

# BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

## **Joint Business and Finance and Audit Committees**

Thursday, December 5, 2019  
8:00 a.m. – 8:55 a.m.

James R. Connor University Center  
UC 275  
228 Wyman Mall  
Whitewater, Wisconsin

- A. Approval of the Minutes of the Joint Meeting with the Audit Committee on June 6, 2019
- B. Plante Moran External Audit: Annual Financial Report
- C. Legislative Audit Bureau Report 19-5: Progress Report on Personnel Systems Recommendations
- D. Move into closed session to discuss audit findings and responses as required by s. 19.85(1)(c) and (d), Wis. Stats.

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## **Business & Finance Committee**

Thursday, December 5, 2019  
10:45 a.m. – 12:15 p.m.

James R. Connor University Center  
UC 259  
228 Wyman Mall  
Whitewater, Wisconsin

- A. Approval of the Minutes of the November 7, 2019 Meeting of the Business and Finance Committee
- B. UW-Whitewater Presentation: Inspire, Engage, Transform—Operational Excellence at UW-Whitewater
- C. Trust Funds Quarterly Investment Report
- D. Annual Report on Faculty Turnover

- E. Annual Report on Staff and Faculty Base Adjustments and Additional Compensation Payments for FY19
- F. Approval of a UW System Contractual Agreement with Travel Incorporated
- G. Approval of a UW System Contractual Agreement with Shorts Travel Management
- H. Approval of a UW System Contractual Agreement with Fox World Travel
- I. Approval of a UW-Oshkosh Contractual Agreement with Kings Colleges, LLC d/b/a Kings Education
- J. Approval of a UW-Madison Contractual Agreement with Boehringer Ingelheim Pharmaceuticals, Inc.
- K. Approval of a UW-Madison Contractual Agreement with ColdQuanta, LLC
- L. Approval of a UW-Madison Contractual Agreement with PPD Investigator Services, LLC, on behalf of GlaxoSmithKline LLC for DREAMM4
- M. Approval of a UW-Madison Contractual Agreement with PPD Investigator Services, LLC, on behalf of GlaxoSmithKline LLC for DREAMM5
- N. Approval of a UW-Madison Contractual Agreement with Parexel International, LLC
- O. Approval of a UW-Madison Contractual Agreement with Regeneron Pharmaceuticals, Inc.
- P. Removal of Regent Policy (RPD 11-1) "Non-Duplication Broadcast Protection Agreement", RPD 11-2: "Broadcast Stations: Procedures for Handling Complaints", RPD 11-3: "Access for Expression of Varying Viewpoints," and RPD 11-4: "Radio Broadcast Stations: Position Statement."
- Q. Removal of Regent Policy (RPD 20-7): "Outside Activity Reporting"
- R. Report of the Vice President(s)

**PLANTE MORAN EXTERNAL AUDIT:  
ANNUAL FINANCIAL REPORT**

**REQUESTED ACTION**

For information only.

**SUMMARY**

**Overview of Accrual-Based Financial Reporting**

The UW System's Annual Financial Report is prepared using full accrual-based accounting, which is required by Governmental Accounting Standards Board and measures the financial performance and position of an entity by recognizing economic events when the transactions occur, regardless of when cash is paid or received.

In accordance with GAAP (generally accepted accounting principles), the draft Annual Financial Report for the year ending June 30, 2019, includes a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. It also includes a draft unmodified or "clean" audit opinion from Plante Moran, the audit external firm.

The accompanying Notes to the Financial Statements are an integral part of the statements, including both disclosures required by GAAP and explanations intended to aid the reader in understanding the statements. In addition, the Annual Financial Report includes a "Management's Discussion and Analysis" (MD&A) that is intended to provide an objective and easily readable analysis of the UW System's financial activities.

**Analysis of Draft Financial Statements**

*Statement of Net Position* – There were several significant changes within the UW System's net position between fiscal year (FY) 2019 and FY 2018, as reflected in the following table.

Net Position (*in millions*):

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Net Investment in Capital Assets	\$ 3,587.1	\$ 3,519.6	\$ 67.5	1.9%
Restricted Net Position	1,197.6	1,600.3	(402.7)	(25.2%)
Unrestricted Net Position	<u>575.0</u>	<u>310.2</u>	<u>264.8</u>	85.3%
Total Net Position	<u>\$ 5,359.7</u>	<u>\$ 5,430.1</u>	<u>\$ (70.4)</u>	(1.3%)

The Statement of Net Position, provided on page 18-19 of the 2019 Annual Financial Report, shows that the UW System's Net Position decreased by \$70.4 million. Restricted Net Position categories—the "equity" with external limitations—have decreased between years by \$402.7 million, or 25.2%. However, the Statement of Net Position reports a \$264.8 million increase in Unrestricted Net Position in FY 2019. Unrestricted Net Position represents the difference between assets, liabilities, and deferred outflows and inflows of resources, or the UW System's equity that does not have external restrictions regarding its use or function.

These significant changes between years relate to accounting standards for pensions and other postemployment benefits, specifically Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards essentially require governmental entities to report the difference between the value of a plan's assets and the present value of projected benefit payments. In FY 2019, the Department of Employee Trust Funds, which manages the Wisconsin Retirement System, reported the pension plan's net position decreased because of investment earnings being significantly less than initially projected. As a result, the UW System's Net Pension Asset of \$399.1 million in FY 2018 swung to a \$474.4 million Net Pension Liability in FY 2019. Restricted and Unrestricted Net Position with and without these GASB accruals are presented on page 17 so readers understand the magnitude of these adjustments.

