of Wisconsin-Milwaukee, the University of Wisconsin-Platteville, the University of Wisconsin-Stout, and the University of Wisconsin-Whitewater, the Board of Regents approves the proposed nonresident and graduate tuition increases for these five UW institutions, as detailed in the attachment.

April 8, 2016

Agenda Item I.2.c

## **PROPOSED NONRESIDENT AND GRADUATE TUITION INCREASES**

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

The 2015-17 Biennial Budget (Act 55) restricted the Board of Regents' authority to increase the tuition on resident undergraduate students during the biennium:

Notwithstanding section 36.27 (1) (a) of the statutes, and except as provided in subsection (4d), the Board of Regents of the University of Wisconsin System may not charge resident undergraduates enrolled in an institution or college campus in the 2015–16 or 2016–17 academic year more in academic fees than it charged resident undergraduates enrolled in that institution or college campus in the 2014–15 academic year.

However, the board retains tuition authority for nonresident, graduate, and professional students. As such, Interim Vice President Gordon invited institutions to submit tuition proposals that reflect their unique missions and markets for board approval.

#### **REQUESTED ACTION**

Approval of Resolution I.2.c., approving the proposed nonresident and graduate tuition increases.

#### **DISCUSSION AND RECOMMENDATIONS**

Summarized below are the recommended tuition increases for nonresident and graduate students attending five UW institutions. If approved, the new tuition rates would be effective for the 2016-17 academic year.

Institutions have considered the impacts of the proposed tuition increases on student demand and enrollment. It should be noted that resident undergraduate tuition at UW institutions has not increased in three years, while tuition at peer institutions has generally continued to increase.

The board has previously delegated some tuition-setting authority to institutions for online and nontraditional programming. Institutions would be able to exercise this authority during the 2016-17 academic years. Consistent with tuition restrictions in the biennial budget, tuition increases will not impact resident undergraduate students.

## UW-La Crosse

Undergraduate		2015-16	2016-17	Change	%
	Nonresident	\$15,536	\$16,106	\$570	3.67%
Graduate					
	Resident	\$8,162	\$8,483	\$321	3.93%
	Nonresident	\$17,750	\$18,454	\$704	3.97%
Occupational Therapy					
	Resident	\$9,767	\$10,152	\$385	3.94%
	Nonresident	\$21,272	\$22,117	\$845	3.97%
Business Masters					
	Resident	\$8,716	\$9,037	\$321	3.68%
	Nonresident	\$18,330	\$19,034	\$704	3.84%
Physical Therapy/Physician Assistant					
	Resident	\$9,767	\$10,152	\$385	3.94%
	Nonresident	\$21,272	\$22,117	\$845	3.97%
Physical Therapy- Doctoral Program					
	Resident	\$10,899	\$11,329	\$430	3.95%
	Nonresident	\$23,988	\$24,942	\$954	3.98%

*Anticipated Additional Revenue \$512,189*

## UW-Milwaukee

Undergraduate		2015-16	2016-17	Change	%
	Nonresident	\$18,265	\$18,449	\$184	1.01%
Business Masters					
	Resident	\$12,429	\$12,740	\$311	2.50%
	Nonresident	\$25,653	\$26,294	\$641	2.50%

*Anticipated Additional Revenue \$328,000*

## UW-Platteville

UW-Platteville proposes an additional \$50 tuition charge on the Education Office of Special Programs (EOSP). EOSP includes a Master of Science in Education; graduate-level teacher certification programs in educational administration, cross-categorical special education, English as a second language and/or bilingual (ESL), reading, reading specialist, and teacher of the visually impaired; and a Master of Education with an adult education emphasis.

These programs are operated as cost recovery programs and charged \$460 per graduate credit in 2015-16. The proposal will charge \$510 per graduate credit in 2016-17.

The proposal also includes moving any remaining Master of Science in Education courses to cost recovery in order to redirect GPR resources to other institutional priorities and to streamline pricing for all students.

Education Office of Special Programs	2015-16	2016-17	Change	%
All students	\$460	\$510	\$50	10.87%

UW-Platteville also proposes to change the tuition rate for their Master of Science in Computer Science degree. The program primarily serves international students.

M.S., Computer Science	2015-16	2016-17	Change	%
Resident	\$7,640	\$9,000	\$1,360	17.80%
Nonresident	\$16,771	\$18,000	\$1,229	7.33%

*Anticipated Additional Revenue: \$147,000*

UW-Platteville has also increased their Tri-State Initiative premium by \$100. No additional action is required by the board for the Tri-State Initiative increase.

## UW-Stout

UW-Stout is requesting a 4% tuition increase to all traditional resident and non-resident graduate programs. UW-Stout also proposes moving the tuition for all nontraditional graduate programs to a single rate.

This change will allow UW-Stout to standardize tuition pricing so that all graduate programs carry a cost of \$382.10 per credit hour for resident students and \$809.62 per credit for non-resident students. UW-Stout believes that this change will make tuition pricing more transparent for students. Please note that UW-Stout charges tuition on a per-credit rate.

M.S. Applied Psychology; M.S. Food and Nutrition Sciences

	2015-16	2016-17	Change	
Resident	\$380	\$382	\$2	0.53%
Nonresident	\$792	\$810	\$18	2.27%

Ed.S. School Psychology; M.S. Clinical Mental Health Counseling

Resident	\$384	\$382	-\$2	-0.52%
Nonresident	\$796	\$810	\$14	1.76%

M.S. Marriage and Family Therapy, M.S. School Counseling, M.S. School Psychology, M.S. Vocational Rehabilitation

Resident	\$389	\$382	-\$7	-1.80%
Nonresident	\$801	\$810	\$9	1.12%

All other graduate programs

Resident	\$367	\$382	\$15	4.09%
Nonresident	\$779	\$810	\$31	3.98%

*Anticipated Additional Revenue \$104,000*

## UW-Whitewater

Undergraduate	2015-16	2016-17	Change	%
Nonresident	\$14,592	\$15,092	\$500	3.43%
Graduate				
Resident	\$7,793	\$7,949	\$156	2.00%
Nonresident	\$17,106	\$17,448	\$342	2.00%
Business Masters				
Resident	\$8,358	\$8,526	\$168	2.01%
Nonresident	\$17,698	\$18,052	\$354	2.00%
Online MBA				
All Students	\$11,306	\$11,474	\$168	1.49%

*Anticipated Additional Revenue \$800,000*

In April 2015, the board approved a \$100 per credit increase in the Doctorate of Business Administration (DBA) program that would first apply to the Fall 2016 cohort. The board was asked to approve this rate in advance because students for Fall 2015 had already been recruited at the prior tuition rate.

For the same reason, UW-Whitewater proposes another tuition increase of \$100 per credit for the Fall 2017 DBA cohort. The tuition rate for 2016-17 is \$1,300 per credit; if approved, the 2017-18 tuition rate will be \$1,400.

## General Peer Comparison

The following tables compare tuition and required fees at UW Institutions to their peers over the current biennium. Generally, tuition and fees increased by more at peer institutions than they did at UW institutions.

### University of Wisconsin-Madison Tuition and Fees

	Resident Undergraduate		Nonresident Undergraduate		Resident Graduate		Nonresident Graduate	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Average excluding UW-Madison	\$12,268.70	\$12,426.20	\$30,075.70	\$30,896.00	\$14,021.50	\$14,310.70	\$29,397.20	\$30,215.30
Midpoint excluding UW-Madison	\$11,974.00	\$12,089.00	\$29,628.00	\$30,075.00	\$13,964.50	\$14,273.50	\$29,611.50	\$30,017.50
UW-Madison Distance from Midpoint	\$ (1,564.00)	\$ (1,674.00)	\$ (2,968.00)	\$ (410.00)	\$ (2,099.50)	\$ (2,403.50)	\$ (4,420.50)	\$ (4,821.50)
UW-Madison's Peer Rank	6/11	6/11	8/11	6/11	7/11	7/11	9/11	10/11

### University of Wisconsin-Milwaukee Tuition and Fees

	Resident Undergraduate		Nonresident Undergraduate		Resident Graduate		Nonresident Graduate	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Average excluding UW-Milwaukee	\$10,816	\$11,067	\$23,124	\$23,621	\$12,249	\$12,578	\$22,943	\$23,400
Midpoint excluding UW-Milwaukee	\$10,346	\$10,627	\$23,753	\$24,753	\$12,166	\$12,553	\$23,023	\$24,489
UW-Milwaukee Distance from Midpoint	(\$955)	(\$1,198)	(\$4,633)	(\$5,153)	(\$479)	(\$828)	\$1,129	\$273
UW-Milwaukee's Peer Rank	12/15	12/15	12/15	12/15	9/15	10/15	6/15	6/15

### University of Wisconsin Comprehensive Institutions Tuition and Fees

	Resident Undergraduate		Nonresident Undergraduate		Resident Graduate		Nonresident Graduate	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Average excluding UW Comprehensive Average	\$9,150	\$9,432	\$17,891	\$18,125	\$9,195	\$9,606	\$15,858	\$16,456
Midpoint excluding UW Comprehensive Average	\$8,769	\$8,900	\$16,921	\$17,718	\$8,736	\$8,977	\$15,353	\$15,798
UW Comprehensive Distance from Midpoint	(\$793)	(\$871)	(\$1,369)	(\$1,802)	(\$199)	(\$280)	\$2,050	\$1,936
UW Comprehensive Average Peer Rank	23/35	25/35	24/35	24/35	19/35	20/35	15/35	15/35

### **Complete UW System Tuition Schedule**

For information purposes only, a complete 2016-17 University of Wisconsin Tuition Schedule reflecting the proposed changes to non-resident and graduate tuitions is attached. Consistent with tuition restrictions in the biennial budget, proposed tuition increases will not impact resident undergraduate students.

### **RELATED REGENT POLICIES**

Regent Policy Document 32-5, *Tuition Policy Principles*

Regent Policy Document 32-4, *Tuition Structure: 12-18 Credit Plateau*

“UW-Stevens Point Pointer Partnership Undergraduate Differential Tuition” December 11, 2015

Board of Regents meeting materials.

“UW-Madison Tuition Plan” April 10, 2015 Board of Regents meeting materials.

**University of Wisconsin System  
2016-17  
Tuition Schedule**

**UW-Madison**

**Resident**

	<b>Annual Tuition</b>	<b>Semester Tuition</b>	<b>Summer Tuition<sup>1</sup></b>
Undergraduate	\$9,273	\$4,637	\$2,318
Bachelor's of Business Administration	\$10,273	\$5,137	\$2,568
Certificate in Business	\$9,573	\$4,787	\$2,393
Engineering	\$10,673	\$5,337	\$2,668
Graduate	\$10,728	\$5,364	\$2,682
Business Masters <sup>2</sup>	\$14,476	\$7,238	\$3,619
Law School	\$20,235	\$10,118	\$5,059
Medical School	\$26,117	\$13,058	N/A
Veterinary School	\$19,676	\$9,838	\$4,919
Pharmacy	\$16,521	\$8,260	\$4,130
Doctor of Nursing Practice <sup>8</sup>	\$14,809	N/A	N/A

**Nonresident**

Undergraduate	\$31,523	\$15,762	\$7,881
Undergraduate - International	\$32,523	\$16,262	\$8,131
Bachelor's of Business Administration	\$32,523	\$16,262	\$8,131
Bachelor's of Business Administration - International	\$33,523	\$16,762	\$8,381
Certificate in Business	\$31,823	\$15,912	\$7,956
Certificate in Business - International	\$32,823	\$16,412	\$8,206
Engineering	\$32,923	\$16,461	\$8,231
Engineering - International	\$33,923	\$16,962	\$8,481
Graduate	\$24,054	\$12,027	\$6,014
Business Masters <sup>2</sup>	\$29,293	\$14,646	\$7,323
Law School	\$38,932	\$19,466	\$9,733
Medical School	\$36,013	\$18,006	N/A
Veterinary School	\$29,769	\$14,885	\$7,442
Pharmacy	\$30,100	\$15,050	\$7,525
Doctor of Nursing Practice <sup>8</sup>	\$32,068	N/A	N/A

**UW-Milwaukee**

**Resident**

Undergraduate	\$8,091	\$4,046	\$2,023
Graduate	\$10,387	\$5,193	\$2,597
Communication Science and Disorders	\$12,464	\$6,232	\$3,116
Occupational Therapy	\$12,464	\$6,232	\$3,116
Business Masters	\$12,740	\$6,370	\$3,185

**Nonresident**

Undergraduate	\$18,449	\$9,224	\$4,612
MSEP - Undergraduate	\$12,137	\$6,068	\$3,034
Graduate	\$23,424	\$11,712	\$5,856
Communication Science and Disorders	\$28,245	\$14,123	\$7,061
Occupational Therapy	\$28,245	\$14,123	\$7,061
Business Masters	\$26,294	\$13,147	\$6,574



**University of Wisconsin System  
2016-17  
Tuition Schedule**

**UW-Milwaukee (Continued)**

**Resident and Nonresident Students<sup>3</sup>**

	<b>Annual Tuition</b>	<b>Semester Tuition</b>	<b>Summer Tuition<sup>1</sup></b>
Sheldon B. Lubar School of Business Administration		\$21	\$21
College of Engineering and Applied Science		\$22	\$22
College of Nursing		\$32	\$32
Peck School of the Arts		\$22	\$22
School of Architecture 100 Level Courses		\$12	\$12
School of Architecture 200-800 Level Courses		\$43	\$43

**UW-Eau Claire**

**Resident**

Undergraduate	\$7,361	\$3,681	\$1,840
Material Science and Engineering	\$8,761	\$4,381	\$2,190
Graduate <sup>4</sup>	\$7,640	\$3,820	\$2,122
Business Masters	\$8,195	\$4,097	\$2,276

**Nonresident**

Undergraduate	\$14,934	\$7,467	\$3,734
Return to Wisconsin Program	\$11,466	\$5,733	\$2,867
MSEP - Undergraduate	\$10,511	\$5,255	\$2,628
Material Science and Engineering	\$16,334	\$8,167	\$4,084
Return to Wisconsin - Material Science and Engineering	\$12,516	\$6,258	\$3,129
MSEP - Material Science and Engineering	\$12,610	\$6,305	\$3,153
Graduate <sup>4</sup>	\$16,771	\$8,386	\$4,659
MSEP - Graduate	\$11,461	\$5,730	\$3,184
Business Masters	\$17,351	\$8,676	\$4,820
MSEP - Business Masters	\$12,015	\$6,007	\$3,337

**UW-Green Bay**

**Resident**

Undergraduate	\$6,298	\$3,149	\$1,575
Engineering Technology	\$7,698	\$3,849	\$1,925
Graduate <sup>4</sup>	\$7,640	\$3,820	\$2,122

**Nonresident**

Undergraduate	\$13,871	\$6,936	\$3,468
Return to Wisconsin	\$10,404	\$5,202	\$2,601
MSEP - Undergraduate	\$9,448	\$4,724	\$2,362
Engineering Technology	\$15,271	\$7,636	\$3,818
Return to Wisconsin - Engineering Technology	\$11,454	\$5,727	\$2,863
MSEP - Engineering Technology	\$11,547	\$5,774	\$2,887
Graduate <sup>4</sup>	\$16,771	\$8,386	\$4,659
MSEP - Graduate	\$11,461	\$5,730	\$3,184

**University of Wisconsin System  
2016-17  
Tuition Schedule**

	<b>Annual Tuition</b>	<b>Semester Tuition</b>	<b>Summer Tuition<sup>1</sup></b>
<b><u>UW-La Crosse</u></b>			
<b>Resident</b>			
Undergraduate	\$7,585	\$3,792	\$1,896
Graduate	\$8,483	\$4,242	\$2,356
Occupational Therapy	\$10,152	\$5,076	\$2,820
Business Masters	\$9,037	\$4,519	\$2,510
Physical Therapy/Physician Assistant	\$10,152	\$5,076	\$2,820
Physical Therapy - Doctoral Program	\$11,329	\$5,665	\$2,832
<b>Nonresident</b>			
Undergraduate	\$16,106	\$8,053	\$4,027
Return to Wisconsin	\$12,402	\$6,201	\$3,100
MSEP - Undergraduate	\$10,734	\$5,367	\$2,684
Graduate	\$18,454	\$9,227	\$5,126
MSEP - Graduate	\$12,655	\$6,327	\$3,515
Occupational Therapy	\$22,117	\$11,058	\$6,144
Business Masters	\$19,034	\$9,517	\$5,287
MSEP - Bus Masters	\$13,209	\$6,604	\$3,669
Physical Therapy/Physician Assistant	\$22,117	\$11,058	\$6,144
Physical Therapy - Doctoral Program	\$24,942	\$12,471	\$6,235
<b><u>UW-Oshkosh</u></b>			
<b>Resident</b>			
Undergraduate	\$6,422	\$3,211	\$1,606
Engineering Technology	\$7,822	\$3,911	\$1,956
Graduate <sup>4</sup>	\$7,640	\$3,820	\$2,122
Business Masters	\$8,195	\$4,097	\$2,276
<b>Nonresident</b>			
Undergraduate	\$13,995	\$6,998	\$3,499
Return to Wisconsin Program	\$10,527	\$5,264	\$2,632
MSEP - Undergraduate	\$9,571	\$4,786	\$2,393
Engineering Technology	\$15,395	\$7,698	\$3,849
Return to Wisconsin - Engineering Technology	\$11,577	\$5,789	\$2,894
MSEP - Engineering Technology	\$11,671	\$5,836	\$2,918
Graduate <sup>4</sup>	\$16,771	\$8,386	\$4,659
MSEP - Graduate	\$11,461	\$5,730	\$3,184
Business Masters	\$17,351	\$8,676	\$4,820
MSEP - Business Masters	\$12,015	\$6,007	\$3,337
<b><u>UW-Parkside</u></b>			
<b>Resident</b>			
Undergraduate	\$6,298	\$3,149	\$1,575
Graduate	\$7,870	\$3,935	\$2,186
Business Masters	\$8,195	\$4,097	\$2,276
<b>Nonresident</b>			
Undergraduate	\$14,287	\$7,144	\$3,572
Return to Wisconsin	\$10,716	\$5,358	\$2,679
MSEP - Undergraduate	\$9,448	\$4,724	\$2,362
Graduate	\$17,274	\$8,637	\$4,798
MSEP - Graduate	\$11,804	\$5,902	\$3,279
Business Masters	\$17,351	\$8,676	\$4,820
MSEP - Business Masters	\$12,129	\$6,065	\$3,369

**University of Wisconsin System  
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Tuition Schedule**

**UW-Platteville**

**Resident**

	<b>Annual Tuition</b>	<b>Semester Tuition</b>	<b>Summer Tuition<sup>1</sup></b>
Undergraduate	\$6,418	\$3,209	\$1,605
Graduate <sup>4</sup>	\$7,640	\$3,820	\$2,122
Master of Science in Computer Science	\$9,000	\$4,500	\$2,500
School of Education <sup>5</sup>		\$510	\$510

