

**Minutes of the
Business and Finance Committee
April 5, 2018**

The Business and Finance Committee was called to order at 10:46 AM by the Chair, Regent Whitburn. Roll was taken. Regents Whitburn, Hall, Mueller, and Steil were present. Regents Atwell, Delgado, and Grebe were absent. The Business and Finance Committee had a quorum.

I.2.a. Approval of the Minutes of the February 8, 2018 Meeting of the Business and Finance Committee

Upon the motion of Regent Hall and the second of Regent Steil, the Committee approved the minutes of the February 8, 2018 meeting of the Business and Finance Committee.

I.2.b. Trust Funds Quarterly Investment Review – through December 31, 2018

Director for the Office of Trust Funds Doug Hoerr provided the committee with a report on the investment performance of UW Trust Funds as of the close of calendar year 2017. Total UW Trust Fund assets increased from \$559.2M to \$573.1M over the course of the year for a total increase of \$13.9M. The Long Term (endowment) fund, representing most assets, returned +16.1% on the year, compared to its Global 70/30 benchmark of +19.4% over the same period. Looking over a more extended period, however, the Long Term Fund returned +5.3% vs its 10-year benchmark's performance of +4.5%. Inception to date performance for the Long Term Fund was +7.8% vs 6.4% for its benchmark. The Intermediate Term Fund also returned +5.3% on the year.

I.2.c. Presentation on the Transfer of UW Trust Funds Investment Responsibilities to the State of Wisconsin Investment Board (SWIB)

Regent Whitburn provided a brief history of the transfer process to date in introduction to UW System Vice President for Finance Sean Nelson's presentation on the changes resulting from the transfer of UW Trust Funds investment management activity from an internal UW System operation to the State of Wisconsin Investment Board.

With a proven track record of excellent performance, SWIB's core business function is investment management. In partnering with them, University of Wisconsin System Board of Regents improves their fiduciary oversight. Moving to a passive portfolio is projected to produce a cost savings in management and administrative fees of \$1.8M annually. The University of Wisconsin System Office of Trust Funds will continue to be responsible for the general administration, accounting, and recordkeeping of the trust funds assets services on a day-to-day basis with campuses and individual donors. Per the directive of the Board of Regents, the investment management agreement was signed by UW System President Cross and Vice President Nelson and has been in effect as of April 1, 2018. Regent Mueller offered her congratulations for a job well done and ask clarifying questions on fees, asset allocation, and restrictions on trust fund distributions. Most funds have some restrictions or discretionary use is initiated at a specified organizational level. Regent Steil, Chair of the dissolved Subcommittee on Investments, praised the efforts for strengthening fiduciary duties and cost effectiveness along with the efficient implementation process being overseen by the Offices of Finance and Trust Funds.

I.2.d. Review and Approval of Updated UW Trust Funds Investment Policy Statement

Upon the motion of Regent Steil and the second of Regent Hall, the committee approved a new Investment Policy Statement which reflects changes to the structure, management, and oversight responsibilities resulting from the shift of investment management responsibilities to the State of Wisconsin Investment Board. UW System Vice President for Finance Sean Nelson shared some of the changes regarding asset allocation, performance benchmarks, investment principles and guidelines managed by SWIB.

I.2.e. UW-Madison Request for an Exception to the Board Policy on Large, Unendowed Bequests/Gifts for a Bequest from the Estate of Barbara A. Tooman

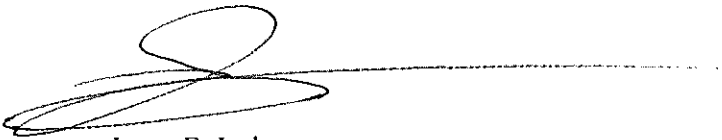
Upon the motion of Regent Mueller and the second of Regent Steil, the Committee approved an exception to Board policy that requires non-endowed gifts more than \$1M to become Board-designated endowments. The exception is being requested by the Chancellor at UW-Madison Rebecca M. Blank, who addressed the committee and sought to allow expenditure of the full amount of the bequest which is currently estimated to be approximately \$2.3M. If approved, the institution intends to use the funding in support of a major building addition to the School of Veterinary Medicine. This \$115M project requires \$40M to be raised through gift funds. The Tooman bequest would be added to the nearly \$20M raised for the project so far.

I.2.i. Report of the Vice President(s)

UW System Vice President for Administration Rob Cramer provided a brief update on the UW System Travel & Procurement program and authority to execute discount agreement contracts. UW System Vice President for Finance Sean Nelson offered two brief updates on 1) the status of securing an external audit partner with the selection of Plante Moran and 2) the Legislative Audit Bureau's recent UW Foundation Audit Report.

The Business and Finance Committee adjourned at 10:46 AM.

Respectfully submitted



Joyce E. Jackson
Recording Secretary