*Statement of Revenues, Expenses and Changes in Net Position* – Operating revenues, which are reported on page 20 of the 2019 Annual Financial Report, increased \$24.4 million, or 0.6%. Operating expenses increased \$304.2 million, or 6.0%, primarily due to increases in salary and fringe benefit expenses. These changes in expenses are attributed to the accrual adjustments in pension and other postemployment benefit expense and the 2017-19 pay plan that, as approved by the Joint Committee on Employment Relations approved, requiring 2% in July 2018 and an additional 2% in January 2019.

In total, an operating loss of \$1.6 billion was reported in FY 2018. The UW System's operating loss will likely continue to be significant since GASB standards require state appropriations to be reported as non-operating revenue. Within non-operating revenues, state appropriations increased by \$74.0 million and capital appropriations from the state decreased \$87.5 million in FY 2019.

## **BACKGROUND**

Analysis of the UW System's draft financial statements and notes are intended to provide management with a better understanding of operations and assist in making business decisions. The statements may also be used by Regents and other key stakeholders, including legislators and the Higher Learning Commission, in evaluating financial performance. Finally, because the UW System's financial statements are included in the State's Comprehensive Annual Financial Report (CAFR), financial institutions, such as lending and bond rating agencies, use the statements when extending debt securities to finance capital projects.

### **Previous Action or Discussion**

In June 2019, the Business & Finance and Audit Committees met with Plante Moran, the UW System's external auditors. Plante Moran communicated their responsibilities under generally accepted auditing standards and an overview of the planned scope and timing of the FY 2019 financial audit.

## **ATTACHMENTS**

- A) 2019 UW System Annual Financial Report



ANNUAL  
FINANCIAL REPORT  
2019





**Published by the Office of Finance  
University of Wisconsin System  
1220 Linden Drive  
Madison, WI 53706**

**Editor: Rod Dole**

**Cover Photo:** University of Wisconsin-Stout students walk across campus in front of Bowman Hall and its iconic 135-foot clock tower. Currently under renovation, Bowman Hall dates back to 1897 and is the university's second-oldest building. The university's founder, James Huff Stout, opened the school in 1891.

Today UW-Stout is a comprehensive, career-focused polytechnic university with an enrollment of approximately 8,500 students. The university was the first-ever higher education recipient of the prestigious Malcolm Baldrige Award, which recognizes achievement in areas such as leadership, strategic planning, information and analysis, process management, and organizational performance results. UW-Stout remains the only four-year higher education institution to win the award. The university's students, faculty, and staff use applied learning, scientific theory, and research to solve real-world problems, grow the state's economy, and serve society.

Located in scenic Menomonie, Wisconsin, the campus has a long and rich history of providing a distinct array of programs. Its students enjoy a 98.7% rate of finding employment or continuing their education after they graduate. The university is proud of its industry partnerships - with nationally recognized companies like Target, Thomson Reuters, IBM, Kohl's, and 3M - as well as its contributions to the local and regional economy. For every \$1 invested in UW-Stout, taxpayers receive \$3.50 in economic contributions. An impact study commissioned in 2016 found that, as a whole, the university contributes \$271.8 million per year to the regional economy.

**Photo Credit:** UW-Stout



# University of Wisconsin System 2019 Annual Financial Report

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# 2019 Annual Financial Report

## Regents, Chancellors, and Officers of the UW System

### OFFICERS

Raymond Cross,  
President

Sean Nelson,  
Vice President for Finance

Robert G. Cramer,  
Vice President for Administration

David Brukardt,  
Interim Vice President for Corporate Relations and  
Economic Engagement

Anny Morrobel-Sosa,  
Vice President for Academic and Student Affairs

Quinn Williams,  
General Counsel

### FINANCE STAFF

Julie Gordon,  
Senior Associate Vice President for Finance

Ginger Hintz,  
Assistant Vice President for Financial  
Administration and Controller

Rod Dole,  
Director of Financial Reporting

Renee Stephenson,  
Assistant Vice President of Budget  
Development and Planning

Charles Saunders,  
Director for Trust Funds/Assistant Trust Officer

### CHANCELLORS

James Schmidt, UW-Eau Claire

Sheryl Van Gruensven, UW-Green Bay, Interim

Joe Gow, UW-La Crosse

Rebecca M. Blank, UW-Madison

Mark Mone, UW-Milwaukee

Andrew J. Leavitt, UW-Oshkosh

Deborah Ford, UW-Parkside

Dennis J. Shields, UW-Platteville

Dean Van Galen, UW-River Falls

Bernie L. Patterson, UW-Stevens Point

Patrick Guilfoile, UW-Stout, Interim

Renée Wachter, UW-Superior

Dwight C. Watson, UW-Whitewater

### REGENTS

Robert Atwell, Green Bay

Scott Beightol, Madison

José Delgado, Waukesha

Michael Grebe, Waukesha (Regent Vice President)

Eve Hall, Milwaukee

Mike Jones, Milwaukee

Tracey Klein, Milwaukee

Becky Levzow, Madison

Edmund Manydeeds III, Eau Claire

Janice Mueller, Madison

Drew Petersen, Madison (Regent President)