**Nonresident**

Undergraduate	\$14,268	\$7,134	\$3,567
Undergraduate Tri-State Initiative	\$11,118	\$5,559	\$2,780
Undergraduate-International	\$15,269	\$7,634	\$3,817
MSEP - Undergraduate <sup>9</sup>	\$9,567	\$4,784	\$2,392
Graduate <sup>4</sup>	\$16,771	\$8,386	\$4,659
Master of Science in Computer Science	\$18,000	\$9,000	\$5,000
School of Education <sup>5</sup>		\$510	\$510

**UW-River Falls**

**Resident**

Undergraduate	\$6,428	\$3,214	\$1,607
Graduate <sup>4</sup>	\$7,640	\$3,820	\$2,122
Master of Science in Communicative Disorders <sup>5</sup>		\$424	\$424
Master of Science in Computer Science <sup>5</sup>		\$692	\$692
Master of Clinical Exercise Physiology <sup>5</sup>		\$500	\$500

**Nonresident**

Undergraduate	\$14,001	\$7,001	\$3,500
Return to Wisconsin Program	\$10,534	\$5,267	\$2,633
MSEP - Undergraduate	\$9,578	\$4,789	\$2,394
Graduate <sup>4</sup>	\$16,771	\$8,386	\$4,659
Master of Science in Communicative Disorders <sup>5</sup>		\$932	\$932
Master of Science in Computer Science <sup>5</sup>		\$692	\$692
Master of Clinical Exercise Physiology <sup>5</sup>		\$500	\$500

**UW-Stevens Point**

**Resident**

Undergraduate (Freshmen and Sophomores)	\$6,698	\$3,349	\$1,675
Undergraduate (Juniors)	\$6,498	\$3,249	\$1,625
Undergraduate (Seniors)	\$6,298	\$3,149	\$1,575
Graduate	\$7,870	\$3,935	\$2,186
Collaborative Audiology	\$10,728	\$5,364	\$2,682

**Nonresident**

Undergraduate (Freshmen and Sophomores)	\$14,965	\$7,482	\$3,741
Undergraduate (Juniors)	\$14,765	\$7,382	\$3,691
Undergraduate (Seniors)	\$14,565	\$7,282	\$3,641
Return to Wisconsin (Freshmen and Sophomores)	\$11,324	\$5,662	\$2,831
Return to Wisconsin (Juniors)	\$11,124	\$5,562	\$2,781
Return to Wisconsin (Seniors)	\$10,924	\$5,462	\$2,731
MSEP - Undergraduate (Freshmen and Sophomores)	\$9,848	\$4,924	\$2,462
MSEP - Undergraduate (Juniors)	\$9,648	\$4,824	\$2,412
MSEP - Undergraduate (Seniors)	\$9,448	\$4,724	\$2,362

**University of Wisconsin System  
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**UW-Stevens Point (Continued)**

**Nonresident**

Graduate <sup>4</sup>	\$17,274	\$8,637	\$4,798
MSEP - Graduate	\$11,804	\$5,902	\$3,279
Collaborative Audiology	\$24,054	\$12,027	\$6,014

**UW-Stout<sup>6</sup>**

**Resident**

Undergraduate		\$234	\$234
Mechanical Engineering		\$292	\$292
Graduate		\$382	\$382
M.S. Applied Psychology		\$382	\$382
M.S. Clinical Mental Health Counseling		\$382	\$382
M.S. Food and Nutrition Sciences		\$382	\$382
M.S. Marriage and Family Therapy		\$382	\$382
M.S. School Counseling		\$382	\$382
M.S. School Psychology		\$382	\$382
Ed.S. School Psychology		\$382	\$382
M.S. Vocational Rehabilitation, Rehabilitation Counseling		\$382	\$382

**Nonresident**

Undergraduate		\$492	\$492
Return to Wisconsin		\$372	\$372
MSEP - Undergraduate		\$345	\$345
Mechanical Engineering		\$550	\$550
Return to Wisconsin - Mechanical Engineering		\$416	\$416
MSEP - Mechanical Engineering		\$433	\$433
Graduate		\$810	\$810
MSEP - Graduate		\$564	\$564
M.S. Applied Psychology		\$810	\$810
MSEP - M.S. Applied Psychology		\$565	\$565
M.S. Clinical Mental Health Counseling		\$810	\$810
MSEP - M.S. Clinical Mental Health Counseling		\$565	\$565
M.S. Food and Nutrition Sciences		\$810	\$810
MSEP - M.S. Food and Nutrition Sciences		\$565	\$565
M.S. Marriage and Family Therapy		\$810	\$810
MSEP - M.S. Marriage and Family Therapy		\$565	\$565
M.S. School Counseling		\$810	\$810
MSEP - M.S. School Counseling		\$565	\$565
M.S. School Psychology		\$810	\$810
MSEP - M.S. School Psychology		\$565	\$565
Ed.S. School Psychology		\$810	\$810
MSEP - Ed.S. School Psychology		\$565	\$565
M.S. Vocational Rehabilitation, Rehab. Counseling		\$810	\$810
MSEP - M.S. Vocational Rehabilitation, Rehab. Counseling		\$565	\$565

**University of Wisconsin System  
2016-17  
Tuition Schedule**

	<u>Annual Tuition</u>	<u>Semester Tuition</u>	<u>Summer Tuition<sup>1</sup></u>
<b><u>UW-Superior</u></b>			
<b>Resident</b>			
Undergraduate	\$6,535	\$3,268	\$1,634
Graduate <sup>4</sup>	\$7,640	\$3,820	\$2,122
<b>Nonresident</b>			
Undergraduate	\$14,108	\$7,054	\$3,527
MSEP - Undergraduate	\$9,685	\$4,842	\$2,421
Graduate <sup>4</sup>	\$16,771	\$8,386	\$4,659
MSEP - Graduate	\$11,461	\$5,730	\$3,184
<b>Resident and Nonresident Students<sup>3</sup></b>			
Natural Sciences Department		\$12	\$12
<b><u>UW-Whitewater</u></b>			
<b>Resident</b>			
Undergraduate	\$6,519	\$3,259	\$1,630
Graduate	\$7,949	\$3,975	\$2,208
Business Masters	\$8,526	\$4,263	\$2,368
Online MBA	\$11,474	\$5,737	\$3,187
Doctorate of Business Administration	\$23,400	\$11,700	\$6,500
<b>Nonresident</b>			
Undergraduate	\$15,092	\$7,546	\$3,773
Return to Wisconsin Program	\$11,374	\$5,687	\$2,843
MSEP - Undergraduate	\$9,668	\$4,834	\$2,417
Graduate	\$17,448	\$8,724	\$4,847
MSEP - Graduate	\$11,924	\$5,962	\$3,312
Business Masters	\$18,052	\$9,026	\$5,014
MSEP - Business Masters	\$12,501	\$6,250	\$3,472
Online MBA	\$11,474	\$5,737	\$3,187
Doctorate of Business Administration	\$23,400	\$11,700	\$6,500
<b><u>UW Colleges</u></b>			
<b>Resident</b>			
Undergraduate	\$4,750	\$2,375	\$1,188
Bachelor of Applied Arts and Sciences (BAAS) <sup>7</sup>		\$262	\$262
<b>Nonresident</b>			
Undergraduate	\$11,734	\$5,867	\$2,934
Bachelor of Applied Arts and Sciences (BAAS) <sup>7</sup>		\$578	\$578
MSEP - Undergraduate	\$7,126	\$3,563	\$1,781

<sup>1</sup>Represents tuition for a "full-time" summer session student, which is defined as half of the full-time academic year semester load.

<sup>2</sup>Includes the full-time MBA, Masters of Accountancy, Global Real Estate Master, and the MS in Applied Security Analysis.

<sup>3</sup>These per-credit amounts are in addition to the regular tuition for students taking courses in these disciplines.

<sup>4</sup>Graduate students at UW-Eau Claire, UW-Green Bay, UW-Oshkosh, UW-Platteville, UW-River Falls, and UW-Superior pay summer tuition on a per-credit basis.

<sup>5</sup>These programs charge per-credit tuition and are exempt from the board-approved tuition plateau.

<sup>6</sup>UW-Stout charges a per-credit tuition rate.

<sup>7</sup>The Bachelor of Applied Arts and Sciences (BAAS) is a degree completion program that charges a per-credit rate. The total tuition charge will not exceed the plateau rate at the partner institution. The BAAS program offered in partnership with UW-Stout will not exceed the tuition charged by UW-Stout.

<sup>8</sup>The Doctor of Nursing Practice is a full-year program, including summer term. The rate shown is the full-year rate.

<sup>9</sup>UW-Platteville is no longer accepting MSEP students. The rate will remain until existing students have completed their degree under the current rate.

## **UW SYSTEM TRUST FUNDS ANNUAL REPORT 2015**

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

To coincide with the publishing of the Annual Financial Report for the entire UW System, UW Trust Funds completes an annual financial report for the Trust Funds on a stand-alone basis. In addition to providing information regarding Trust Funds investments (which are regularly and more fully covered in the Quarterly Investment Reviews), the Annual Report provides a balance sheet as of the fiscal year end and an income statement for the fiscal year for UW Trust Funds. In addition, data regarding gifts received, disbursements made and market value balances by category and institution are provided. Finally, various supplementary data is presented, including investment management-related fees and internal expenses.

#### **REQUESTED ACTION**

This item is informational only.

#### **DISCUSSION**

Key observations from the UW System Trust Funds 2015 Annual Report include the following:

- 1) Net assets decreased \$10 million, from \$536.7 million at fiscal year-end 2014 to \$526.7 million at fiscal year-end 2015. This change in net assets was comprised of \$10.4 million in new gifts, \$3.3 million in investment gains, \$19.5 million in disbursements to benefiting UW institutions, \$2.4 million in net transfers out to other UW funds, and \$1.8 million in investment management fees and internal expenses
- 2) Following fiscal year 2014, when most financial markets performed strongly, markets were more variable and challenging in 2015 – the Long Term, Intermediate Term, and Income Funds returned only +0.5%, +1.2%, and +0.1%, respectively
- 3) Total Trust Funds balances by usage designation fall predominately into the following categories: miscellaneous (44 percent), student aid (31 percent), and research (18 percent)
- 4) Total Trust Funds balances by institution are predominately for the following: Madison (87 percent), Extension (4 percent), Systemwide (4 percent), and Milwaukee (2 percent) (all other institutions are less than one percent each)
- 5) Investment management fees for the Long Term and Intermediate Term Funds were approximately 0.75 percent (of assets) and 0.18 percent, respectively
- 6) Internal expenses as a percent of total Trust Funds assets were 0.08 percent.

**RELATED REGENT POLICIES**

None.





# **UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS**

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## **ANNUAL REPORT 2015**

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

The University of Wisconsin System Trust Funds is 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, 2015, UW System Trust Funds received \$10.4 million in gifts, up slightly from the \$10.0 million received in the prior year. Disbursements from Trust Funds to benefiting UW institutions totaled \$19.5 million, compared to \$18.9 million in the fiscal year ended June 30, 2014. Consistent with donor designations, disbursements have predominately gone toward research, student aid, extension and public service, and instruction.

Investment returns added only \$3.3 million to total net asset value for the fiscal year, compared to \$61.8 million for the prior period, while disbursements and expenses exceeded total receipts for the fiscal year by approximately \$13.3 million. The result was a decrease in net assets of \$10.0 million. As of June 30, 2015, Trust Funds' net assets totaled \$526.7 million, compared to \$536.7 at the end of the prior fiscal year, after a prior period adjustment of \$0.6 million.

Regarding the performance of the markets for the full fiscal year, while U.S. equities posted respectable single-digit returns (+7.4% for the S&P 500 Index), both developed and emerging market non-U.S. equities posted negative returns of roughly -3.8%. In higher risk fixed income markets, both U.S. high yield and emerging market debt lost value, returning -0.4% and -2.1% for the year, respectively. In the higher quality fixed income markets, broad-market bonds and U.S. Treasuries each gained roughly +1.8% for the year, while longer duration U.S. TIPS returned -1.7%. "Cash" continued to provide an essentially 0% nominal return. Regarding "alternative" investments/strategies, hedge funds overall returned +4.4%, and real assets such as private commercial real estate and timber returned +13.0% and +10.0% for the year, respectively. Commodities on the other hand, dominated by steeply falling oil prices, declined a massive -23.7%.

For the 2015 fiscal year, the widely-diversified Long Term Fund (used primarily for endowments) gained only +0.5%. 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 +1.2% 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*

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## 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.

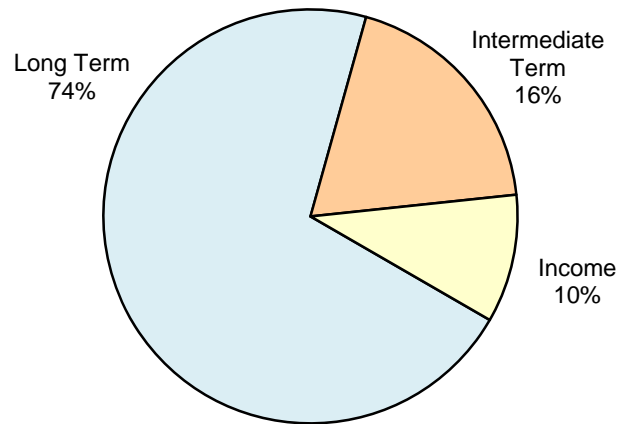
**INVESTMENT FUND DATA: TOTAL ASSETS**  
**As of Fiscal Years Ended June 30**

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

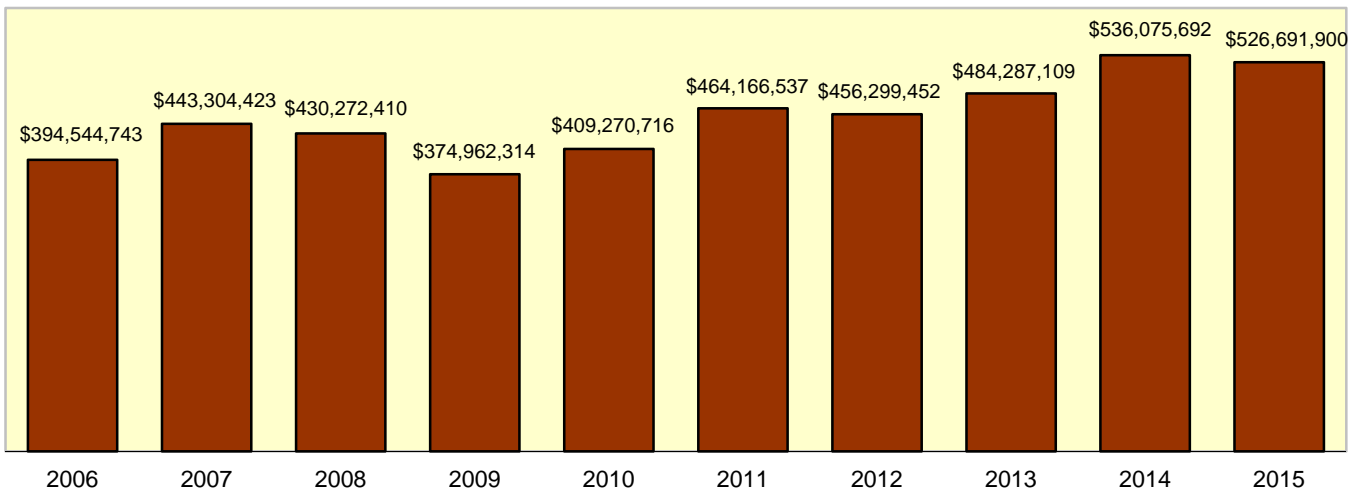
**MARKET VALUES AND PERCENTS BY FUND**

Investment Fund	Market Values (\$millions)	
	2015	2014
Long Term Fund	\$ 385.5	\$ 397.9
Intermediate Term Fund	85.4	87.1
Income Fund	55.8	51.1
<b>TOTAL</b>	<b>\$ 526.7</b>	<b>\$ 536.1</b>

As of June 30, 2015



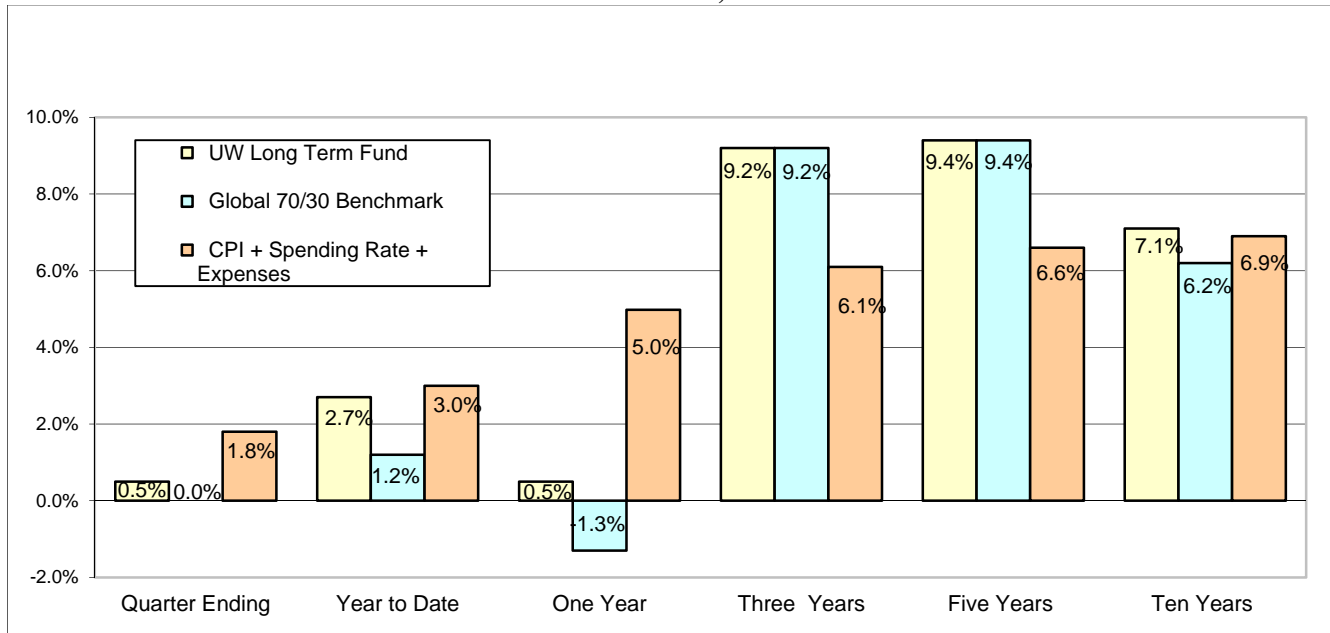
**TOTAL NET ASSETS**



**INVESTMENT FUND DATA: LONG TERM FUND**  
**As of Periods 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, 2015**



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.

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.