Cris Peterson, Grantsburg

Jason R. Plante, Eau Claire

Carolyn Standford Taylor, Madison

Karen Walsh, Madison

Gerald Whitburn, Wausau



*Years Ended June 30, 2019 and 2018*

## INTRODUCTION FROM THE PRESIDENT

DRAFT



## INTRODUCTION FROM THE PRESIDENT

### *FINANCIAL REPORT 2019*

The University of Wisconsin System remained a vibrant institution in fiscal year 2018-19 and continues to play a significant role in the State of Wisconsin and its economy. A recent economic impact study found that the UW System contributes \$24 billion to the state's economy each year, which is a 23-fold return on Wisconsin's investment in the university. The private sector is the overwhelming beneficiary of UW System's economic impact, receiving 75 percent - or \$18 billion - annually.

In fiscal year 2018-19, the UW System had another strong year in delivering a quality, accessible, and affordable education for our students - a topic being shared with business and community leaders throughout Wisconsin as part of the UW System's All In Wisconsin tour.

Specifically:

- The UW System enrolled more than 171,600 students across its 13 universities, including 13 branch campuses.
- Approximately 32% of Wisconsin high school students enrolled in a UW institution immediately upon graduation.
- Students of color comprised more than 16% of UW System students.
- Across all UW campuses, more than 36,600 associate, bachelor's, master's and other advanced degrees were awarded, with 38% of those degrees in STEM and health-related fields.
- UW institutions also reported research expenditures of over \$1.1 billion.

### **FY 2018-2019 Annual Financial Report Highlights**

In achieving these accomplishments, the UW System's fiscal year 2018-19 Total Net Position decreased \$70.4 million, a reduction of 1.3%. A greater understanding of the UW System's financial picture can be gleaned by dissecting the 2019 Annual Financial Report at a more granular level.

Current assets minus current liabilities represent the net working capital of the UW System. The working capital at year-end represented approximately 112 days of 2018-19 operating expenses, down from 119 days at the end of 2017-18. This reduction in working capital means the UW System has fewer resources to address unexpected costs or to take advantage of new opportunities. The changes within the 2018-19 financial statements are often the result of changes in financial investment markets, federal and state legislation, and accounting principles.

The financial markets impacted the UW System's 2018-19 financial statements, most notably through changes in the Wisconsin Retirement

System (WRS), which is managed by the State of Wisconsin's Department of Employee Relations (ETF). The WRS reported a Net Pension Liability in 2018-19, with the UW System's share of that being \$474.4 million. This is a significant swing from our Restricted Net Pension Asset of \$399.1 million in 2017-18. The change is largely attributable to an investment return that was below the level anticipated by ETF and changes in the long-term expected rate of return. ETF previously assumed a long-term rate of return of 7.2% but has revised that expectation to 7.0%. With lesser earnings anticipated, the UW System will need to contribute additional funds to the WRS, to ensure the necessary dollars are available when needed. The impact this swing from an asset to a liability has on the UW System's Restricted and Unrestricted Net Position is summarized in Note 13 of the 2019 Annual Financial Report.

Federal and state legislation affected a number of items within the UW System's 2018-19 financial statements as well.

- The UW System's Salaries expense increased \$105.2 million between 2017-18 and 2018-19. This increase is largely accounted for with the 2017-19 pay plan, which the Joint Committee on Employment Relations approved in February 2018 and allowed for 2% effective July 1st, 2018 and an additional 2% effective January 1st, 2019.
- State Appropriations increased nearly \$74.0 million in 2018-19. The 2017-19 biennial budget provided additional funding to the UW System for such items as outcomes based funding and the Tommy G Thompson Center on Public Leadership. However, Capital Appropriations decreased \$87.5 million in 2018-19.
- The Student Loan Receivable balances - both current and noncurrent - decreased by \$24.1 million in 2018-19. The federal Perkins Loan Program ended in September 2015. While loan payments have been received from students, no new loans are being issued.

Finally, the UW System implemented Governmental Accounting Standards Board (GASB) Statement No. 83, Asset Retirement Obligations, in 2018-19. This GASB statement

requires the UW System to recognize a liability when there are regulatory or legal obligations for decommissioning certain capital assets. UW-Madison estimates a \$12.0 million future liability for decommissioning its nuclear reactor and reports this amount as a Noncurrent Liability.

Through all these changes, the UW System continues to be guided by 2020FWD, the strategic framework that reflects the needs and expectations of our students, citizens, communities, and businesses. 2020FWD recognizes that access to a quality education is critical in supporting the economic vitality, health, and well-being of all Wisconsin residents. To help improve student access and success, UW resident undergraduate tuition was frozen for the sixth consecutive year in 2018-19. In addition, the UW System's plan to restructure UW Colleges and UW-Extension - undertaken to ensure the UW System is in a position to provide greater access, affordability, and opportunity for our students - was officially approved by the Higher Learning Commission, effective July 1, 2018.

The UW System's financial position must support the 2020FWD initiatives, tuition freeze, and transformation of our campuses, while continuing to preserve the quality and excellence for which the UW System is known. Doing so will not only benefit UW graduates but also the State of Wisconsin.