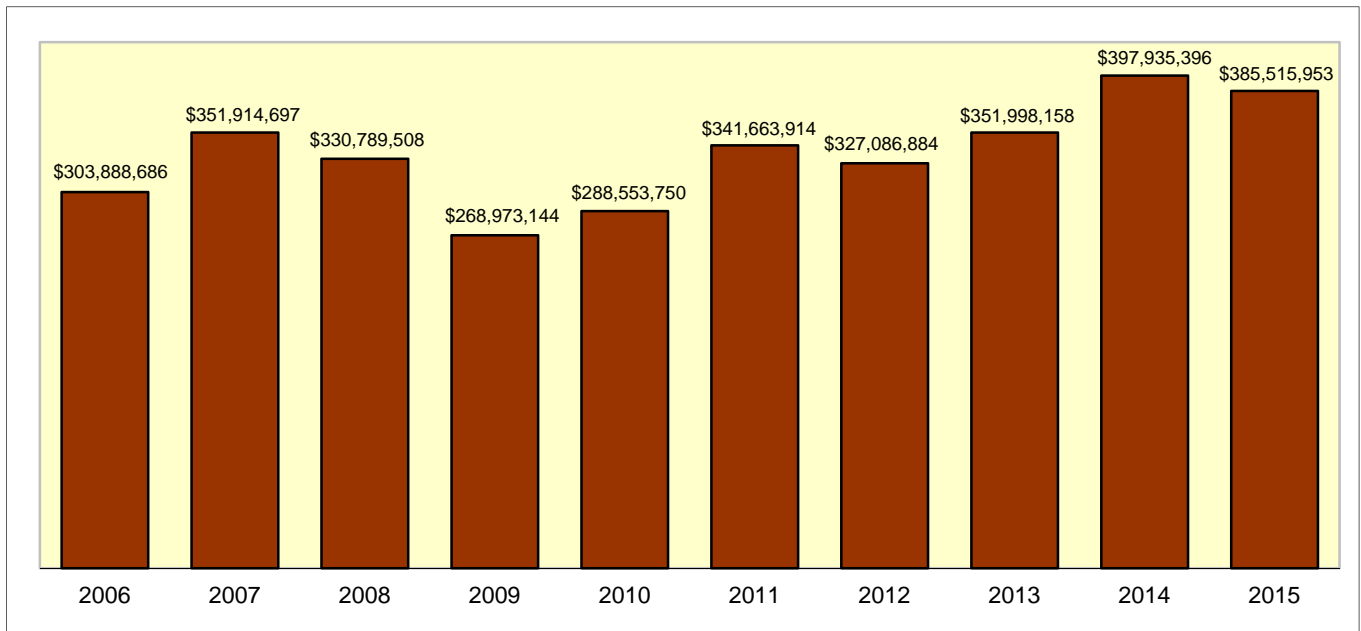
**TEN-YEAR HISTORY OF  
SPENDING RATES AND DISTRIBUTIONS**

Fiscal Year	Spending Rate	Distribution
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
2015	4.0%	14,348,221
<b>TEN YEAR TOTAL</b>		<b>\$ 125,304,769</b>

**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**

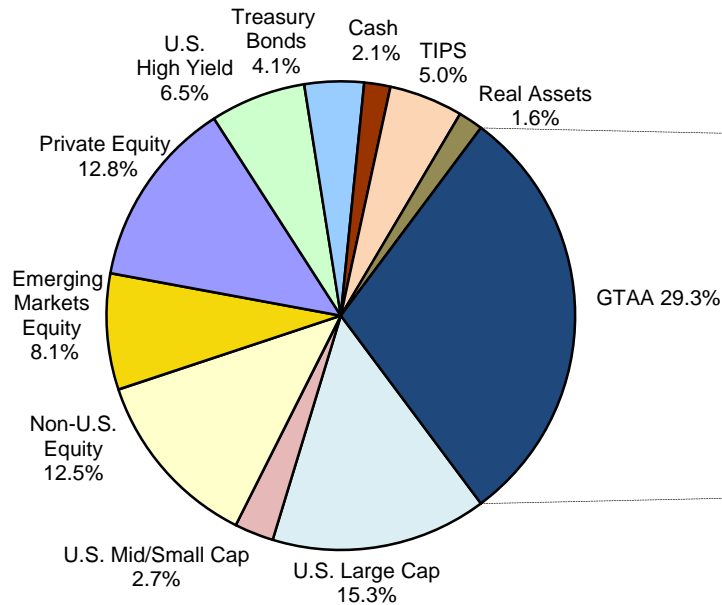


The graphs and charts that follow, present information on the Fund's asset allocation, investment managers, and investment positions.

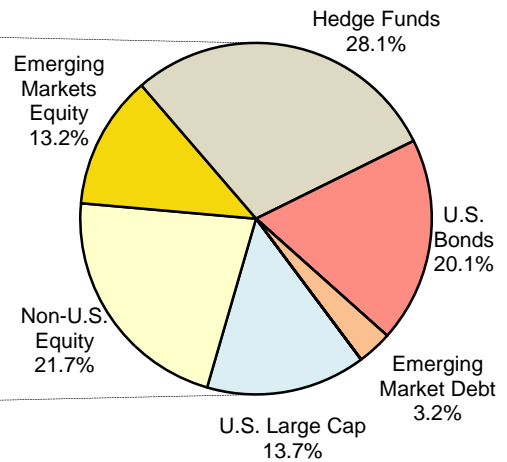
**INVESTMENT FUND DATA: LONG TERM FUND**  
**As of Fiscal Year Ended June 30, 2015**

**ASSET/STRATEGY ALLOCATIONS**

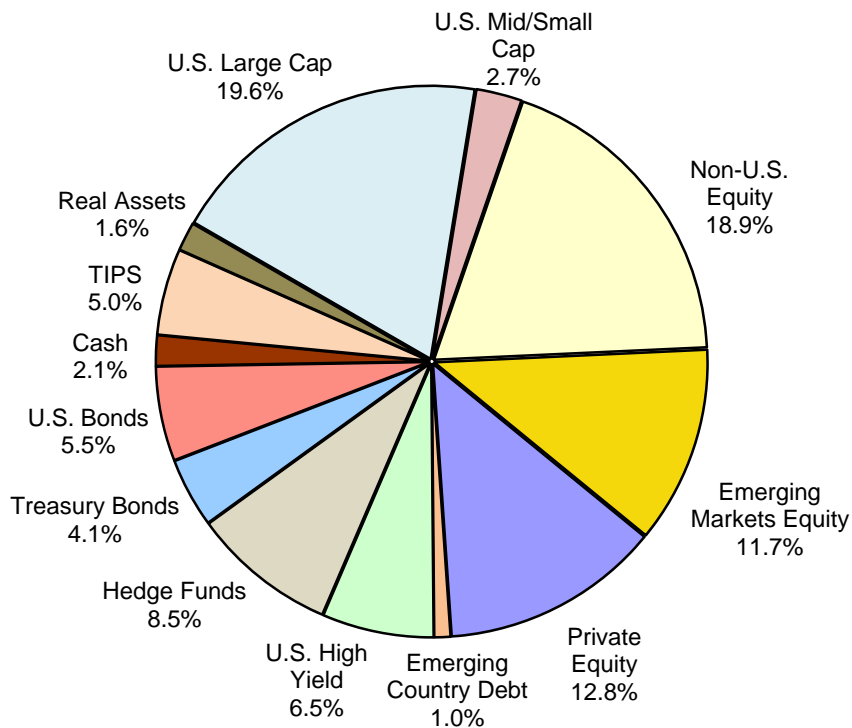
**Total Portfolio Asset/Strategy Allocation**



**Global Tactical Asset Allocation**



**Total Effective Portfolio Asset Allocation**





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

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

	2015		2014	
	Market Value	% of Fund	Market Value	% of Fund
<b>Global Tactical Asset Allocation</b>				
GMO Real Global Balanced Strategy	\$ 112,992,868	29.3%	\$ 115,692,789	29.1%
<b>U.S. Equities - Large Cap</b>				
UBS Global Asset Management	58,825,563	15.3%	57,002,261	14.3%
<b>U.S. Equities – Mid/Small Cap</b>				
Russell Mid-Cap ETF	10,582,382	2.7%	10,100,828	2.5%
<b>Non-U.S. Developed Market Equities</b>				
UBS Global Asset Management	48,272,957	12.5%	56,677,678	14.2%
<b>Emerging Market Equities</b>				
GMO Emerging Markets Fund	31,085,033	8.1%	34,274,115	8.6%
<b>U.S. High Yield Fixed Income</b>				
Seix Advisors High Yield Fund	25,025,145	6.5%	26,613,125	6.7%
<b>Private Equity/Venture Capital</b>				
Adams Street Partners	24,222,738	6.3%	23,817,142	6.0%
JP Morgan Investment Management	25,252,725	6.5%	24,490,968	6.2%
		<u>12.8%</u>		<u>12.2%</u>
<b>U.S. Investment-Grade Fixed Income</b>				
Applied Security Analysis Program	34,946,173	9.1%	32,456,333	8.2%
<b>U.S. Cash and Cash Equivalents</b>				
JP Morgan Prime Money Market Fund	8,147,778	2.1%	10,225,737	2.6%
<b>Real Assets</b>				
GMO Forestry Fund	6,162,591	1.6%	6,584,420	1.6%
<b>TOTALS</b>	<b>\$ 385,515,953</b>	<b>100.0%</b>	<b>\$ 397,935,396</b>	<b>100.0%</b>

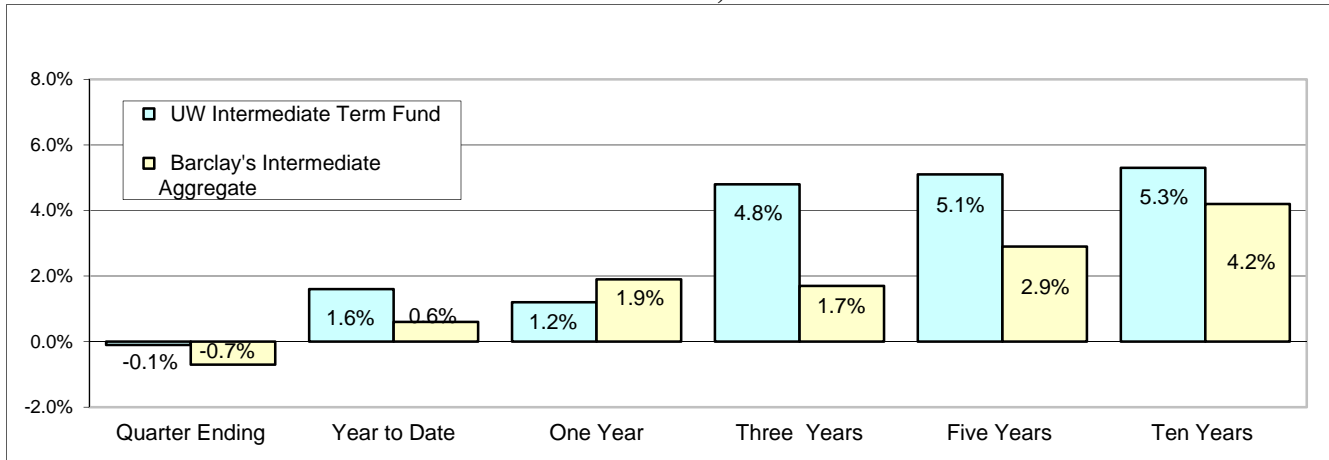
## INVESTMENT FUND DATA: INTERMEDIATE TERM FUND

### As of Periods 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

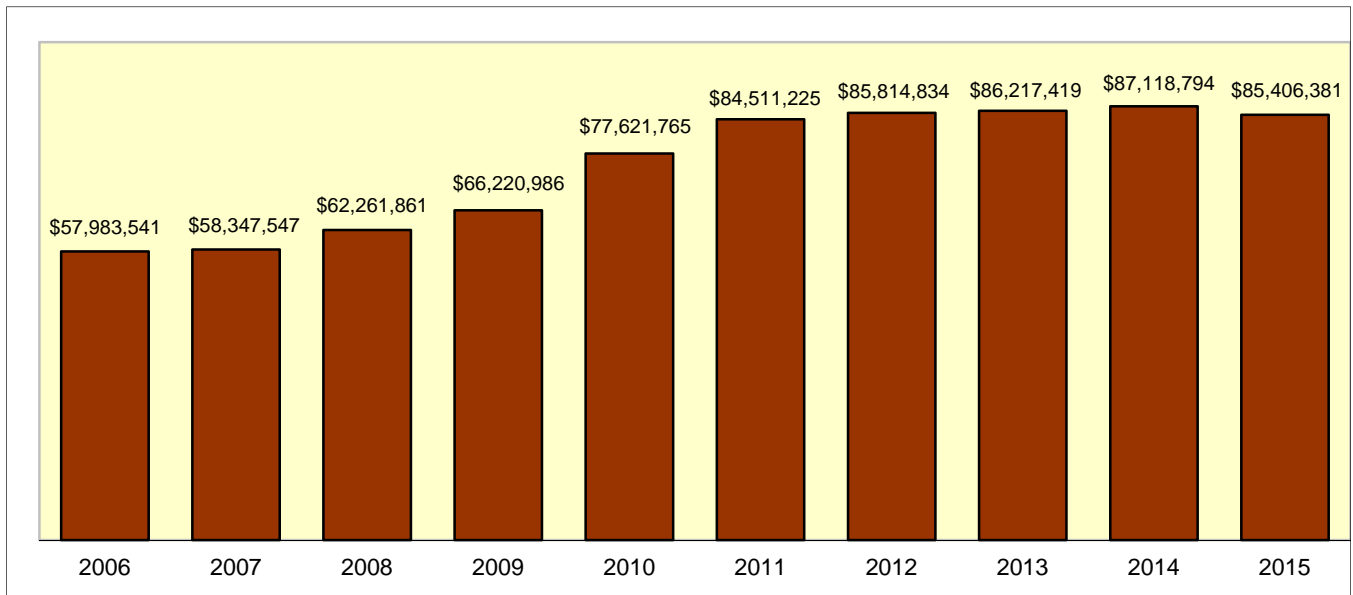
#### As of June 30, 2015



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.”

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.

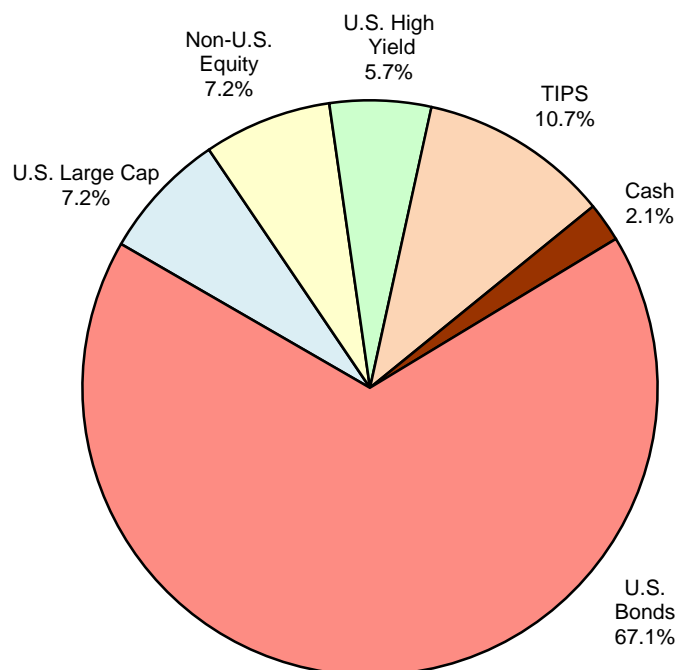
### INTERMEDIATE TERM FUND NET ASSETS



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**

	2015		2014	
	Market Value	% of Fund	Market Value	% of Fund
<b>U.S. Equities – Large Cap</b>				
S&P 500 ETF	\$6,144,902	7.2%	\$ 9,701,068	11.1%
<b>Non-U.S. Developed Market Equities</b>				
MSCI EAFE ETF	6,103,802	7.2%	9,362,451	10.7%
<b>U.S. High Yield Fixed Income</b>				
Seix Advisors High Yield Fund	4,822,352	5.6%	5,631,659	6.5%
<b>U.S. Investment-Grade Fixed Income</b>				
Reams Asset Management	46,747,495	54.7%	38,423,662	44.1%
Barclays 0-5 Year TIPS ETF	9,116,201	10.7%	11,134,001	12.8%
Applied Security Analysis Program	10,418,441	12.2%	10,031,660	11.5%
		<u>77.6%</u>		<u>68.4%</u>
<b>U.S. Cash and Cash Equivalents</b>				
JP Morgan Prime Money Market Fund	2,053,188	2.4%	2,834,293	3.3%
<b>TOTALS</b>	<b>\$85,406,381</b>	<b>100.0%</b>	<b>\$ 87,118,794</b>	<b>100.0%</b>

**INVESTMENT FUND DATA: INCOME FUND**  
**As of Periods Ended June 30**

The following table 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 and inflation, as measured by the CPI.

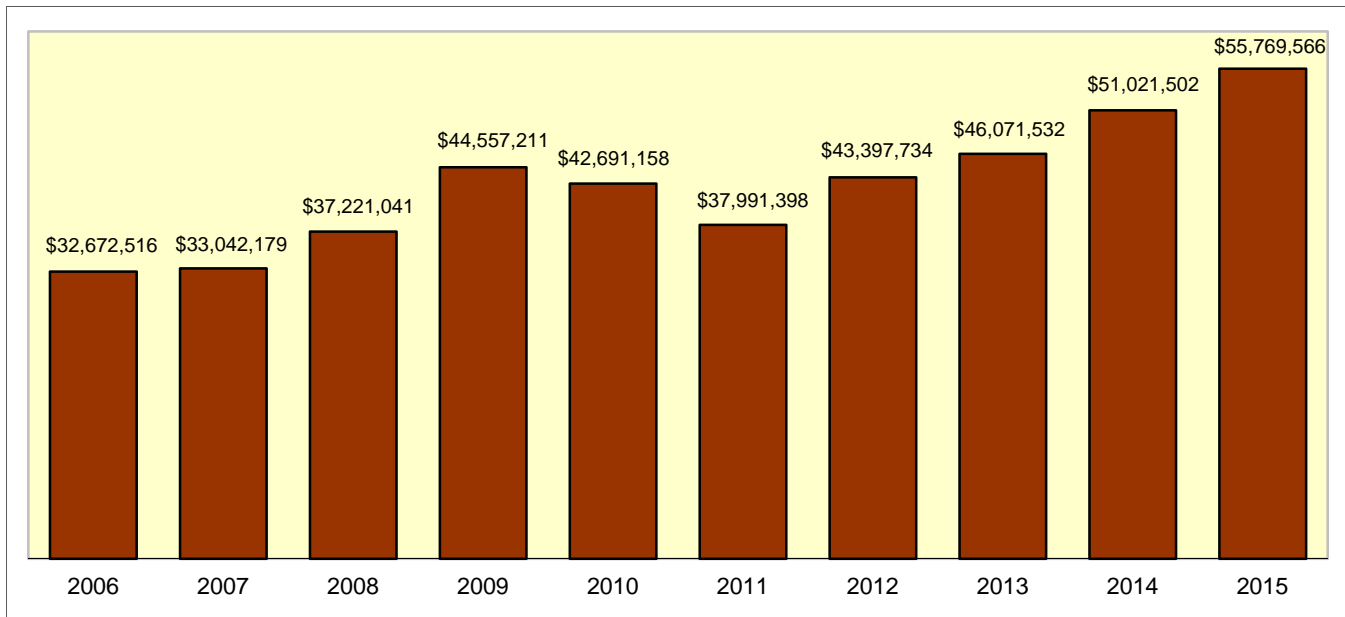
**INVESTMENT PERFORMANCE**  
**As of June 30, 2015**

	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Ten Years
<b>Income Fund</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>1.6%</b>
Cash (30-day T-Bill)	0.0%	0.0%	0.0%	0.0%	0.1%	1.3%
CPI Change	0.9%	0.6%	0.2%	1.3%	1.8%	2.1%

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 change in the index, annualized for periods greater than one year.