Ray Cross, President



*Years Ended June 30, 2019 and 2018*

## INDEPENDENT AUDITOR'S REPORT

DRAFT

# DRAFT

## Independent Auditor's Report

To the Joint Legislative Audit Committee;  
Members of the University of Wisconsin Board of Regents;  
and Dr. Raymond Cross, President  
University of Wisconsin System

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the University of Wisconsin System (the "UW System"), an enterprise fund of the State of Wisconsin, and its aggregate discretely presented component units as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the University of Wisconsin System's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management of UW System is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for the UW System, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The aggregate discretely presented component units were not audited under Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Joint Legislative Audit Committee;  
Members of the University of Wisconsin Board of Regents;  
and Dr. Raymond Cross, President  
University of Wisconsin System

### ***Opinion***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Wisconsin System and its aggregate discretely presented component units as of June 30, 2019 and 2018 and the changes in its financial position and its cash flows, where applicable thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

We draw attention to Note 1, which explains that these financial statements present only the University of Wisconsin System, an enterprise fund of the State of Wisconsin, and its aggregate discretely presented component units, and do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of June 30, 2019 and 2018 and the changes in its financial position and the changes in its cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of UW System's proportionate share of the net pension (asset) liability and OPEB liability, the schedule of UW System's pension and OPEB contributions, and the related notes, are to be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the UW System's financial statements. The introduction from the president on pages 4 and 5 and the supplementary information on pages 88 and 89 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introduction from the president and the supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2019 on our consideration of University of Wisconsin System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering University of Wisconsin System's internal control over financial reporting and compliance.

December 5, 2019



*Years Ended June 30, 2019 and 2018*

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

DRAFT

## **Management's Discussion and Analysis**

The following discussion and analysis provides an overview of the financial position and activities of the University of Wisconsin System (University) for the years ended June 30, 2019 and 2018, with comparative information for the year ended June 30, 2017, where appropriate. This discussion has been prepared by management, is unaudited, and should be read in conjunction with the financial statements and footnotes.

The University is made up of 13 four-year universities and 13 additional campuses affiliated with seven of the four-year institutions. In academic year 2018-2019, the University enrolled 171,636 students, employed approximately 32,456 faculty and staff, and granted 36,690 associate, bachelor's, master's, and other advanced degrees. University institutions were awarded over \$985.7 million in federal grants and contracts in fiscal year 2019 and an additional \$688.5 million from non-federal sponsors. The University has a long tradition of public service, embodied by an ongoing commitment to the Wisconsin Idea, that the boundaries of the University are the boundaries of the State.

<b>Degrees Granted</b>		<b>Headcount Enrollments</b>	
<i>UW-Madison</i>	<i>11,062</i>	<i>UW-Madison</i>	<i>44,116</i>
<i>UW-Milwaukee</i>	<i>5,062</i>	<i>UW-Milwaukee</i>	<i>27,444</i>
<i>UW-Eau Claire</i>	<i>2,330</i>	<i>UW-Eau Claire</i>	<i>11,547</i>
<i>UW-Green Bay</i>	<i>1,494</i>	<i>UW-Green Bay</i>	<i>8,581</i>
<i>UW-La Crosse</i>	<i>2,397</i>	<i>UW-La Crosse</i>	<i>10,579</i>
<i>UW-Oshkosh</i>	<i>2,776</i>	<i>UW-Oshkosh</i>	<i>16,424</i>
<i>UW-Parkside</i>	<i>776</i>	<i>UW-Parkside</i>	<i>4,325</i>
<i>UW-Platteville</i>	<i>1,889</i>	<i>UW-Platteville</i>	<i>8,966</i>
<i>UW-River Falls</i>	<i>1,365</i>	<i>UW-River Falls</i>	<i>6,139</i>
<i>UW-Stevens Point</i>	<i>2,074</i>	<i>UW-Stevens Point</i>	<i>9,107</i>
<i>UW-Stout</i>	<i>1,923</i>	<i>UW-Stout</i>	<i>8,748</i>
<i>UW-Superior</i>	<i>547</i>	<i>UW-Superior</i>	<i>2,601</i>
<i>UW-Whitewater</i>	<i>2,995</i>	<i>UW-Whitewater</i>	<i>13,059</i>
<b>Total</b>	<b>36,690</b>	<b>Total</b>	<b>171,636</b>

### **Using the Financial Statements**

The University's annual financial report includes the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and the Notes to the Financial Statements. These items are prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB).

The Statement of Net Position is a financial condition snapshot as of June 30, 2019 and 2018, and includes all assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Current assets are those that are available to satisfy current liabilities inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. Increases or decreases in net position provide an indicator of the improvement or erosion of the University's financial health when considered in conjunction with non-financial information, such as conditions of facilities and enrollment levels. Net Position is divided into three major categories: Net Investment in Capital Assets, Restricted, and Unrestricted. Net Investment in Capital Assets consists of capital assets reduced by the outstanding balances of borrowings for the construction, acquisition, or improvement of those assets. Restricted Net Position has constraints put on by external parties, such as sponsors for research and donors, or by State Statute and Board of Regent policy as in the case of student segregated fees. Unrestricted Net Position consists of funds that do not meet either of those definitions.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2019 and 2018**

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's operating results as well as non-operating revenues and expenses. Operating revenues are comprised primarily of student tuition and fees, grants and contracts, and auxiliary service activities. GASB Statement No. 35 requires that state appropriations, gifts, and investments income/loss be reported as non-operating revenue. Public universities, including the University, are typically reliant on these revenue sources to fulfill their missions and, therefore, report operating expenses in excess of operating revenues. As a result, non-operating revenues are a significant component in determining the increase or decrease in total net position.

The Statement of Cash Flows summarizes cash inflows and outflows by category as relating to operating, capital, financing, or investing activities. Cash flow information can be used to evaluate the financial viability of the University and its ability to meet financial obligations as they mature. Cash flows from operating activities result from exchange transactions in which one party gives another something in return. Cash flows from investing activities are a result of the purchase or sale of investments, withdrawals from the long-term investment pool, and collecting interest and dividends earned. Cash flows from capital activities include receipts from capital grants, donor receipts specifying use for capital assets, and activity related to debt issued for the explicit purpose of acquisition, construction, or improvement of capital assets. Cash flows from noncapital financing activities include state appropriations and private gifts restricted for noncapital purposes.

The Notes to the Financial Statements are an integral part of the basic financial statements and communicate information essential for fair presentation. For example, the notes convey information concerning significant accounting policies used to prepare the financial statements, detailed information on cash and investments, capital assets, notes and bonds payable, relationships with affiliated organizations, and classification of net position.

In addition to this Management's Discussion and Analysis, which is required supplementary information, the basic financial statements are followed by required supplementary information regarding the University's pension and other postemployment benefits (OPEB) obligations.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2019 and 2018**

**Analysis of Financial Position and Results of Operations**

The University's total net position remained stable after fiscal year 2019. As of June 30, 2019, the University had total assets of \$8.2 billion and total liabilities of \$3.3 billion.

**Statement of Net Position (in millions)**

	<b>2019</b>	<b>2018</b>	<b>Restated 2017</b>
Current Assets	\$ 2,298.0	\$ 2,312.2	\$ 2,009.0
Capital Assets, Net	5,258.4	5,140.1	5,060.0
Other Noncurrent Assets	612.8	986.9	619.1
Total Assets	8,169.2	8,439.2	7,688.1
Deferred Outflows of Resources	1,340.4	\$750.5	815.1
Current Liabilities	658.6	661.2	540.9
Noncurrent Liabilities	2,654.7	2,248.8	2,154.8
Total Liabilities	3,313.3	2,910.0	2,695.7
Deferred Inflows of Resources	836.6	849.6	359.9
Net Investment in Capital Assets	3,587.1	3,519.6	3,435.9
Restricted Net Position	1,197.6	1,600.3	1,098.7
Unrestricted Net Position	575.0	310.2	913.0
Total Net Position	\$ 5,359.7	\$ 5,430.1	\$ 5,447.6

Current assets minus current liabilities represents the net working capital of the University. Net working capital decreased from \$1,651.0 million at June 30, 2018 to \$1,639.4 million at June 30, 2019. The net working capital at year end represented approximately 112 days of 2019 operating expenses. This indicates that the University could support normal operations for 112 days without additional revenues or liquidating noncurrent assets.

In 2018, the University elected to change the method of accounting for library holdings which was applied retrospectively. Library holdings held as collections and not depreciating them is no longer a common accounting approach with other large university systems that the UW System often considers peers. The University treats library holdings as a composite asset and depreciate over a 15-year average life. At June 30, 2017, the capital asset balance and net investment in capital assets includes a \$961.0 million prior period adjustment for accumulated depreciation.

The following table contains a summary of Current Assets which consists primarily of operating cash and cash equivalents, securities lending collateral, accounts receivable, student loans receivable, supply inventories, and prepaid expenses. The largest change between 2019 and 2018 was in accounts receivable, net, which decreased by \$10.0 million.

<b>Current Assets (in millions)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Cash & Cash Equivalents	\$ 1,863.7	\$ 1,868.4	\$ 1,666.1
Securities Lending Collateral	109.3	106.0	—
Accounts Receivable, Net	249.0	259.0	241.6
Other Current Assets	76.0	78.8	101.3
Total Current Assets	\$ 2,298.0	\$ 2,312.2	\$ 2,009.0

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2019 and 2018**

The Board of Regents has authority to invest gifts and bequests received by the University. Through March 2018, investments were primarily held in two investment pools: The Long Term Fund and the Intermediate Term Fund. Effective April 1, 2018 and as permitted through Section 36.11 (11m) of the Wisconsin statutes, the Board of Regents transferred its investment management responsibilities to the State of Wisconsin Investment Board (SWIB). As a result of this transfer, the Board of Regents eliminated the Intermediate Term Fund as a separate investment pool. The Board of Regents establishes investment policies and guidelines, including target investment allocations. Benefiting UW entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a twelve-quarter moving average market value of the Fund. A comparison of university-controlled endowments over the past several years can be found in Chart 3 of the Supplemental Information section of this report. Additional information on cash and investments is provided in Note 2 to the Financial Statements.

Non-current assets are comprised mainly of endowment investments, capital assets (net of accumulated depreciation), and student loans receivable. Endowment investments, valued at \$466.8 million at June 30, 2019, increased by \$47.3 million during fiscal year 2019. The increase was driven by market-based fluctuations in investment performance. In 2018, investment earnings related to the pension plan fiduciary net position outpaced projected earnings resulting in a net pension asset of \$399.1 million that increased non-current assets. In 2019, however, changes in actuarial assumptions, including a reduction in the discount rate and long-term expected rate of return from 7.2% in 2018 to 7.0% in 2019, and investment earnings related to the pension plan fiduciary net position that were below projected earnings resulted in a net pension liability of \$474.4 million that increased non-current liabilities. Deferred outflows increased by \$589.9 million in fiscal year 2019, due to adjustments related to pension and other postemployment benefit obligations.