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>
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**2015 GIFTS BY TYPE OF GIFT**

Gift Type	Total Gifts	Number of Gifts
General Gifts	\$ 6,286,180	189
Bequests	4,105,887	87
Matching Donations	250	1
<b>TOTAL</b>	<b>\$10,392,317</b>	<b>277</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.

**2015 GIFTS BY ENDOWMENT CATEGORY**

Endowment Category	Total Gifts	Percentage
Expendable Funds	\$ 9,423,449	90.7%
Designated Endowment	769,849	7.4%
True Endowment	199,019	1.9%
<b>TOTAL</b>	<b>\$ 10,392,317</b>	<b>100.0%</b>

Note: Expendable funds 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 restricted the use of principal.

**2015 GIFTS BY USAGE DESIGNATION**

Usage Designation	Total Gifts	Percentage
Miscellaneous	\$ 7,609,935	73.2%
Public Service	1,823,308	17.6%
Research	566,089	5.4%
Student Aid	364,566	3.5%
Auxiliary Services	28,419	0.3%
<b>TOTAL</b>	<b>\$ 10,392,317</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>
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**2015 GIFTS BY CAMPUS AND COLLEGE**

Campus	Total Gifts	Number of Gifts
Madison		
School of Medicine and Public Health	\$ 1,456,208	49
General Education Administration	866,836	6
College of Letters & Science	649,438	60
College of Engineering	312,598	18
School of Nursing	240,392	14
Pharmacy	60,629	1
General Services	36,962	9
College of Agriculture & Life Sciences	35,478	3
Wisconsin Union	28,419	12
School of Education	11,519	8
Arboretum	4,102	1
Officer Education	3,595	4
Madison Subtotal	\$3,706,176	185
Extension	3,851,480	43
Systemwide/Administration	2,771,862	27
Superior	39,178	4
Milwaukee	10,715	12
Parkside	7,478	4
Green Bay	5,428	2
<b>TOTAL</b>	<b>\$ 10,392,317</b>	<b>277</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
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%
2015	10,392,317	1.9%
<b>TEN YEAR TOTAL</b>	<b>\$ 104,785,278</b>	<b>AVERAGE 2.7%</b>

<p align="center"><b>GIFTS, DISBURSEMENTS AND BALANCES</b>  <b>For Fiscal Years Ended June 30</b></p>
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**2015 DISBURSEMENTS BY DESIGNATION**

Designation	Total Disbursements	Percentage
Research	\$ 7,406,442	38.0%
Student Aid	5,080,699	26.0%
Extension & Public Service	4,280,153	21.9%
Instruction	1,070,594	5.5%
Other	909,698	4.7%
Academic Support	760,550	3.9%
<b>TOTAL</b>	<b>\$ 19,508,136</b>	<b>100.0%</b>

**TEN-YEAR HISTORY OF TOTAL DISBURSEMENTS**

Fiscal Year	Total Disbursements	As Percent of Prior Year Principal Market Value
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%
2015	19,508,136	3.6%
<b>TOTAL</b>	<b>\$ 188,952,250</b>	<b>AVERAGE 4.8%</b>

<p align="center"><b>GIFTS, DISBURSEMENTS AND BALANCES</b>  <b>As of Fiscal Year Ended June 30, 2015</b></p>
--

**2015 TOTAL BALANCES BY CATEGORY**

Category	Principal Market Value	Percentage	Number of Accounts
True Endowment	\$ 202,324,130	42.5%	559
Expendable Funds	161,483,487	34.0%	643
Designated Endowment	111,593,187	23.5%	140
Term Endowment	116,564	0.0%	3
<b>TOTAL</b>	<b>\$ 475,517,368</b>	<b>100.0%</b>	<b>1,345</b>

Note: The total market value shown in the table above and the two that follow reflect only what is classified as "principal." 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.

**2015 TOTAL BALANCES BY USAGE DESIGNATION**

Usage Designation	Principal Market Value	Percentage
Miscellaneous	\$ 206,981,152	43.5%
Student Aid	145,766,419	30.6%
Research	87,665,252	18.4%
Public Service	10,777,428	2.3%
Library	13,084,130	2.8%
Instruction	9,596,939	2.0%
Physical Plant	1,367,317	0.3%
Auxiliary Services	278,731	0.1%
<b>TOTAL</b>	<b>\$ 475,517,368</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.



**GIFTS, DISBURSEMENTS AND BALANCES****As of Fiscal Year Ended June 30, 2015****2015 TOTAL BALANCES BY CAMPUS AND COLLEGE**

Campus	Principal Market Value	Percentage
Madison		
School of Medicine and Public Health	\$ 82,863,651	17.5%
College of Letters & Sciences	66,363,728	14.0%
College of Ag & Life Sciences	57,607,026	12.1%
General	50,249,957	10.6%
General Services	28,877,136	6.1%
Graduate School	22,107,135	4.6%
General Education Administration	19,353,382	4.1%
Business Services	17,311,870	3.6%
College of Engineering	13,553,440	2.9%
School of Education	7,955,728	1.7%
School of Nursing	7,052,705	1.5%
School of Business	6,318,225	1.3%
General Library	6,724,738	1.4%
School of Human Ecology	4,304,018	0.9%
Division of International Studies	4,295,426	0.9%
School of Pharmacy	4,217,503	0.9%
Law School	3,565,239	0.7%
Academic Services	3,354,523	0.7%
Other	2,440,144	0.5%
School of Veterinary Medicine	1,278,298	0.3%
Intercollegiate Athletics	1,100,095	0.2%
University Housing	1,070,792	0.2%
Officer Education (ROTC)	92,676	0.0%
Madison Subtotal	\$ 412,057,435	86.7%
Extension	17,345,517	3.7%
Milwaukee	11,092,554	2.3%
Systemwide	18,491,073	3.9%
La Crosse	3,011,885	0.6%
Platteville	3,986,901	0.8%
Superior	2,925,488	0.6%
Parkside	1,415,519	0.3%
Colleges	1,281,462	0.3%
Whitewater	596,907	0.1%
Oshkosh	863,624	0.2%
Stout	880,871	0.2%
Eau Claire	711,076	0.1%
Green Bay	392,576	0.1%
Stevens Point	157,830	0.0%
River Falls	306,650	0.1%
<b>TOTAL</b>	<b>\$ 475,517,368</b>	<b>100.0%</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.

<p style="text-align: center;"><b>FINANCIAL STATEMENTS</b>  <b>As of Fiscal Years Ended June 30</b></p>
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**STATEMENTS OF FINANCIAL POSITION**

	2015	2014
	Total Principal and Income Market Value	Total Principal and Income Market Value
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 85,521,139	\$ 81,460,169
Accounts Receivable, Net	1,469,371	823,311
Total Current Assets	\$ 86,990,510	\$ 82,283,480
Investments		
U.S. Government & Agency Obligations	48,761,417	40,589,990
Corporate Bonds	23,389,956	21,491,632
Mortgage & Asset Backed Securities	2,221,069	3,102,983
Common Stocks	58,432,589	57,002,261
GMO Strategic Opportunities Fund	81,218,886	83,025,380
UBS Int'l Relationship Fund	48,272,957	56,677,678
GMO Emerging Markets Fund III	31,085,033	34,274,115
iShares Russell Midcap Index	10,582,382	10,100,828
iShares S&P 500 Index	6,144,902	9,701,068
iShares MSCI EAFE Index	6,103,802	9,362,451
iShares Barclays 0-5 Year TIPS Index	9,116,201	11,134,001
Seix High Yield Fund	29,736,660	32,244,785
Limited Partnerships	87,412,037	87,559,939
Total Investments	\$ 442,477,891	\$ 456,267,111
Net Pension Asset	702,719	0
Deferred Outflows of Resources	537,701	0
<b>TOTAL ASSETS</b>	<b>\$ 530,708,821</b>	<b>\$ 538,550,591</b>
<b>LIABILITIES &amp; NET ASSETS</b>		
Liabilities		
Accounts Payable and Accrued Liabilities	2,684,631	1,708,367
Compensated Absences	786,922	766,532
Other Post-Employment Benefits	528,781	0
Total Liabilities	\$ 4,000,334	\$ 2,474,899
Deferred Inflows of Resources	16,587	0
Net Assets		
Restricted:		
Nonexpendable	194,516,535	187,767,530
Expendable	235,454,704	232,985,246
Student Loans	14,512,915	13,794,262
Other	15,313,214	13,262,595
Pensions	702,719	0
Unrestricted:	66,191,813	88,266,059
Total Net Assets	\$ 526,691,900	\$ 536,075,692
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 530,708,821</b>	<b>\$ 538,550,591</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.)

<p style="text-align: center;"><b>FINANCIAL STATEMENTS</b>  <b>As of Fiscal Years Ended June 30</b></p>
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**STATEMENTS OF CASH ACTIVITIES AND INVESTMENT GAINS**

<u>RECEIPTS/GAINS</u>	2015	2014
Contributions	\$ 10,392,317	\$ 9,954,598
Net Investment Income, Realized/Unrealized Gains	3,336,421	61,750,582
Total Contributions, Investment Gains/Losses	\$ 13,728,738	\$ 71,705,180
Transfers In:		
From Other UW Funds	2,274,917	3,460,488
Student Loans	718,653	1,484,581
Total Transfers In	\$ 2,993,570	\$ 4,945,069
<b>TOTAL RECEIPTS/GAINS</b>	<b>\$ 16,722,308</b>	<b>\$ 76,650,249</b>
<u>DISBURSEMENTS</u>		
Distributions to UW Institutions:		
Research	7,406,442	7,782,390
Extension and Public Service	4,280,153	4,100,294
Student Aid and Services	5,080,699	3,988,329
Instruction	1,070,594	1,109,210
Academic Support	760,550	1,024,348
Other	909,698	879,702
Total Distributions to UW Institutions	\$ 19,508,136	\$ 18,884,273
Transfers Out:		
To Other UW Funds	4,055,100	2,567,029
Student Loans	1,368,539	1,486,710
Total Transfers Out	\$ 5,423,639	\$ 4,053,739
Expenses:		
Investment Management and Custody	1,372,368	1,281,511
General Administrative	409,041	642,143
Total Expenses	\$ 1,781,409	\$ 1,923,654
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 26,713,184</b>	<b>\$ 24,861,666</b>
<u>EXCESS OF RECEIPTS/GAINS OVER DISBURSEMENTS</u>	(9,990,876)	51,788,583
Net Assets - Beginning of Period	536,075,692	484,287,109
Prior Period Adjustment	607,084	
<b>Net Assets - End of Period</b>	<b>\$ 526,691,900</b>	<b>\$ 536,075,692</b>

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>
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**INVESTMENT MANAGEMENT AND OTHER RELATED FEES**

	2015	2014
Intermediate Term Fund		
Reams Asset Management	\$ 86,162	\$ 79,882
Applied Security Analysis Program <sup>1</sup>	0	0
Long Term Fund		
GMO	642,461	598,463
UBS Global Asset Management	633,769	592,810
<b>Total Investment Management Fees<sup>2</sup></b>	<b>\$ 1,362,392</b>	<b>\$ 1,271,155</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 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. Actual, and in some cases estimated, investment management expenses for these various providers for fiscal year 2015 were as follows: \$349,671; \$387,385; \$63,788; \$439,426; \$234,755; \$180,411; \$20,683; \$10,125; \$5,546; and \$25,519, respectively.

Investment management expenses (including estimated fees through commingled funds) as a percent of average Trust Fund assets (*Long Term* plus *Intermediate Term Funds*) were 0.64% and 0.63% for fiscal years 2015 and 2014, respectively. Fees as a percent of assets by separate Fund were 0.75% and 0.18% for the *Long Term Fund* and *Intermediate Term Fund*, respectively, for fiscal year ended 2015, versus 0.73% and 0.19%, respectively, for fiscal year ended 2014.

**CUSTODY FEES**

	2015	2014
BNY Mellon Trust	\$ 9,976	\$ 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 2015 and 2014, respectively. While commingled fund shares are recorded 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>
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**ADMINISTRATIVE EXPENSES**

	2015	2014
Staff and Staff Support		
Salaries	\$ 274,180	\$ 281,722
Fringe Benefits	116,165	120,430
Computer Hardware/Software	112	(9,725)
Travel and Training Expenses	3,310	5,208
Other Expenses	1,089	2,726
Telecommunications/Telephone Service	1,799	1,868
Publications	2,205	1,702
Office Supplies/Equipment	1,132	230
Professional Services		
Huron Consulting	0	196,652
Trust Accounting System (SunGard)	6,822	38,987
Information Services Support	2,227	2,343
Total Administrative Expenses	\$ 409,041	\$ 642,143

Total administrative expenses as a percent of average total Trust Fund assets (*Long Term, Intermediate Term* and *Income Funds*) were 0.08% and 0.14% for fiscal years 2015 and 2014, 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, 2015

Janice Mueller (Chair)  
Charles Pruitt (Vice Chair)  
Mark Bradley  
José Delgado  
Michael Grebe  
Eve Hall  
Nicolas Harsy  
José Vásquez

**UW System Administration**

Senior Management

Ray Cross, President  
Julie K. Gordon, Interim Vice President for Finance and Trust Officer  
Tomas L. Stafford, General Counsel and Assistant Trust Officer

Office of Trust Funds Staff

Douglas J. Hoerr, Director and Assistant Trust Officer  
Julie E. Kalsbeek, Senior Accountant  
Carol Yanna, Financial Specialist

## **UW SYSTEM TRUST FUNDS ANNUAL ENDOWMENT PEER BENCHMARKING REPORT**

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

The National Association of College and University Business Officers (NACUBO) and the Commonfund jointly conduct a detailed annual survey of college and university endowments (as of fiscal years ending June 30). This survey gathers data on investment and spending policies and practices, investment performance and fees, staffing, and other measures. The survey provides overall averages, as well as statistics for endowments by different size-categories. Using this data, UW Trust Funds compiles its “Annual Endowment Peer Benchmarking Report,” which compares data and characteristics for the UW Trust Funds endowment versus those of various peer groups. The report for fiscal year 2015 is attached.

#### **REQUESTED ACTION**

This item is informational only.

#### **DISCUSSION**

Key observations from the 2015 peer benchmarking report include the following:

- 1) The asset allocation of the UW Trust Funds endowment (i.e., the Long Term Fund) at June 30, 2015 was overweight to equities (particularly non-U.S.) and underweight to “alternative” asset classes (particularly in hedge funds, real estate, and natural resources), other than private capital, versus most peer groups.
- 2) Annualized investment returns lagged peer group averages for the 1- and 3-year periods, essentially matched the 5-year average return for its size cohort, but for the 10-year period still significantly exceeded average returns for its size cohort and the all-institution group.
- 3) UW Trust Funds endowment exhibits a significantly lower volatility (or standard deviation of investment returns) than the all-institution average (the only figure provided) over the 10-year period.
- 4) Growth from new endowment gifts was below peer levels.
- 5) UW’s policy spending rate of 4.0 percent was below the “all institution” average rate of 4.7 percent.
- 6) Long-term investment return objectives are in line with peer group numbers.
- 7) Internal investment staffing is in line with the average for similar-sized endowments; however, UW does not use an investment consultant, while most peer institutions do.
- 8) UW employs fewer investment managers than do peers.

**RELATED REGENT POLICIES**

None.





# UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

**Annual Endowment Peer Benchmarking Report  
Year Ended June 30, 2015**

<p style="text-align: center;"><b>UW SYSTEM TRUST FUNDS</b>  <b>Annual Endowment Peer Benchmarking Report</b>  <b>Fiscal Year Ended June 30, 2015</b></p>
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## **INTRODUCTION**

- The Annual Endowment Peer Benchmarking Report utilizes as informational source the 2015 NACUBO–Commonfund Study of Endowments (NCSE). The NCSE is an annual survey of college and university endowments which reports data on investment and spending policies and practices, investment performance, staffing, etc. Some summary data is given below.

Number of Institutions Reporting – Total	812
Number of Institutions Reporting – Public	301
Number of Institutions Reporting – Private	511
Total Endowment Assets Represented	\$529 billion
Largest Endowment – Private	Harvard University - \$36.4 billion
Largest Endowment – Public	University of Texas System - \$24.1 billion
Average Endowment Size	\$648 million
Median Endowment Size	\$116 million
<b><i>Participating UW Institutions:</i></b>	<b><i>UW System Trust Funds - \$386 million</i></b>
	<b><i>UW-Madison Foundation - \$2.5 billion</i></b>
	<b><i>UW-Eau Claire Foundation - \$68 million</i></b>

- Data presented in the report that follows falls into the following categories:

- Asset Allocation
- Investment Performance
- Cost of Managing Investment Programs
- Investment Management Practices
- New Gifts to Endowment
- Spending Policies
- Investment Return Objectives
- Underwater Funds
- Resources, Management, and Governance
- Responsible Investing Practices

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2015**

**ASSET ALLOCATION**

<b>Asset Class</b>	<b>UW Trust Funds <sup>1</sup></b>	<b>NCSE All Pools <sup>2</sup></b>	<b>NCSE \$100-\$500MM</b>	<b>NCSE &gt;\$1B</b>
Equities (sub-total)	<b>53%</b>	<b>49%</b>	<b>49%</b>	<b>37%</b>
U.S. Equities	22%	30%	28%	17%
Non-U.S. Equities	31%	19%	21%	20%
Developed	19%	12%	15%	12%
Emerging	12%	7%	6%	8%
Fixed Income	<b>18%</b>	<b>16%</b>	<b>13%</b>	<b>8%</b>
Alternatives (sub-total)	<b>23%</b>	<b>29%</b>	<b>32%</b>	<b>50%</b>
Private Capital <sup>3</sup>	13%	7%	6%	16%
Hedge Funds <sup>4</sup>	8%	14%	15%	21%
Real Estate <sup>5</sup>	0%	2%	3%	5%
Natural Resources <sup>6</sup>	2%	3%	4%	6%
Other Alternatives	0%	3%	4%	2%
Cash/Other	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>
TOTAL	100%	100%	100%	100%

<sup>1</sup> It should be noted that UW Trust Funds employs a “global tactical asset allocation” strategy for a significant portion of the endowment fund, which involves tactical shifts in asset allocation. The numbers provided here, however, are allocations only as of the fiscal year-end.