Non-current liabilities increased by \$405.9 million in fiscal year 2019. The most significant reason for this is the adjustment to the pension plan net fiduciary net position. In 2017, the plan fiduciary net position increased, which was driven by an increase in investment income. This increase in fiduciary net position reduced the net pension liability to \$112.7 million at June 30, 2017. As noted above, in 2018, as investment income continued to increase, the plan fiduciary net position further increased resulting in a net pension asset of \$399.1 million at June 30, 2018. In 2019, however, as noted above, changes in actuarial assumptions, and investment earnings related to the pension plan fiduciary net position below projected earnings resulted in a net pension liability of \$474.4 million that increased non-current liabilities.

Further, these reporting changes resulted in \$153.0 million of additional pension expense being included on the Statement of Revenues, Expenses, and Changes in Net Position. These changes are more fully described in Notes 1 and 8 to the Financial Statements.

Most of the unrestricted net position has been identified for purposes to fulfill the University's fiduciary responsibilities, including academic and research programs and capital projects. Additional information related to net position can be found in Note 13 to the Financial Statements.

### **Capital and Debt Activities**

Of the \$5.4 billion in net position, \$3.6 billion is net investment in capital assets. In an effort to maintain quality in the University's academic and research programs and residence halls, the University has implemented a long-range plan to fund new construction and modernize existing facilities. Capital additions consist of new construction, replacement and renovation of academic and research facilities, as well as significant investment in technology and equipment. Note 4 to the Financial Statements describes the University's capitalization and depreciation policies, and includes summarized changes in the book value of these assets, including major construction projects completed or in progress. Note 6 to the Financial Statements describes the University's long term debt and includes summarized information on those balances, as well as future debt service requirements.



**UNIVERSITY OF WISCONSIN SYSTEM**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2019 and 2018**

There are four primary sources of funding for University capital projects: General Fund Supported Borrowing (GFSB) 20-year state-issued bonds repaid with General Program Revenue (GPR); Program Revenue Supported Borrowing (PRSB) 20- or 30-year state-issued bonds repaid with the University program revenue; Program Revenue Cash (Cash); and cash from gift and grant funds (Gifts). State general obligation bonds issued for the University's purpose are rated by Moody's and S&P Aa1 and AA, respectively.

**Statement of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position present the University's operating results as well as non-operating revenues and expenses. A summary of the Statement of Revenues, Expenses, and Changes in Net Position is as follows (in millions):

	<b>2019</b>	<b>2018</b>	<b>2017 Restated</b>
Total Revenues	\$ 5,302.0	\$ 5,183.7	\$ 5,061.3
Total Expenses	5,486.1	5,168.6	5,204.9
(Loss) Income Before Capital and Endowment Additions	(184.1)	15.1	(143.6)
Capital Appropriations, Contributions & Endowment Additions	113.7	188.4	126.0
(Decrease) Increase in Net Position	<u>\$ (70.4)</u>	<u>\$ 203.5</u>	<u>\$ (17.6)</u>

The University's operating and non-operating revenues are provided in the table below. Operating revenues increased \$187.8 million since fiscal year 2017 with the primary increase in non-resident tuition and all other operating revenues. Non-operating revenues increased \$156.2 million between fiscal year 2017 and fiscal year 2019 primarily due to changes in state appropriations, gifts, investment income (loss), and other non-operating revenues.

Operating Revenues (in millions):

	<b>2019</b>	<b>2018</b>	<b>2017 Restated</b>
Student Tuition and Fees, Net	\$ 1,402.3	\$ 1,382.1	\$ 1,361.5
Federal Grants and Contracts	617.0	599.6	610.4
State, Local, & Private Grants and Contracts	447.5	432.6	439.8
Sales and Services of Educational Activities	371.8	319.5	335.6
Sales and Services of Auxiliaries, Net	433.6	445.4	429.5
All Other Operating Revenues	469.0	537.6	479.8
Total Operating Revenues	<u>3,741.2</u>	<u>3,716.8</u>	<u>3,656.6</u>
Non-Operating Revenues:			
State Appropriations	883.6	838.8	808.2
Gifts	395.7	370.0	378.1
Federal Pell Grants	160.0	162.7	150.9
Net Investment Income (Loss)	86.4	45.1	56.2
Other Non-Operating Revenues	35.1	50.3	11.3
Total Non-Operating Revenues	<u>1,560.8</u>	<u>1,466.9</u>	<u>1,404.7</u>
Total Revenues	<u>\$ 5,302.0</u>	<u>\$ 5,183.7</u>	<u>\$ 5,061.3</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2019 and 2018**

Operating expenses, classified by function, and non-operating expenses, are as follows (in millions):

Operating Expenses:

	<b>2019</b>	<b>2018</b>	<b>2017 Restated</b>
Instruction	\$ 1,452.9	\$ 1,257.6	\$ 1,369.5
Research	987.1	984.5	960.5
Public Service	364.8	298.9	306.2
Academic Support	428.7	401.9	395.4
Student Services	505.5	479.1	440.2
Institutional Support	309.1	311.6	298.5
Operation/Maintenance	298.9	284.4	295.9
Financial Aid	243.6	257.9	247.9
Auxiliary Enterprises	359.7	363.3	363.3
Other Functions	71.0	81.2	81.3
Depreciation	327.3	324.0	315.1
Total Operating Expenses	5,348.6	5,044.4	5,073.8
Non-Operating Expenses	137.5	124.2	131.1
Total Expenses	<u>\$ 5,486.1</u>	<u>\$ 5,168.6</u>	<u>\$ 5,204.9</u>

One of the University's strengths has been its ability to supplement student tuition and fee revenue and state appropriations with support from other sources, including individuals, foundations, investment income, and government-sponsored programs (see Charts 1 and 2 in the Supplemental Information of this report). The University continues to aggressively seek funding sources consistent with its mission to meet operating activities in a financially prudent manner. In addition, the University will continue to make cost containment and revenue diversification a priority. Increase in Instruction operating expenses during fiscal year 2019 attributed to the increase in pension plan expense reported within salary and fringe benefits expense.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2019 and 2018**

Statement of Net Position adjusted for the pension and other postemployment benefit obligations as allocated to the UW System are as follows (in millions):

	2019	Adjustment for Pension and OPEB	Adjusted 2019	2018	Adjustment for Pension and OPEB	Adjusted 2018
Current Assets	\$ 2,298.0	\$ —	\$ 2,298.0	\$ 2,312.2	\$ —	\$ 2,312.2
Capital Assets, Net	5,258.4	—	5,258.4	5,140.1	—	5,140.1
Other Noncurrent Assets	612.8	—	612.8	986.9	399.1	587.8
Total Assets	8,169.2	—	8,169.2	8,439.2	399.1	8,040.1
Deferred Outflows of Resources	1,340.4	1,284.3	56.1	750.5	699.6	50.9
Current Liabilities	658.6	—	658.6	661.2	—	661.2
Noncurrent Liabilities	2,654.7	892.1	1,762.6	2,248.8	520.1	1,728.7
Total Liabilities	3,313.3	892.1	2,421.2	2,910.0	520.1	2,389.9
Deferred Inflows of Resources	836.6	835.9	0.7	849.6	849.0	0.6
Net Investment in Capital Assets	3,587.1	—	3,587.1	3,519.6	—	3,519.6
Restricted Net Position	1,197.6	—	1,197.6	1,600.3	399.1	1,201.2
Unrestricted Net Position	575.0	(443.7)	1,018.7	310.2	(669.5)	979.7
Total Net Position	\$ 5,359.7	\$ (443.7)	\$ 5,803.4	\$ 5,430.1	\$ (270.4)	\$ 5,700.5

In fiscal year 2019, salary and fringe benefits expenses amounted to \$3,551.8 million, including \$173.3 million related to the pension and other postemployment benefit obligations. Compared to fiscal year 2018, salary and fringe benefits expenses amounted to \$3,287.9 million, including \$53.5 million related to the pension and other postemployment benefit obligations.

### Factors Affecting Future Periods

2019 Wisconsin Act 9, the 2019-21 biennial budget, requires continuing the freeze of UW resident undergraduate tuition at fiscal year 2012-13 levels for fiscal years 2019-20 and 2020-21, equating to an 8-year freeze.

Act 9 also provides the UW System with additional funding for two purposes. First, the UW System will receive additional operating funds of \$22.5 million in each year of the biennium. On August 1, 2019, the UW Board of Regents approved a plan to distribute this funding to UW institutions using its previously approved outcomes-based funding model. Second, the UW System will receive \$1.0 million in fiscal year 2019-20 and \$7.8 million in 2020-21 in Dairy Innovation Hub funding, which will be allocated to UW-Madison, UW-Platteville, and UW-River Falls.



*Years Ended June 30, 2019 and 2018*

## FINANCIAL STATEMENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

DRAFT

# University of Wisconsin System

## Statement of Net Position

	June 30, 2019	June 30, 2018
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 1,863,664,528	\$ 1,868,379,238
Securities Lending Collateral	109,337,546	106,030,701
Accounts Receivable, Net	249,038,177	258,980,403
Student Loans Receivable, Net	27,301,006	29,654,594
Inventories	28,503,604	30,406,816
Prepaid Expenses & Other Current Assets	20,156,386	18,753,872
Total Current Assets	<u>2,298,001,247</u>	<u>2,312,205,624</u>
Noncurrent Assets		
Endowment Investments	466,760,603	419,501,417
Student Loans Receivable, Net	145,968,657	167,753,582
Other Noncurrent Assets	64,257	634,906
Capital Assets, Net	5,258,401,274	5,140,070,819
Restricted Net Pension Asset	—	399,079,716
Total Noncurrent Assets	<u>5,871,194,791</u>	<u>6,127,040,440</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,169,196,038</u>	<u>\$ 8,439,246,064</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,340,373,786</u>	<u>\$ 750,468,949</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 186,032,029	\$ 202,208,968
Securities Lending Collateral Liabilities	109,337,546	106,030,701
Notes and Bonds Payable	109,579,603	104,041,499
Capital Lease Obligations	1,343,880	1,267,191
Unearned Revenue	176,330,079	172,327,282
Compensated Absences	70,758,824	69,904,647
Deposits Held for Others	5,228,726	5,370,176
Total Current Liabilities	<u>658,610,687</u>	<u>661,150,464</u>
Noncurrent Liabilities		
Notes and Bonds Payable	1,510,431,076	1,491,855,415
Capital Lease Obligations	28,022,684	28,453,963
Perkins Loan Program	138,736,513	138,736,513
Compensated Absences	73,415,512	69,657,569
Other Postemployment Benefits	417,694,625	520,128,222
Net Pension Liability	474,419,425	—
Capital Asset Retirement Obligation	12,009,060	—
Total Noncurrent Liabilities	<u>2,654,728,895</u>	<u>2,248,831,682</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 3,313,339,582</u>	<u>\$ 2,909,982,146</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 836,551,776</u>	<u>\$ 849,615,429</u>