<sup>2</sup> All NCSE figures represent equal-weighted averages, except for the non-U.S. equity break-down, which is dollar-weighted.

<sup>3</sup> Category consists primarily of venture capital and other private equity.

<sup>4</sup> Category consists primarily of unregulated private investment partnerships investing in mostly marketable securities, but employing strategies (long/short, convertible arbitrage, leverage, etc.) which are designed to provide for more absolute returns with low correlation to the markets.

<sup>5</sup> Category includes both public and private commercial real estate.

<sup>6</sup> Category includes timber, oil and gas partnerships, commodities, and managed futures.

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2015**

**ASSET ALLOCATION**

**Asset Allocation Approach for Portfolio Construction**

	<b><i>UW Trust Funds</i></b>	<b><i>NCSE All Pools</i></b>	<b><i>NCSE \$100-\$500MM</i></b>	<b><i>NCSE &gt;\$1B</i></b>
Functional classifications (or factors) used in portfolio construction: <sup>1</sup>				
Growth assets	<b>Yes</b>	96%	97%	95%
Risk reduction (long/short, fixed income)	<b>Yes</b>	96%	97%	97%
Inflation protection (real assets, TIPS)	<b>Yes</b>	85%	91%	97%
Opportunistic	<b>Yes</b>	59%	66%	84%
Liquidity	<b>Yes</b>	71%	72%	79%
Duration	<b>No</b>	56%	57%	62%
Other	<b>No</b>	6%	4%	9%

<sup>1</sup> Multiple responses were allowed. Responses shown here are only for those institutions (617 or approximately 75%) that reported they use such liquidity classifications.

<p align="center"><b>UW SYSTEM TRUST FUNDS</b>  <b>Annual Endowment Peer Benchmarking Report</b>  <b>Fiscal Year Ended June 30, 2015</b></p>
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**ASSET ALLOCATION**

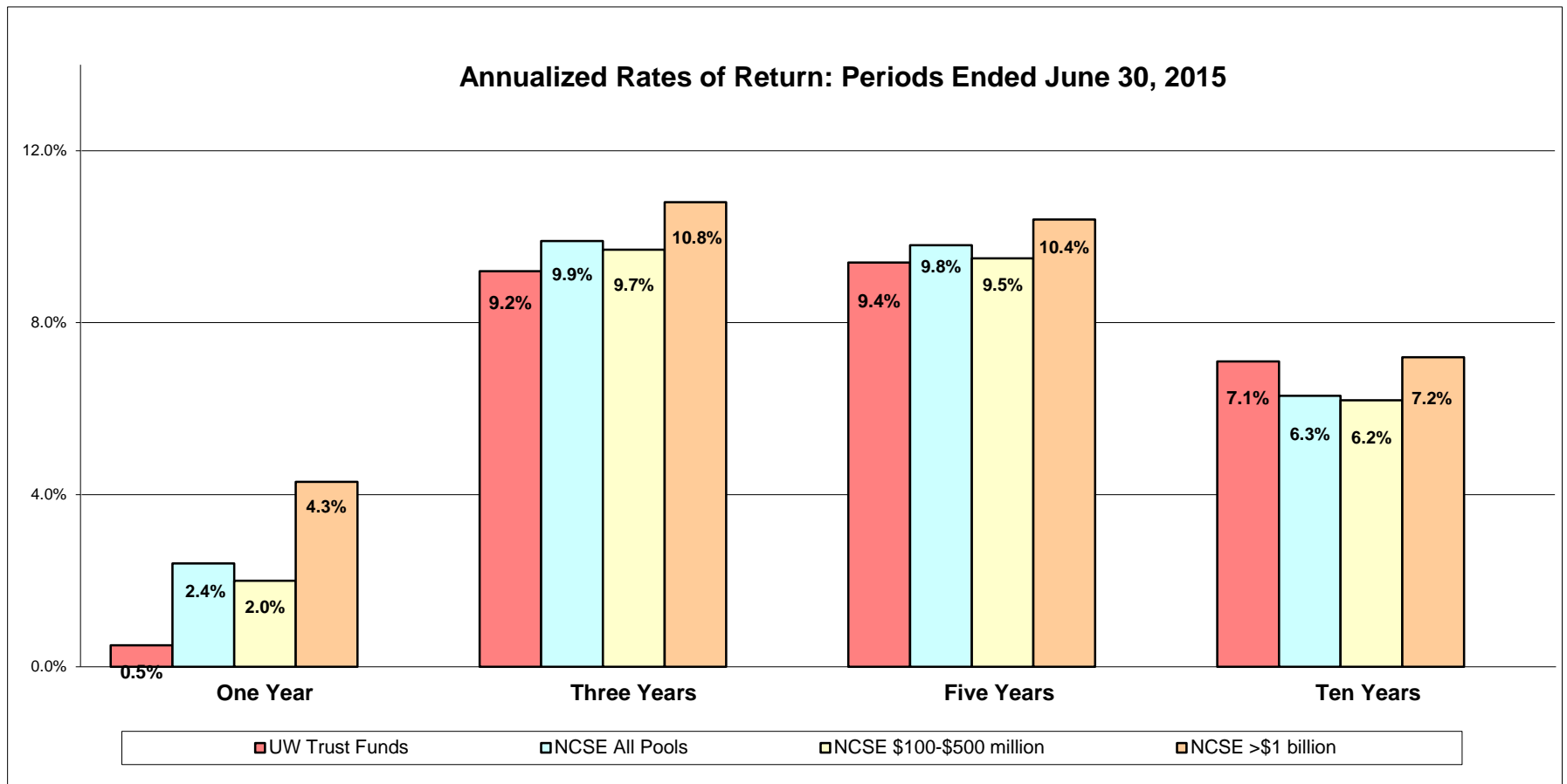
**Percent Allocated to Liquidity Categories in Fiscal Year 2015<sup>1</sup>**

<b>Liquidity Category</b>	<b><i>UW Trust Funds</i></b>	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500MM</b>	<b>NCSE &gt;\$1B</b>
Daily	<b>57%</b>	49%	46%	24%
Monthly	<b>29%</b>	16%	18%	15%
Quarterly	<b>0%</b>	11%	13%	14%
Semi-annually	<b>0%</b>	2%	2%	3%
Annually	<b>0%</b>	5%	6%	9%
Illiquid (> 365 days)	<b>14%</b>	15%	13%	32%
Other	<b>0%</b>	2%	2%	3%

<sup>1</sup> Responses shown here are only for those institutions (642) that reported they use such liquidity classifications.

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2015**

**INVESTMENT PERFORMANCE**



**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2015**

**INVESTMENT PERFORMANCE**

**Average Annualized Rates of Return**

	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
NCSE >\$1B	4.3%	10.8%	10.4%	7.2%
NCSE All Pools	2.4%	9.9%	9.8%	6.3%
NCSE \$100-\$500MM	2.0%	9.7%	9.5%	6.2%
<b><i>UW Trust Funds Return</i></b>	<b><i>0.5%</i></b>	<b><i>9.2%</i></b>	<b><i>9.4%</i></b>	<b><i>7.1%</i></b>

**Risk/Volatility (Annualized Standard Deviation of Returns)**

	<b>1 Year</b>	<b>10 Year</b>
NCSE All Pools Average <sup>1</sup>	5.7%	10.2%
<b><i>UW Trust Funds<sup>2</sup></i></b>	<b><i>6.4%</i></b>	<b><i>9.3%</i></b>

<sup>1</sup> Risk measures for the NCSE All Pools Average were calculated by NACUBO-Commonfund using actual average asset allocations together with representative (generally, public indexes) return, volatility, and correlation figures for the various asset classes. Therefore, these risk measures are estimates only, assuming essentially passive or indexed management within asset classes, and are not actuals. Also, NCSE figures represent annualized standard deviations of quarterly returns.

<sup>2</sup> Risk measures for UW Trust Funds' portfolio are actuals for these periods and represent annualized standard deviations of monthly returns, the more accepted methodology for calculating return volatility.

<p><b>UW SYSTEM TRUST FUNDS</b> <b>Annual Endowment Peer Benchmarking Report</b> <b>Fiscal Year Ended June 30, 2015</b></p>
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**COST OF MANAGING INVESTMENT PROGRAMS**

The annual NCSE has discontinued reporting on the cost of managing investment programs. The 2015 NCSE report noted its rationale as follows:

“In past NCSE reports, we have published estimates of participants’ investment management costs. However, it is widely recognized that most institutions do not have access to or understand many of the components of investment costs, which are frequently not disclosed directly. The resulting data have typically understated the cost actually paid. Accordingly, we have decided to discontinue the practice of publishing fee data.”



**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2015**

**INVESTMENT MANAGEMENT PRACTICES<sup>1</sup>**

**Active, Passive, Extended Markets within “Traditional” Asset Classes**

<b>Asset Class/Strategy</b>	<b><i>UW Trust Funds</i></b>	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500MM</b>	<b>NCSE &gt;\$1B</b>
U.S. Equities				
Active	<b>88%</b>	71%	68%	73%
Passive/Enhanced Index	<b>12%</b>	29%	32%	27%
Non-U.S. Equities				
Active Developed Markets	<b>62%</b>	51%	57%	48%
Passive Developed Markets	<b>0%</b>	11%	15%	10%
Emerging Markets	<b>38%</b>	38%	28%	42%
Fixed Income				
Active U.S. Investment Grade	<b>25%</b>	63%	29%	64%
Passive U.S. Investment Grade	<b>41%</b>	13%	17%	9%
U.S. Below Investment Grade	<b>29%</b>	10%	9%	12%
Non-U.S.-Developed	<b>0%</b>	11%	11%	12%
Emerging Markets	<b>5%</b>	3%	4%	3%

<sup>1</sup> Figures represent dollar-weighted averages.

<p align="center"><b>UW SYSTEM TRUST FUNDS</b>  <b>Annual Endowment Peer Benchmarking Report</b>  <b>Fiscal Year Ended June 30, 2015</b></p>
--

## **INVESTMENT MANAGEMENT PRACTICES**

### **Portfolio Rebalancing Practices<sup>1</sup>**

<b>Rebalancing Frequency</b>	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500MM</b>	<b>NCSE &gt;\$1B</b>
Calendar-based			
Annually	8%	9%	2%
Semi-annually	2%	2%	2%
Quarterly	26%	28%	16%
Monthly	10%	12%	11%
Other	3%	2%	7%
Market value-based			
Target- and range-based	88%	91%	81%
Response to major cash flows	40%	40%	34%
Other	1%	-	1%
<b><i>UW Trust Funds</i></b>	<b><i>Review quarterly; target- and range-based</i></b>		

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

<p align="center"><b>UW SYSTEM TRUST FUNDS</b>  <b>Annual Endowment Peer Benchmarking Report</b>  <b>Fiscal Year Ended June 30, 2015</b></p>
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**NEW GIFTS TO ENDOWMENT**

	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500 million</b>	<b>NCSE &gt;\$1 billion</b>
Average gifts (\$ millions)	\$10.0	\$5.9	\$58.5
Median gifts (\$ millions)	\$2.7	\$4.2	\$43.6
<b><i>UW Trust Funds</i></b>	<b><i>\$1.0 million <sup>1</sup></i></b>		

<sup>1</sup> Total gifts to UW Trust Funds for the fiscal year were \$10.4 million, but only \$1.0 million was endowed.

<p align="center"><b>UW SYSTEM TRUST FUNDS</b>  <b>Annual Endowment Peer Benchmarking Report</b>  <b>Fiscal Year Ended June 30, 2015</b></p>
--

## **SPENDING POLICIES**

### Spending Methodology<sup>1</sup>

	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500MM</b>	<b>NCSE &gt;\$1B</b>
Percent of a moving average	77%	79%	56%
Average percentage used	4.7%	4.6%	4.7%
Decide on an appropriate rate each year	14%	12%	12%
Weighted average or hybrid method	8%	12%	16%
Last year's spending plus inflation	5%	5%	13%
Spend pre-set percent of beginning market value	3%	2%	0%
Spend all current income	3%	2%	1%
Other	5%	3%	11%
Grow distribution at a predetermined inflation rate	-	-	2%
<b><i>UW Trust Funds</i></b>	<b><i>4% of moving 12-quarter average</i></b>		

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

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2015**

**SPENDING POLICIES**

**Average Annual Effective Spending Rates<sup>1</sup>**

NCSE All Pools	4.2%
NCSE \$100-\$500 million	4.1%
NCSE >\$1 billion	4.3%
<b><i>UW Trust Funds</i></b>	<b>3.6%</b>

<sup>1</sup> Average annual effective spending rates are computed by dividing endowment dollars distributed for spending by the beginning endowment market value. Figures represent equal-weighted averages.

**Changes to Effective Spending Rates**

	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500MM</b>	<b>NCSE &gt;\$1B</b>
Increased spending rate	22%	23%	9%
Average percentage increase	0.9%	0.4%	0.4%
Decreased spending rate	58%	65%	81%
Average percentage decrease	0.5%	0.4%	0.4%
No change	15%	9%	3%
No answer/uncertain	5%	3%	7%
<b><i>UW Trust Funds</i></b>	<b><i>No change in applied annual spending rate of 4%.</i></b>		

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
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**LONG-TERM INVESTMENT RETURN OBJECTIVES**

	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500MM</b>	<b>NCSE &gt;\$1B</b>
Have return objectives	74%	79%	66%
Less than 5%	2%	1%	1%
5.0%-5.9%	10%	10%	8%
6.0%-6.9%	8%	10%	4%
7.0%-7.9%	20%	26%	16%
8.0%-8.9%	29%	29%	32%
9.0% and over	5%	3%	5%
Do not have return objectives	10%	9%	10%
No answer/uncertain	16%	12%	24%
Average return objective	7.3%	7.3%	7.6%
Median return objective	7.5%	7.5%	8.0%
<b><i>UW Trust Funds</i></b>		<b><i>7.5%</i></b>	

<p style="text-align: center;"><b>UW SYSTEM TRUST FUNDS</b>  <b>Annual Endowment Peer Benchmarking Report</b>  <b>Fiscal Year Ended June 30, 2015</b></p>
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**UNDERWATER FUNDS<sup>1</sup>**

	Percent of Endowment Underwater <sup>1</sup>
NCSE All Pools	1.9%
NCSE \$100-\$500 million	2.1%
NCSE >\$1 billion	2.6%
<b><i>UW Trust Funds</i></b>	<b><i>0.0%</i></b>

<sup>1</sup> "Underwater funds" represent individual endowment accounts whose market values are below their "historic dollar value" (i.e., the original value of the gift).

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2015**

**RESOURCES, MANAGEMENT AND GOVERNANCE**

**Investment Committee Size and Investment Staffing**

	<b>Average Number of Investment Committee Members</b>	<b>Average Investment Staffing (in FTEs)</b>	<b>Has Chief Investment Officer</b>
NCSE All Pools	8.0	1.7	19%
NCSE \$100-\$500 million	8.3	0.9	13%
NCSE >\$1 billion	9.0	9.1	72%
<b><i>UW Trust Funds</i></b>	<b>8</b>	<b>1.5<sup>1</sup></b>	<b>No</b>

<sup>1</sup> UW Trust Funds investment staffing has historically consisted of one FTE Investment Analyst position and the Director position, assumed to be devoted to investments at a 50% FTE level. The Investment Analyst position has now been vacant since October 9, 2015.

**Investment Committee Credentials**

	<b><i>UW Trust Funds</i></b>	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500 mm</b>	<b>NCSE &gt; \$1 billion</b>
Members who are investment professionals	<b>0</b>	4.4	4.8	6.8
Members with alternative strategies experience	<b>0</b>	2.9	2.9	5.1
Voting members who are alumni	<b>6</b>	4.4	5.1	6.3



**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2015**

**RESOURCES, MANAGEMENT AND GOVERNANCE**

**Consultant Use<sup>1</sup>**

	<i>UW Trust Funds</i>	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500 mm</b>	<b>NCSE &gt; \$1 billion</b>
Consultant Used	<b>No</b>	84%	92%	78%
Consultant Services Used:	<b>None</b>			
Asset allocation/rebalancing		82%	89%	46%
Manager selection		81%	90%	44%
Policy review		76%	82%	46%
Performance attribution/measurement		84%	93%	55%
Outsourced investment management		38%	36%	11%
Ongoing due diligence		71%	82%	46%

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

**Responsible for Ongoing Investment Manager Due Diligence<sup>1</sup>**

	<i>UW Trust Funds</i>	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500 mm</b>	<b>NCSE &gt; \$1 billion</b>
Board	<b>No</b>	17%	15%	1%
Investment or finance committee	<b>No</b>	60%	62%	16%
Dedicated internal staff	<b>Yes</b>	44%	43%	72%
Consultant	<b>No</b>	63%	81%	40%
Outsourced investment manager	<b>No</b>	7%	7%	6%

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

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2015**

**RESOURCES, MANAGEMENT AND GOVERNANCE**

**Ongoing Investment Manager Due Diligence Employed<sup>1</sup>**

	<b><i>UW Trust Funds</i></b>	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500 mm</b>	<b>NCSE &gt; \$1 billion</b>
On site manager visits at my institution	<b>Yes</b>	66%	64%	81%
On site manager visits at their office	<b>Yes</b>	54%	64%	84%
Telephone conference calls with managers	<b>Yes</b>	75%	80%	84%
Quantitative attribution analysis of manager performance	<b>Yes</b>	61%	69%	76%
Position-based risk analysis	<b>Yes</b>	39%	41%	56%
Peer group comparisons	<b>Yes</b>	68%	72%	74%
Annual due diligence questionnaire updates	<b>Yes</b>	33%	41%	51%
Third party evaluation of managers	<b>No</b>	50%	56%	49%
Other	<b>No</b>	7%	10%	5%

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

**Average Number of Investment Managers Used by Asset Class**

	<b><i>UW Trust Funds</i></b>	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500 mm</b>	<b>NCSE &gt; \$1 billion</b>
U.S. Equities	<b>3</b>	3.9	4.2	6.0
Non-U.S. Equities	<b>2</b>	4.0	4.1	9.2
Fixed Income	<b>3</b>	2.9	3.1	3.7
Alternative Strategies – Direct	<b>2</b>	15.9	10.8	74.4
Alternative Strategies – Fund of Funds	<b>2</b>	3.0	3.9	3.4

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2015**

**RESPONSIBLE INVESTING PRACTICES**

	<b><i>UW Trust Funds<sup>1</sup></i></b>	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500MM</b>	<b>NCSE &gt;\$1B</b>
Seek to include investments ranking high on Environmental, Social, and Governance (“ESG”) issues	<b>No</b>	15%	17%	15%
Exclude or screen out investments inconsistent with institution’s mission	<b>No</b>	25%	27%	27%
Allocate portion of endowment to investments furthering institution’s mission	<b>No</b>	16%	15%	18%
Have met with third-party stakeholders regarding responsible investing considerations	<b>Yes</b>	31%	34%	55%

<sup>1</sup> UW Trust Funds are subject to various Regent Policies dealing with responsible investing, actively votes social responsibility-related proxies, solicits student and public comment on social issues, and may take ad hoc actions on social responsibility issues.

**Percent that Have Managers Vote Proxies Consistent with Responsible Investing Criteria**

	<b><i>UW Trust Funds<sup>1</sup></i></b>	<b>NCSE All Pools</b>	<b>NCSE \$100-\$500MM</b>	<b>NCSE &gt;\$1B</b>
Vote proxies consistent with ESG policy	<b>Yes</b>	9%	12%	9%
Vote proxies consistent with socially responsible investment (“SRI”) policy	<b>Yes</b>	11%	14%	16%
Vote proxies consistent with other responsible investment criteria	<b>N/A</b>	13%	16%	11%

<sup>1</sup> UW Trust Funds generally votes SRI-related proxies internally where possible.

## **UW SYSTEM TRUST FUNDS QUARTERLY INVESTMENT REVIEW – DECEMBER 31, 2015**

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

The Quarterly Investment Reviews provide the following detailed information: 1) financial market overviews, including investment returns for different asset classes and markets for current and longer-term periods; 2) Fund overviews, which include changes in net assets for the current quarter, asset allocations versus targets and ranges, and Fund-level transactions conducted during the quarter; 3) performance analysis, which includes Fund-level and investment manager-level investment performance for current and longer-term periods; and 4) risk analysis, which includes various measures of Fund and portfolio risk and risk-adjusted returns, as well as data regarding compliance with investment guidelines where applicable.

#### **REQUESTED ACTION**

This item is informational only.

#### **DISCUSSION**

For the 4<sup>th</sup> quarter of calendar year 2015, global equities performed relatively well (but full-year returns were only slightly positive to significantly negative, depending on the region); global bonds experienced modest losses (leaving them only slightly positive to modestly negative for the year, depending on region and credit quality); real assets, other than commodities, produced reasonably good returns (for the full year as well); and commodities continued to plummet in value (and were down almost 25 percent for the full year), led by the massive decline in oil prices.

Total Trust Funds net assets increased by \$2 million during the quarter, from \$495 million at September 30, 2015 to \$497 million at December 31, 2015. The Long Term Fund returned +1.3 percent for the quarter (-2.4 percent for the full year), the Intermediate Term Fund returned +0.1 percent (+0.9 percent for the year), and the Income Fund returned close to zero for the quarter (and only +0.1 percent for the year).

Regarding risk and compliance, the Long Term Fund continued to exhibit lower volatility of returns than its Global 70/30 Benchmark, and for longer term periods, greater returns per unit of risk. The Intermediate Term Fund (with some equity and high yield exposures) continued to exhibit volatilities and returns per unit of risk similar to its all-investment grade bond index benchmark, while providing significantly greater absolute returns over longer periods versus both its all-bond index and “policy portfolio” benchmarks. Finally, no separate account investment managers were in violation of their investment guidelines as of quarter-end.

**RELATED REGENT POLICIES**

None.



**UNIVERSITY OF WISCONSIN SYSTEM  
TRUST FUNDS**

**Quarterly Investment Review  
December 31, 2015**

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## **SECTION 1: MARKET OVERVIEW**



## MARKET OVERVIEW

### Financial Market Developments and Performance

#### Growth and High-Yielding Assets

The table that follows provides recent as well as longer-term performance for asset classes and markets within the general category of higher risk “growth and high-yielding assets,” which includes public and private equities and lower-quality, higher-yielding fixed income.

*Investment Performance – Periods Ended December 31, 2015*

<b><u>Growth and High-Yielding Assets</u></b>	4 <sup>th</sup> Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Risk <sup>1</sup>
U.S. Large Cap Equity (S&P 500)	7.0%	1.4%	1.4%	15.1%	12.5%	7.3%	15.0%
U.S. Small Cap Equity (Russell 2000)	3.6%	-4.4%	-4.4%	11.7%	9.2%	6.8%	19.7%
Non-U.S. Equity – Dev Markets (MSCI EAFE)	4.8%	-0.4%	-0.4%	5.5%	4.1%	3.5%	18.4%
Non-U.S. Equity – Emerging Mkts (S&P/IFCI)	2.5%	-12.4%	-12.4%	-4.9%	-3.7%	4.7%	23.6%
Private Equity (Cambridge Private Equity) <sup>2</sup>	-1.4%	5.9%	5.9%	13.7%	14.3%	12.2%	N/A <sup>2</sup>
Venture Capital (Cambridge Venture Capital) <sup>2</sup>	-0.4%	21.3%	21.3%	20.2%	17.6%	10.9%	N/A <sup>2</sup>
U.S. High Yield (Barclays Corp. High Yield)	-2.1%	-4.5%	-4.5%	1.7%	5.0%	7.0%	10.5%
Emerging Markets Debt (JPM EMBI Plus)	1.8%	1.8%	1.8%	-0.3%	5.0%	6.7%	8.9%

<sup>1</sup> Risk is measured by the annualized standard deviation of monthly returns over the past ten years.

<sup>2</sup> Private equity and venture capital returns are for periods ended one quarter earlier; standard deviations are not provided.

#### Event Risk- and Deflation-Hedge Assets

The following table provides performance data on asset classes and markets falling within the broad category of “event risk- and deflation-hedge assets,” which includes high-quality bonds, cash, and hedge funds.

*Investment Performance – Periods Ended December 31, 2015*

<b><u>Event Risk- and Deflation-Hedge Assets</u></b>	4 <sup>th</sup> Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Risk <sup>1</sup>
U.S. Broad Market Bonds (Barclay's Aggregate)	-0.6%	0.6%	0.6%	1.4%	3.3%	4.5%	3.2%
U.S. Treasuries (Citigroup Treasury 1-10 Year)	-0.9%	1.2%	1.2%	0.8%	2.1%	3.7%	3.0%
Non-U.S. Bonds (JPM Global Govt.)	-1.3%	-4.8%	-4.8%	-4.2%	-1.2%	3.3%	5.8%
U.S. Cash (CG 1-month U.S. Treasury Bill)	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	0.5%
Hedge Funds (HFRX Absolute Return)	0.2%	2.9%	2.9%	2.4%	0.9%	0.0%	3.4%
Hedge Funds (MSCI Diversified Hedge Funds)	-0.3%	-2.2%	-2.2%	2.8%	1.5%	4.7%	5.1%

<sup>1</sup> Risk is measured by the annualized standard deviation of monthly returns over the past ten years.

#### Real and Inflation-Hedge Assets

The table that follows presents performance data for asset classes categorized as “real and inflation-hedge assets,” which includes Treasury Inflation Protection Securities (TIPS), public and private real estate, timber, and commodities. Inflation, as measured by “headline” CPI which includes energy and food, is also shown.

*Investment Performance – Periods Ended December 31, 2015*

<b><u>Real and Inflation-Hedge Assets</u></b>	4 <sup>th</sup> Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Risk <sup>1</sup>
U.S. TIPS (Citigroup Inflation Linked)	-0.6%	-1.7%	-1.7%	-2.4%	2.6%	4.0%	6.4%
U.S. TIPS 0-5 Year (Barclays TIPS 0-5 Year)	-0.4%	0.0%	0.0%	-0.9%	0.8%	2.8%	3.2%
Commodities (Bloomberg Commodity)	-10.5%	-24.7%	-24.7%	-16.1%	-12.7%	-6.0%	18.0%
Private Real Estate (NCREIF Property)	2.9%	13.3%	13.3%	12.0%	12.2%	7.8%	N/A <sup>2</sup>
Public Real Estate (MSCI U.S. REIT)	7.1%	2.5%	2.5%	11.1%	11.9%	7.4%	25.7%
Timber (NCREIF Timberland)	1.9%	5.0%	5.0%	8.4%	6.8%	6.9 %	N/A <sup>2</sup>
U.S. Consumer Price Index	-0.6%	0.7%	0.7%	1.0%	1.6%	1.9%	N/A

<sup>1</sup> Risk is measured by the annualized standard deviation of monthly returns over the past ten years.

<sup>2</sup> Due to the infrequency of market-based valuations of these asset classes, standard deviations of monthly returns are not meaningful.

## **SECTION 2: FUND OVERVIEWS**

## FUND OVERVIEWS

<b>Total Trust Fund Assets</b> <i>Quarter Ended December 31, 2015</i>		
	<i>As of December 31, 2015</i>	<i>As of September 30, 2015</i>
Long Term Fund	\$ 360,863,384	\$ 357,441,505
Intermediate Term Fund	\$ 82,202,416	\$ 84,962,402
Income Fund	<u>\$ 53,810,902</u>	<u>\$ 52,559,591</u>
	\$ 496,876,702	\$ 494,963,498

### Long Term Fund

The change in the net assets of the Long Term Fund is summarized below.

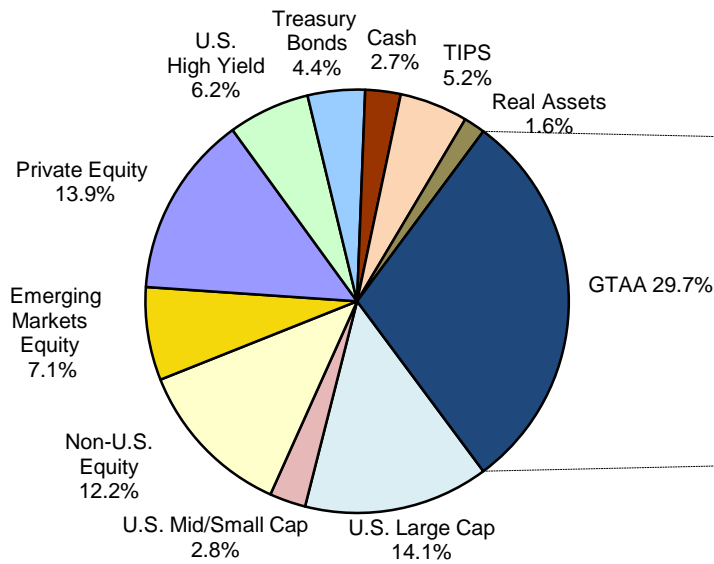
<b>Long Term Fund: Change in Net Assets</b> <i>Quarter Ended December 31, 2015</i>	
Beginning Market Value (9/30/15)	\$ 357,441,505
Net Contributions/(Withdrawals)	(910,440)
Investment Management and Administrative Expenses	(459,469)
Realized Investment Gains/(Losses)	6,813,177
Unrealized Gains/(Losses)	<u>(2,021,389)</u>
Ending Market Value (12/31/15)*	\$ 360,863,384

*\*Note: Net contributions/withdrawals and investment management expenses are those processed "as of" the prior quarter- end but processed early in the current quarter; therefore the ending market value shown equals the custodian's market value and does not reflect net contributions/distributions and expenses to be processed "as of" the current quarter-end.*

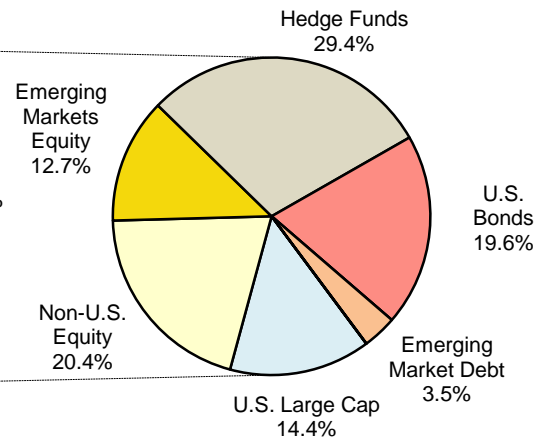
## Long Term Fund: Asset/Strategy Allocations

Quarter Ended December 31, 2015

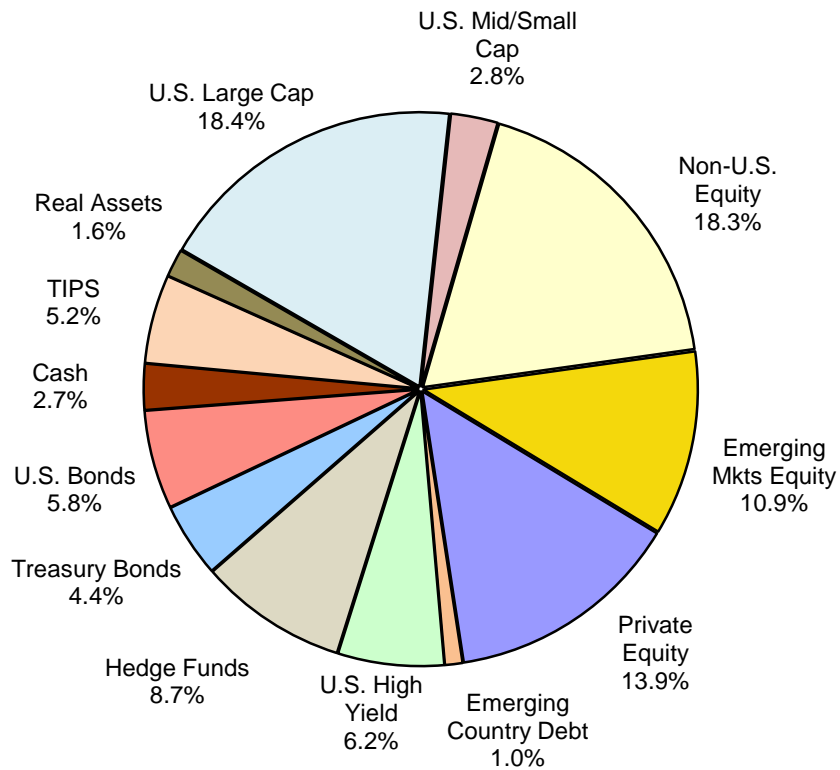
### Total Portfolio Asset/Strategy Allocation



### Global Tactical Asset Allocation



### Total Effective Portfolio Asset Allocation



Long Term Fund: Actual Versus Target Asset/Strategy Allocation				
Quarter Ended December 31, 2015				
Asset Class/Strategy	Target Allocation (%)	Min./Max. Guidelines	Current Allocation (%)	Current Allocation (\$MM)
<b>Global Tactical Asset Allocation</b>	<b>25.0%</b>	<b>20% - 30%</b>	<b>29.7%</b>	<b>\$107.0</b>
<b>Growth/High Yield Assets</b>				
Global Developed Market Equities	18.0%	15% - 35%	29.1%	\$105.1
Emerging Market Equities	5.0%	0% - 10%	7.1%	\$25.7
Private Equity	10.0%	5% - 15%	13.9%	\$50.2
High Yield Debt/Credit	<u>7.0%</u>	<u>0% - 15%</u>	<u>6.2%</u>	<u>\$22.5</u>
	<b>40.0%</b>	<b>20% - 60%</b>	<b>57.9%</b>	<b>\$203.5</b>
<b>Event Risk- and Deflation-Hedge Assets</b>				
U.S. High Quality Debt/Credit	10.0%	5% - 35%	4.4%	\$15.8
U.S. Cash	0.0%	0% - 10%	2.7%	\$9.8
Absolute Return	<u>7.0%</u>	<u>0% - 15%</u>	<u>0.0%</u>	<u>\$0.0</u>
	<b>17.0%</b>	<b>5% - 35%</b>	<b>7.1%</b>	<b>\$25.6</b>
<b>Real and Inflation-Hedge Assets</b>				
U.S. TIPS	3.0%	0% - 10%	5.2%	\$18.8
Real Assets	<u>15.0%</u>	<u>5% - 25%</u>	<u>1.6%</u>	<u>\$5.9</u>
	<b>18.0%</b>	<b>5% - 25%</b>	<b>6.8%</b>	<b>\$24.7</b>
<b>TOTALS</b>	<b>100%</b>		<b>100%</b>	<b>\$360.9</b>

#### 4<sup>th</sup> Quarter 2015 Fund-Level Transactions

The net cash drawdown requirement for the Fund (to cover the 3<sup>rd</sup> quarter 2015 spending distribution, net of new gifts/withdrawals and expenses) was \$1.3 million. To provide cash for this distribution the funds were taken from the Long Term Mellon Cash account during the 4<sup>th</sup> quarter. No other re-balancing/reallocations were conducted at that time.

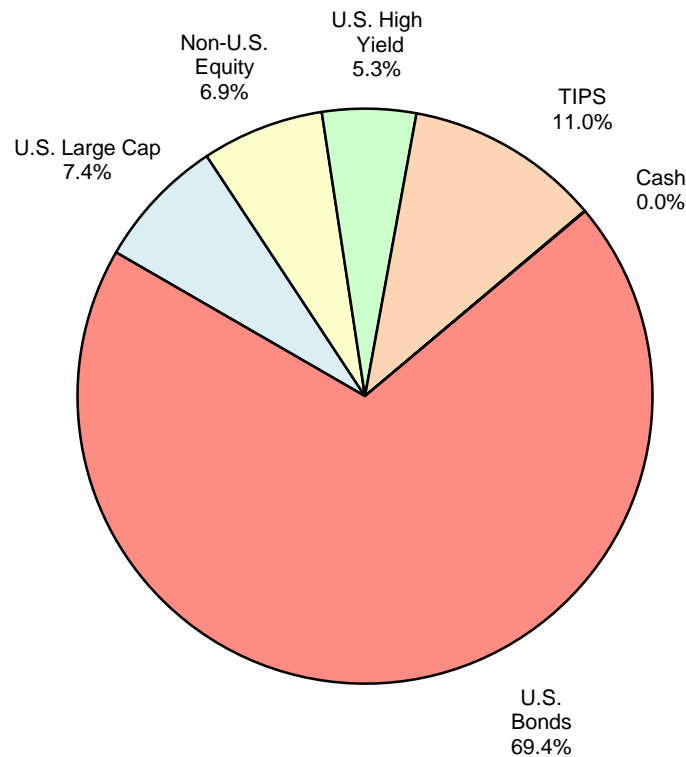
## Intermediate Term Fund

The change in the net assets of the Intermediate Term Fund is summarized below.

<b>Intermediate Term Fund:</b> <b>Change in Net Assets</b> <i>Quarter Ended December 31, 2015</i>		
Beginning Market Value (9/30/15)	\$	84,962,402
Quarterly Interest Drawdown (Net of Expenses)		(438,387)
Net Contributions/(Withdrawals)		(2,362,633)
Investment Management and Administrative Expenses		(42,571)
Realized Investment Gains/(Losses)		590,671
Unrealized Gains/(Losses)		<u>(507,065)</u>
Ending Market Value (12/31/15)*	\$	82,202,416

*\*Note: Net contributions/withdrawals and investment management expenses are those processed "as of" the prior quarter-end but processed early in the current quarter; therefore the ending market value shown equals the custodian's market value and does not reflect net contributions/distributions and expenses to be processed "as of" the current quarter-end. Expenses are netted out from the interest drawdown.*

<b>Intermediate Term Fund: Asset Allocation</b> <i>Quarter Ended December 31, 2015</i>
---



Intermediate Term Fund: Actual Versus Target Asset/Strategy Allocation				
Quarter Ended December 31, 2015				
Asset Class/Strategy	Target Allocation (%)	Min./Max. Guidelines	Current Allocation (%)	Current Allocation (\$MM)
<b>Growth/High Yield Assets</b>				
Global Developed Market Equities	15%	5% - 20%	14.3%	\$11.7
Emerging Market Equities	0%	0% - 5%	0.0%	\$0.0
High Yield Debt/Credit	<u>5%</u>	<u>0% - 10%</u>	<u>5.3%</u>	<u>\$4.3</u>
	<b>20%</b>	<b>5% - 25%</b>	<b>19.6%</b>	<b>\$16.0</b>
<b>Event Risk- and Deflation-Hedge Assets</b>				
U.S. High Quality Debt/Credit	50%	40% - 75%	69.0%	\$56.7
U.S. Cash	5%	0% - 15%	0.5%	\$0.4
Absolute Return	<u>10%</u>	<u>5% - 15%</u>	<u>0.0%</u>	<u>\$0.0</u>
	<b>65%</b>	<b>45% - 80%</b>	<b>69.5%</b>	<b>\$57.1</b>
<b>Real and Inflation-Hedge Assets</b>				
U.S. TIPS	<u>15%</u>	<u>5% - 30%</u>	<u>11.0%</u>	<u>\$9.0</u>
	<b>15%</b>	<b>15% - 25%</b>	<b>11.0%</b>	<b>\$9.0</b>
<b>TOTALS</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>\$82.2</b>

#### 4<sup>th</sup> Quarter 2015 Fund-Level Transactions

The transactions required as of the end of the 3<sup>rd</sup> quarter and conducted during the 4<sup>th</sup> quarter were as follows: \$480,958 in interest and dividends were drawn down, out of which quarterly expenses were paid, and net new Fund contributions/withdrawals required a draw-down of \$2,362,633, which was taken from the Intermediate Term Mellon Cash account. No other re-balancing/reallocations were conducted at that time.

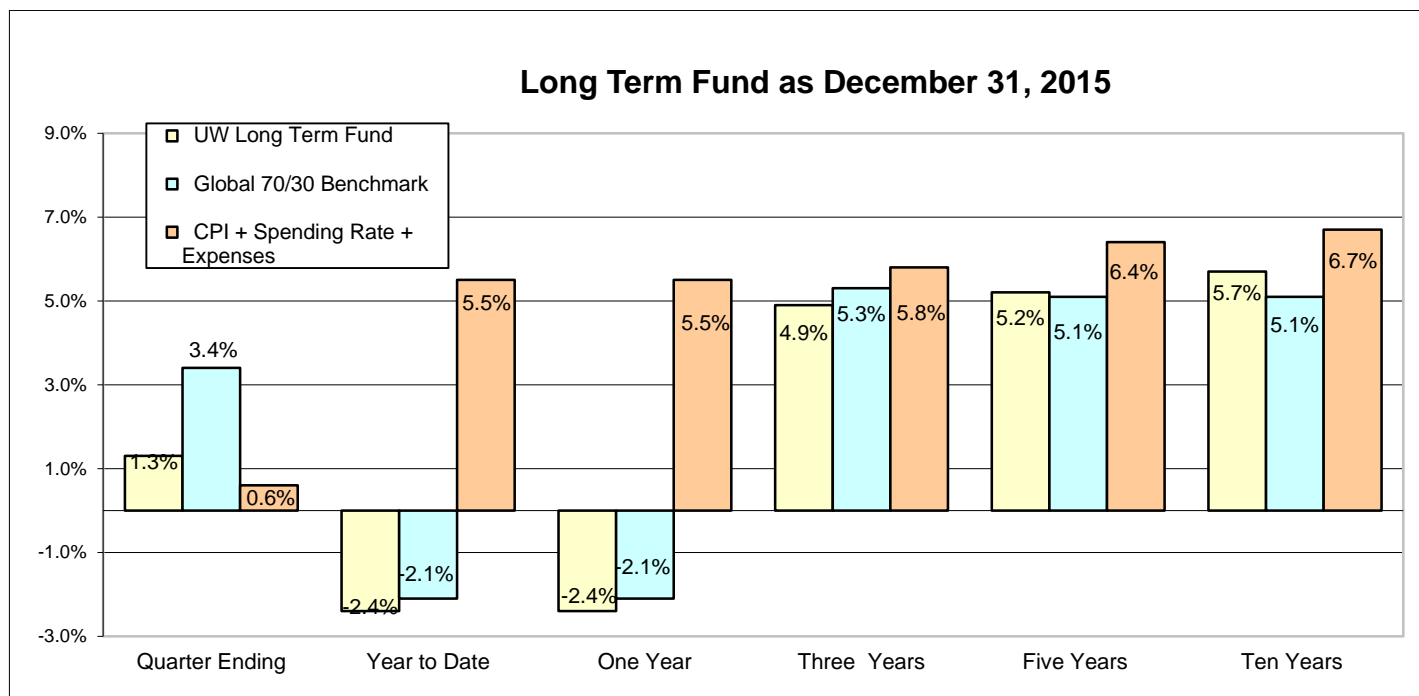
## **SECTION 3: PERFORMANCE ANALYSIS**



## INVESTMENT PERFORMANCE ANALYSIS

### Long Term Fund: Composite

Performance results for the Long Term Fund are shown below, both graphically and in table format.



<b>Long Term Fund: Composite</b>							
<i>Investment Performance: Periods Ended December 31, 2015</i>							
	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Ten Years	Risk <sup>1</sup>
<b>Long Term Fund</b>	<b>1.3%</b>	<b>-2.4%</b>	<b>-2.4%</b>	<b>4.9%</b>	<b>5.2%</b>	<b>5.7%</b>	<b>9.4%</b>
Global 70/30 Benchmark <sup>2</sup>	3.4%	-2.1%	-2.1%	5.3%	5.1%	5.1%	12.6%
U.S.-centric 70/30 Benchmark <sup>3</sup>	4.4%	1.1%	1.1%	9.6%	8.6%	6.2%	10.9%
CPI + Spending Rate + Expenses <sup>4</sup>	0.6%	5.5%	5.5%	5.8%	6.4%	6.7%	N/A
Peer Median <sup>5</sup>	2.3%	-1.0%	-1.0%	6.8%	6.3%	5.4%	N/A
Peer Ranking: Percentile	79 <sup>th</sup>	82 <sup>nd</sup>	82 <sup>nd</sup>	72 <sup>nd</sup>	80 <sup>th</sup>	43 <sup>th</sup>	N/A

<sup>1</sup> Risk is measured by the annualized standard deviation of monthly returns over the past ten years.

<sup>2</sup> The "Global 70/30 benchmark" is comprised of 70% MSCI ACWI and 30% Barclay's Global Aggregate Bond indexes.

<sup>3</sup> The "U.S.-centric 70/30 benchmark" is comprised of 55% S&P 500, 15% MSCI EAFE (unhedged), and 30% Barclay's U.S. Aggregate Bond.

<sup>4</sup> The annual spending rate is 4.0%, expenses are assumed to average 0.80% per year, and change in CPI is used as the inflation indicator.

<sup>5</sup> Peer data is from the Russell Mellon Analytical Services trust universe database based on the "Foundations and Endowments < \$1 Billion" classification.

## Long Term Fund: Growth and High-Yielding Assets

The tables that follow provide investment performance data by individual investment manager/portfolio.

Long Term Fund: Growth and High-Yielding Assets						
Investment Performance: Periods Ended December 31, 2015						
Asset Class/Strategy	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Mgr Inception
<b>Global Tactical Asset Allocation</b>						
<b>GMO Real Return Global Balanced<sup>1</sup></b>	<b>1.6%</b>	<b>-4.2%</b>	<b>-4.2%</b>	<b>4.3%</b>	<b>5.7%</b>	<b>5.6%</b>
GMO Benchmark	3.2%	-0.2%	-0.2%	6.2%	5.4%	4.2%
Global 70/30 Benchmark <sup>2</sup>	3.3%	-2.1%	-2.1%	5.3%	5.0%	4.8%
<b>U.S. Large-Cap Equity</b>						
<b>UBS Global Asset Mgt<sup>3</sup></b>	<b>4.4%</b>	<b>-1.1%</b>	<b>-1.1%</b>	<b>15.9%</b>	<b>12.1%</b>	<b>7.3%</b>
S&P 500	7.0%	1.4%	1.4%	15.1%	12.5%	6.3%
<b>U.S. Mid/Small-Cap Equity</b>						
<b>Russell Mid-Cap ETF<sup>4</sup></b>	<b>3.6%</b>	<b>-2.5%</b>	<b>-2.5%</b>	<b>14.0%</b>	<b>11.2%</b>	<b>6.2%</b>
Russell Mid-Cap	3.6%	-2.4%	-2.4%	14.2%	11.4%	6.3%
<b>Developed Market Non-U.S. Equity</b>						
<b>UBS International Fund<sup>5</sup></b>	<b>3.8%</b>	<b>-5.6%</b>	<b>-5.6%</b>	<b>3.2%</b>	<b>2.3%</b>	<b>4.6%</b>
MSCI EAFE (Unhedged)	4.8%	-0.4%	-0.4%	5.5%	4.1%	4.9%
MSCI EAFE (Hedged)	6.0%	2.4%	2.4%	9.1%	4.7%	2.4%
<b>Emerging Market Equity</b>						
<b>GMO Emerging Markets Fund<sup>6</sup></b>	<b>-0.2%</b>	<b>-16.2%</b>	<b>-16.2%</b>	<b>-9.6%</b>	<b>-6.6%</b>	<b>7.1%</b>
MSCI Emerging Markets	0.7%	-14.9%	-14.9%	-6.8%	-4.8%	8.2%
S&P/IFC Investable Composite	2.5%	-12.4%	-12.4%	-4.9%	-3.7%	9.4%
<b>U.S. High Yield</b>						
<b>Seix Advisors U.S. High Yield<sup>7</sup></b>	<b>-2.8%</b>	<b>-4.9%</b>	<b>-4.9%</b>	<b>1.4%</b>	<b>4.2%</b>	<b>5.2%</b>
Barclays Corporate High Yield	-2.1%	-4.5%	-4.5%	1.7%	5.0%	6.4%

<sup>1</sup> The inception date for the GMO Real Return Global Balanced Fund is February 1, 2006. The benchmark consists of 60% MSCI World, 20% Citigroup 3 month T-Bill, and 20% Lehman Aggregate.

<sup>2</sup> The "Global 70/30 benchmark" is comprised of 70% MSCI ACWI and 30% Barclay's Global Aggregate Bond indexes.

<sup>3</sup> The inception date for UBS Global Asset Mgt is December 1, 1997.

<sup>4</sup> The inception date for the Russell Mid-Cap ETF is May 4, 2007.

<sup>5</sup> The inception date for the UBS International Fund is December 1, 1997.

<sup>6</sup> The inception date for the GMO Emerging Markets Fund is November 1, 2003.

<sup>7</sup> The inception date for the Seix Advisors U.S. High Yield Fund is April 17, 2006.

Long Term Fund: U.S. Equity Composite						
Investment Performance: Periods Ended December 31, 2015 <sup>1</sup>						
	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Inception
<b>Long Term Fund U.S. Equity<sup>2</sup></b>	<b>4.2%</b>	<b>-1.3%</b>	<b>-1.3%</b>	<b>15.7%</b>	<b>11.8%</b>	<b>7.1%</b>
Russell 3000	6.3%	0.5%	0.5%	14.7%	12.2%	6.0%

<sup>1</sup> As the Long Term Fund's allocation to U.S. Equity is comprised of allocations to various equity subclasses (e.g., large-, mid-, small-cap), performance and risk data are also shown for a composite of the Fund's U.S. equity exposure versus a broader market benchmark.

<sup>2</sup> The inception date for the Long Term Fund U.S. Equity composite is February 28, 1998. The U.S. Equity composite does not include equities held within the GMO Global Tactical Asset Allocation strategy.

Performance data on Private Equity, presented in a different fashion and lagged by one quarter due to the nature of this unique asset class, is provided below. Note too that each of the investment managers and “funds” listed below are in fact “funds-of-funds,” comprised of many underlying private equity limited partnerships/funds.

<b>Private Equity</b>						
<i>Investment Results: As of September 30, 2015</i>						
Fund of Funds	Commitments	Dollars Drawn	Remaining Unfunded Commitments	Dollars Returned	Investment Value (Equity)	Equity + Dollars Returned
<b>Adams Street Partners</b>						
2002 Funds	\$10,000,000	\$9,533,500	\$466,500	\$11,998,351	\$3,282,968	\$15,281,319
2004 Funds	15,000,000	14,261,625	738,375	13,977,272	6,477,859	20,455,131
2008 Funds	5,000,000	4,185,750	814,250	2,513,358	4,001,235	6,514,593
2009 Funds	4,000,000	2,998,400	1,001,600	1,089,485	3,091,959	4,181,444
2010 Funds	3,500,000	2,334,325	1,165,675	661,954	2,499,304	3,161,258
2012 Global Fund	3,500,000	1,753,150	1,746,850	72,252	1,865,440	1,937,692
2013 Global Fund	4,000,000	1,458,000	2,542,000	11,849	1,514,877	1,526,726
2014 Global Fund	5,000,000	1,225,000	4,117,500	59,469	1,206,604	1,266,073
2015 Global Fund	6,000,000	162,000	5,838,000	0	156,328	156,328
	\$56,000,000	\$37,911,750	\$18,088,250	\$30,383,990	\$24,096,574	\$54,480,564
<b>J.P. Morgan</b>						
Corporate Finance II (2002)	10,000,000	9,621,202	378,798	14,113,485	3,416,817	17,530,302
Corporate Finance III (2006)	2,000,000	1,931,716	68,284	2,212,518	1,167,878	3,380,396
Venture Capital III (2006)	8,000,000	7,855,326	144,674	4,759,839	8,460,342	13,220,181
Corporate Finance IV (2008)	9,000,000	6,610,452	2,389,548	2,873,940	6,804,865	9,678,805
Venture Capital IV (2008)	3,000,000	2,478,873	521,127	990,721	3,299,565	4,290,286
Global Private Equity V (2013)	10,000,000	3,300,442	6,699,558	0	4,149,553	4,149,553
	\$42,000,000	\$31,798,011	\$10,201,989	\$24,950,503	\$27,299,020	\$52,249,523
<b>TOTALS</b>	<b>\$98,000,000</b>	<b>\$69,709,761</b>	<b>\$28,290,239</b>	<b>\$55,334,493</b>	<b>\$51,395,594</b>	<b>\$106,730,087</b>

The performance numbers shown below are intra-period internal rates of return (IRR) for each manager’s entire portfolio, as calculated by the managers.

<b>Private Equity</b>				
<i>Investment Performance: As of September 30, 2015</i>				
	One Year	Three Years	Five Years	Since Manager Inception <sup>1</sup>
<b>Adams Street Partners<sup>1</sup></b>	<b>10.7%</b>	<b>13.6%</b>	<b>13.0%</b>	<b>11.1%</b>
Burgiss Benchmark <sup>2</sup>	7.8%	13.5%	13.2%	10.3%
Public Markets Benchmark <sup>3</sup>	-4.2%	10.0%	9.3%	5.9%
<b>J.P. Morgan<sup>1</sup></b>	<b>18.4%</b>	<b>15.0%</b>	<b>14.3%</b>	<b>11.0%</b>

<sup>1</sup> The inception date for Adams Street Partners is June 21, 2003; the inception date for JP Morgan is January 14, 2003. Manager returns are net of underlying partnership fees and expenses, but gross of manager fees.

<sup>2</sup> Burgiss Benchmark utilizes pooled Burgiss cash flows for vintage years 2002 through 2015.

<sup>3</sup> The Public Markets Benchmark for Adams Street Partners is calculated using the MSCI World index. The benchmark returns are derived from assuming cash flows in/out of Trust Funds’ private equity portfolios are instead made in/out of global public equities.

### Long Term Fund: Event-Risk and Deflation-Hedge Assets

Long Term Fund: Event-Risk and Deflation-Hedge Assets						
Investment Performance: Periods Ended December 31, 2015						
Asset Class/Strategy	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Inception
<b>U.S. Treasurys</b>						
<b>Applied Security Analysis Program<sup>1</sup></b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>1.4%</b>
Citigroup U.S. Treasury 1-10 Year	-0.9%	1.2%	1.2%	0.8%	2.1%	3.6%
Cash (1 month Treasury Bill)	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%

<sup>1</sup> On a tactical basis, this portfolio has been maintained in "cash" since former portfolio holdings were liquidated in the transition away from a broad-market bond portfolio benchmarked to the Lehman Aggregate Bond Index. This portfolio transition began on December 1, 2005 and liquidations to cash were largely completed by September/July 2006. Eventually, the portfolio will be structured as a passive, laddered portfolio of U.S. Treasurys.

### Long Term Fund: Real and Inflation-Hedge Assets

Long Term Fund: Real and Inflation-Hedge Assets						
Investment Performance: Periods Ended December 31, 2015						
Asset Class/Strategy	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Inception
<b>U.S. TIPS</b>						
<b>Applied Security Analysis Program<sup>1</sup></b>	<b>-0.6%</b>	<b>-1.5%</b>	<b>-1.5%</b>	<b>-2.3%</b>	<b>2.5%</b>	<b>3.9%</b>
Citigroup Inflation Linked Securities	-0.6%	-1.7%	-1.7%	-2.4%	2.6%	4.0%

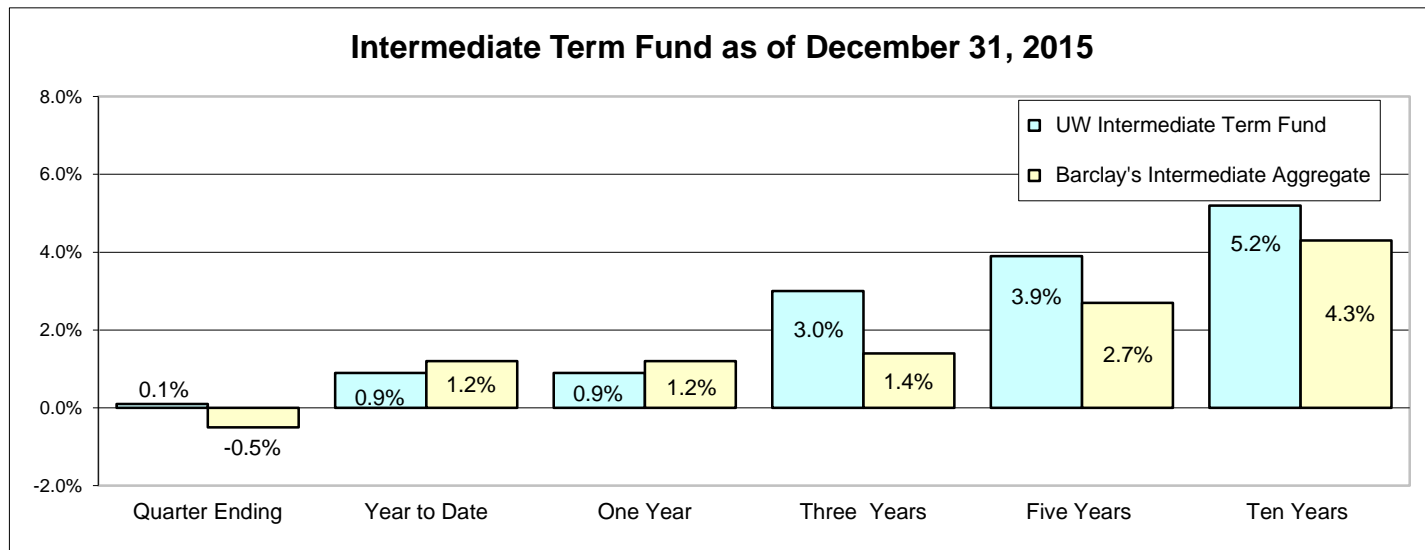
<sup>1</sup> This portfolio was transitioned away from a broad-market bond portfolio benchmarked to the Lehman Aggregate Bond Index beginning on December 1, 2005. The portfolio is now structured as a passive, laddered portfolio of U.S. TIPS.

Long Term Fund: Real and Inflation-Hedge Assets						
Investment Performance: Periods Ended December 31, 2015						
Fund	Commitments	Dollars Drawn	Remaining Unfunded Commitments	Dollars Returned	Investment Value (Equity)	Equity + Dollars Returned
<b>GMO</b>						
Forestry Fund 9 <sup>1</sup>	\$ 6,000,000	\$5,898,000	\$102,000	\$0	\$6,425,770	\$6,425,770

<sup>1</sup> The inception date for the GMO Forestry Fund 9 is August 10, 2010.

## Intermediate Term and Income Funds

Returns for the Intermediate Term Fund overall and by individual manager are provided below.



<b>Intermediate Term Fund: Composite</b>						
<i>Investment Performance: Periods Ended December 31, 2015</i>						
	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Ten Years
<b>Intermediate Term Fund</b>	<b>0.1%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>3.0%</b>	<b>3.9%</b>	<b>5.2%</b>
Barclay's Intermediate Aggregate <sup>1</sup>	-0.5%	1.2%	1.2%	1.4%	2.7%	4.3%
Policy Portfolio Benchmark <sup>2</sup>	0.4%	0.4%	0.4%	2.1%	2.8%	3.4%
U.S. Consumer Price Index	-0.6%	0.7%	0.7%	1.0%	1.6%	1.9%

<sup>1</sup> 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."

<sup>2</sup> The Policy Portfolio benchmark consists of the following indexes: 15% MSCI World, 5% Barclay's Corporate High Yield, 50% Barclay's U.S. Intermediate Aggregate Bond Index, 5% 1-month U.S. T-Bill, 10% HFRX Absolute Return, and 15% Barclay's 0-5 Year TIPS.

The following table provides performance data by individual investment manager/portfolio.

<b>Intermediate Term Fund</b>						
<i>Investment Performance: Periods Ended December 31, 2015</i>						
Asset Class/Strategy	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Since Mgr Inception*
<b>Intermediate U.S. Fixed Income</b>						
<b>Reams Asset Management<sup>1</sup></b>	<b>-0.6%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.8%</b>	<b>3.4%</b>	<b>5.5%</b>
<b>Applied Security Program<sup>1</sup></b>	<b>-0.6%</b>	<b>1.3%</b>	<b>1.3%</b>	<b>1.7%</b>	<b>2.7%</b>	<b>4.9%</b>
Barclay's Intermediate Aggregate	-0.5%	1.2%	1.2%	1.4%	2.7%	4.9%
<b>Multi-Asset Portfolio<sup>2</sup></b>	<b>1.7%</b>	<b>-0.6%</b>	<b>-0.6%</b>	<b>4.8%</b>	<b>4.8%</b>	<b>4.1%</b>

<sup>1</sup> Inception date for Reams and Applied Securities is February 1998.

<sup>2</sup> The Intermediate Term Fund's "Multi-Asset Portfolio", which began June 30, 2008, consists of U.S. and Non-U.S. Equities, U.S. TIPS, and High Yield Debt. These investments are primarily managed through ETFs.

The Income Fund, which is SWIB's short-term investment fund for the State, performed as follows:

<b>Income Fund</b>						
<i>Investment Performance: Periods Ended December 31, 2015</i>						
	Quarter Ending	Year To Date	One Year	Three Years	Five Years	Ten Years
<b>Income Fund</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>1.4%</b>
Cash (1 month Treasury Bill)	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%

The current annualized yield for the Income Fund is **0.202%**.

## **SECTION 4: RISK ANALYSIS**

## REVIEW OF PORTFOLIO CHARACTERISTICS, RISK AND COMPLIANCE

### Long Term Fund: Composite

#### Fund-Level Constraints

One fund-level constraint is set by statute. Compliance with this statute is demonstrated below. Fund-level asset allocation constraints are given in the “Fund Overviews” section.

	Maximum Permitted	Allocation as of December 31, 2015
<b>Allocation to public equities:</b>	85%	<b>50.4%</b> <sup>1</sup>
<b>Allocation to public and private equities:</b>	N/A	<b>64.3%</b>

<sup>1</sup> Note: This percent does not include Private Equity or any net long equity position within GMO's Multi-Strategy hedge fund-of-funds.

#### Risk Measures

Currently, the only statistical measurement made of overall risk is annualized standard deviation of monthly returns. Standard deviations of overall Fund returns for various timeframes are shown below. Also shown are the resulting Sharpe ratios, or return per unit of risk, a common measurement of portfolio efficiency.

<b>Standard Deviation:</b> Periods Ended December 31, 2015				
	1 year	3 year	5 year	10 year
<b>Long Term Fund</b>	<b>7.3%</b>	<b>6.7%</b>	<b>7.7%</b>	<b>9.4%</b>
Global 70/30 Benchmark <sup>1</sup>	9.3%	8.1%	9.6%	12.6%
U.S.-centric 70/30 Benchmark <sup>2</sup>	9.1%	7.5%	8.3%	10.9%

<sup>1</sup> The “Global 70/30 benchmark” is comprised of 70% MSCI ACWI and 30% Barclay's Global Aggregate Bond indexes.

<sup>2</sup> The “U.S.-centric 70/30 benchmark” is comprised of 55% S&P 500, 15% MSCI EAFE (unhedged), and 30% Barclay's U.S. Aggregate Bond indexes.

<b>Sharpe Ratio<sup>1</sup>:</b> Periods Ended December 31, 2015				
	1 year	3 year	5 year	10 year
<b>Long Term Fund</b>	<b>-0.19</b>	<b>0.78</b>	<b>0.70</b>	<b>0.51</b>
Global 70/30 Benchmark	-0.22	0.65	0.52	0.32
U.S.-centric 70/30 Benchmark	0.12	1.28	1.03	0.47

<sup>1</sup> Note: The Sharpe measure of risk-adjusted performance is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance. Sharpe ratios for periods where portfolio returns less the risk free rate are negative or zero are not meaningful and are shown as N/A.

### Long Term Fund: Individual Manager Portfolios

For separately-managed accounts within the Long Term Fund, the following investment guideline constraints apply:

#### Equity Separate Accounts:

- Maximum of 5% in cash
- Maximum of 15% in any one industry (SIC Classification)
- Maximum of 7% in any one company

#### Fixed Income Separate Accounts (Investment-Grade):

- The only fixed income separate accounts managed within the Long Term Fund currently are the U.S. Treasuries and U.S. TIPS portfolios. These portfolios are being managed passively to mirror their respective market benchmarks.

#### Comments

**As of the current quarter-end, no separate account managers were in violation of their constraints.**



## **Intermediate Term Fund: Composite**

### **Fund-Level Constraints**

There are currently no fund-level constraints for the Intermediate Term Fund other than asset allocation constraints described in the “Fund Overviews” section.

### **Risk Measures**

Currently, the only statistical measurement made of overall risk is annualized standard deviation of monthly returns. Standard deviations of overall Fund returns for various timeframes are shown below. Also shown are the resulting Sharpe ratios, or return per unit of risk, a common measurement of portfolio efficiency.

<b>Standard Deviation:</b> <i>Periods Ended December 31, 2015</i>				
	1 year	3 year	5 year	10 year
<b>Intermediate Term Fund</b>	<b>2.4%</b>	<b>2.8%</b>	<b>3.3%</b>	<b>4.3%</b>
Barclay's Intermediate Aggregate <sup>1</sup>	1.9%	2.1%	2.0%	2.5%

<sup>1</sup> 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.”

<b>Sharpe Ratio<sup>1</sup>:</b> <i>Periods Ended December 31, 2015</i>				
	1 year	3 year	5 year	10 year
<b>Intermediate Term Fund</b>	<b>0.35</b>	<b>1.10</b>	<b>1.14</b>	<b>0.95</b>
Barclay's Intermediate Aggregate <sup>1</sup>	0.64	0.67	1.39	1.25

<sup>1</sup> Note: The Sharpe measure of risk-adjusted performance is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance.

## **Intermediate Term Fund: Individual Manager Portfolios**

For separately-managed accounts within the Intermediate Term Fund, the following investment guideline constraints apply:

The investment constraints for Reams Asset Management are as follows:

- Average portfolio modified duration within +/- two years from the benchmark's duration. There is no duration restriction on individual holdings.
- Minimum of 85% of portfolio holdings shall be rated BBB or higher (investment grade) by one of the major rating agencies at purchase. There are no quality restrictions on individual holdings.
- Average portfolio quality of A or higher.
- Maximum of 15% in dollar-denominated issues of foreign issuers (“Yankees”). Non-U.S. dollar- denominated securities are prohibited.
- Maximum of 15% in any single credit industry at time of purchase, U.S. Government/Agency sectors exempted.
- Maximum of 3% in any one issuer at time of purchase, U.S. Government/Agency issues exempted.
- Use of derivatives is prohibited.
- Private Placements (Rule 144A) securities are permitted, subject to the foregoing quality and diversification guidelines.

The investment constraints for Applied Securities are as follows:

- Average portfolio modified duration within +/- one year from the benchmark's duration.
- All securities must have a minimum quality rating of BBB (investment grade).
- Average portfolio quality of AA.
- Maximum of 15% in dollar-denominated issues of foreign issuers (“Yankees”).
- Maximum of 25% in any one broad-market bond sector, U.S. Government/Agency sectors exempted (if an index has more than 25%, then up to 110% of the index weight).
- Maximum of 7% in any one issuer, U.S. Government/Agency issues exempted.

### **Comments**

***As of the current quarter-end, no separate account managers were in violation of their constraints.***

UW System Tripp Trust Fund  
Allocation

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves a one-time transfer of \$200,000 from the Tripp Trust Fund income account to the Tripp Trust Fund-Brittingham House Maintenance account.

## **UW SYSTEM TRIPP TRUST ALLOCATION**

### **BACKGROUND**

In 1955, the home built in 1916 by Thomas E. and Mary Brittingham was donated to the University of Wisconsin. It was designated as the official residence of the UW System president in 1977. Brittingham House is used frequently for receptions, business meetings, and other public events which may include over 2,000 visitors per year.

### **REQUESTED ACTION**

Approval of Resolution I.2.g.

### **DISCUSSION AND RECOMMENDATIONS**

The Tripp Trust Fund is a Board-designated endowment gifted from the 1921 estate of Jedediah Stephens Tripp. The Board has designated that only investment income may be used for specified purposes. In May 1990, the Board allocated \$30,000 annually from the income account of the Tripp Trust Fund to fund maintenance, regular refurbishment and updating of decorations. Prior to 2013-14, expenditures were relatively minor with the exception of approximately \$92,000 spent in 2005 on landscaping of the 15-acre semi-wooded grounds.

On December 6, 2013, the Board of Regents approved a one-time expenditure of the accumulated balance in the Tripp Fund-Brittingham House Maintenance account of \$223,000 and an additional withdrawal of \$275,000 to address various renovation needs at the property. This was the first appreciable renovation effort undertaken at the property since 1969.

Maintenance of the house and grounds is provided by the UW-Madison Facilities Planning & Management (FP&M) department. In the last two years various non-routine maintenance items such as floor sanding and carpet replacement, repair and restoration of interior vestibule walls, bathroom retrofits, window treatments, electrical lighting replacements, and furniture repair were managed by its facilities staff. Therefore, funds in the amount of \$200,000 are requested to reimburse FP&M for its work.

### **RELATED REGENT RESOLUTION**

Board of Regents resolution 10296, adopted December 6, 2013, authorizing an expenditure of \$498,000 to fund the renovation of the Brittingham House property.

Agenda Item 1.2.h.  
will be handed  
out at the meeting

UW-Madison Contractual Agreement  
with Agilis Biotherapeutics

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the contractual agreement between the Board of Regents of the University of Wisconsin System, doing business as UW-Madison, and Agilis Biotherapeutics.

## **UW-MADISON CONTRACTUAL AGREEMENT WITH AGILIS**

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

UW System Board of Regents policy requires any grant or contract with private profit-making organizations in excess of \$1,000,000 be presented to the Board for formal approval prior to execution.

#### **REQUESTED ACTION**

Adoption of Resolution I.2.i., approving the contractual agreement between the Board of Regents and Agilis Biotherapeutics.

#### **DISCUSSION AND RECOMMENDATIONS**

Waisman Biomanufacturing, with assistance from the Office of Industrial Partnerships at the University of Wisconsin-Madison, has negotiated a Fee for Service agreement with Agilis Biotherapeutics. In consideration for providing the requested services, Agilis Biotherapeutics shall pay the University \$1,515,000. The service project is anticipated to be conducted during the period from June 1, 2016 through March 31, 2019. The service work will be conducted in the Waisman Center under the direction of Dr. Derek Hei.

The project is titled, “Scale-Up and Production of AGIL-FA AAV5 for a Phase 1 Clinical Trial.” Agilis Biotherapeutics is developing therapeutics for Friedreich’s ataxia, a rare inherited genetic disease that causes progressive damage to the nervous system. Agilis is partnering with Waisman Biomanufacturing at the Waisman Center to manufacture their lead therapeutic candidate for early human clinical trials. Services include manufacturing, Quality Control testing, and Quality Assurance release of two manufacturing lots to support IND-enabling toxicology studies and a Phase 1 clinical trial.

#### **RELATED REGENT POLICIES**

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

UW-Eau Claire Dining Services Agreement  
with Sodexo Operations, LLC

BUSINESS AND FINANCE COMMITTEE

RESOLUTION:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Eau Claire and the President of the University of Wisconsin System, the Board of Regents approves the Dining Services contractual agreement between the University of Wisconsin System Board of Regents, doing business as the University of Wisconsin-Eau Claire, and Sodexo Operations, LLC to provide Dining Services for a period of one (1) year, effective June 1, 2016 with nine (9) one-year renewal options.

## **UW-EAU CLAIRE DINING SERVICES AGREEMENT WITH SODEXO OPERATIONS, LLC**

### **EXECUTIVE SUMMARY**

#### **BACKGROUND**

UW Board of Regents policy 13-1 requires any grant or contract with private profit-making organizations in excess of \$1,000,000 be presented to the Board for formal acceptance prior to execution.

The University of Wisconsin-Eau Claire ran a competitive Request for Proposal (RFP) process (PS-16-2157) to seek a Dining Services contractor for the institution and is seeking approval for award.

#### **REQUESTED ACTION**

Approval of Resolution I.2.j.

#### **DISCUSSION**

UW-Eau Claire has contracted for dining services since the 1970's, with the current contract expiring on May 31, 2016. In response to Request for Proposal (PS-16-2157 Dining Services) one vendor submitted a proposal. Sodexo Operations, LLC was selected as the winning provider of these services. A nine-member evaluation committee, including three students, five staff members and one external reviewer completed the scoring process which was led by UW System Procurement staff. The Sodexo Operations, LLC proposal meets all of the UW-Eau Claire desired outcomes.

Some highlights of the contract are as follows:

- Contractor will assume operation of the Dining Services under the new contract on June 1, 2016 for one (1) year with nine (9) one-year extensions. For a potential ten (10) year contract.
- The contractor will operate all dining services, including the residential dining program, retail operations, catering, conferences, camps and summer activities.
- Annual net revenue to the Contractor is valued at approximately \$11.4 million per year.
- The estimated savings from the previous contract is \$1.14 million annually for a 15.2% reduction.



- Estimated revenue to the vendor for life of the contract: \$114.0 million.
- UW-Eau Claire will receive a minimum annual guarantee of \$550,000 in years one through five and 1.05 million in years six through ten or commission from cash sales, retail, catering, alcoholic beverage, camps/conferences, campus cash, branded concepts and all convenience store items, whichever is greater. This is a \$250,000 increase in years one through five over the prior contract.
- Estimated commissions to UW-Eau Claire for life of the contract: \$8.02 million.
- The contractor will invest \$3.6 million.
- Dining options include regional/national brands such as Erbert and Gerbert's and Einstein Bros Bagels.

## **RELATED REGENT POLICIES**

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

## **LEGISLATIVE AUDIT BUREAU FINANCIAL AUDIT OF THE UNIVERSITY OF WISCONSIN SYSTEM**

### **BACKGROUND**

As required by s. 13.94 (1) (t), Wis. Stats., the Legislative Audit Bureau completed a financial audit of the University of Wisconsin (UW) System. Based on its audit, the Bureau provided an unmodified opinion on UW System's fiscal year (FY) 2014-15 and FY 2013-14 financial statements. These financial statements and the Bureau's audit opinion are included in UW System's *2015 Annual Financial Report*, which is available on the UW System website.

The UW System Annual Financial Report includes financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board.

Members of the Legislative Audit Bureau staff involved with the audit of the University of Wisconsin System have been invited to present information to, and respond to questions from, the University of Wisconsin Board of Regents Audit Committee and Business and Finance Committee.

### **REQUESTED ACTION**

This item is informational only.

### **DISCUSSION**

As background information for the discussion, two documents are referenced and available at the links below. These documents include a copy of:

- 1) [The Independent Auditor's Report on the Financial Statements and Other Reporting Required by Government Auditing Standards](#)
- 2) [Legislative Audit Bureau Report 16-3, "University of Wisconsin System"](#)

### **RELATED REGENT POLICIES**

None.