(continued)

**University of Wisconsin System****Statement of Net Position (continued)**

June 30, 2019

June 30, 2018

**NET POSITION**

Net Investment in Capital Assets	\$ 3,587,086,479	\$ 3,519,597,333
Restricted for		
Nonexpendable	197,906,470	188,177,512
Expendable		
Pension	—	399,079,716
Gifts, Grants & Contracts	305,130,900	282,805,370
Donor Investments & Earnings	290,166,435	281,254,873
Construction Fund	167,906,942	229,766,918
Student Loans & Federal Aid	140,079,872	125,967,270
Other	96,405,297	93,232,047
Total Restricted-Expendable	999,689,446	1,412,106,194
Unrestricted	574,996,071	310,236,399
<b>TOTAL NET POSITION</b>	<b>\$ 5,359,678,466</b>	<b>\$ 5,430,117,438</b>

*The accompanying notes to the financial statements are an integral part of these statements.*



# University of Wisconsin System

## Statement of Revenues, Expenses, and Changes in Net Position

	Year ended June 30, 2019	Year ended June 30, 2018
<b>OPERATING REVENUES</b>		
Student Tuition and Fees (net of Scholarship Allowances of \$284.1 million and \$263.0 million, respectively)	\$ 1,402,278,192	\$ 1,382,132,924
Federal Grants and Contracts	617,064,489	599,573,179
State, Local, and Private Grants and Contracts	447,497,191	432,616,538
Sales and Services of Educational Activities	371,841,000	319,509,820
Sales and Services of Auxiliary Enterprises (net of Scholarship Allowances of \$45.9 million and \$39.9 million, respectively)	433,575,510	445,365,237
Sales and Services to UW Hospital and Clinics Authority	56,979,334	69,724,811
Student Loan Interest Income and Fees	4,917,698	3,479,344
Other Operating Revenue	407,053,708	464,400,716
<b>Total Operating Revenues</b>	<b>3,741,207,122</b>	<b>3,716,802,569</b>
<b>OPERATING EXPENSES</b>		
Salaries	2,473,709,488	2,368,536,269
Fringe Benefits	904,817,990	865,846,146
Fringe Benefits Related to Noncash Pension and OPEB	173,256,249	53,479,879
<b>Total Salary and Fringe Benefits</b>	<b>3,551,783,727</b>	<b>3,287,862,294</b>
Scholarship and Fellowships	142,248,667	157,604,259
Supplies and Services	1,306,102,684	1,262,627,392
Other Operating Expenses	21,184,061	12,342,885
Depreciation	327,325,155	323,984,139
<b>Total Operating Expenses</b>	<b>5,348,644,294</b>	<b>5,044,420,969</b>
<b>OPERATING LOSS</b>	<b>(1,607,437,172)</b>	<b>(1,327,618,400)</b>
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>		
State Appropriations	883,658,233	838,806,261
Gifts	395,661,321	370,022,335
Federal Pell Grants	160,031,504	162,691,351
Investment Income (net of Investment Expense of \$0.8 million and \$3.2 million, respectively)	86,360,332	45,052,676
Loss on Disposal of Capital Assets	(19,343,209)	(2,055,179)
Interest Expense on Capital Asset-related Debt	(54,097,369)	(50,557,057)
Transfer to State Agencies	(64,134,111)	(71,553,703)
Other Nonoperating Revenues	35,129,044	50,279,509
(Loss) Income Before Capital and Endowment Additions	(184,171,427)	15,067,793
Capital Appropriations	54,910,058	142,359,852
Capital Grants and Gifts	52,964,901	44,932,710
Additions to Permanent Endowment	5,857,496	1,145,488
<b>(DECREASE) INCREASE IN NET POSITION</b>	<b>(70,438,972)</b>	<b>203,505,843</b>
<b>NET POSITION</b>		
Net Position - beginning of period	5,430,117,438	5,447,531,396
Change in Accounting Principle	—	(220,919,801)
<b>NET POSITION - end of period</b>	<b>\$ 5,359,678,466</b>	<b>\$ 5,430,117,438</b>

The accompanying notes to the financial statements are an integral part of these statements.

# University of Wisconsin System

## Statement of Cash Flows

	Year ended June 30, 2019	Year ended June 30, 2018
<b>Cash Flows from Operating Activities</b>		
Student Tuition and Fees	\$ 1,401,491,714	\$ 1,381,081,716
Federal, State, Local, and Private Grants & Contracts	1,072,871,884	1,004,312,891
Sales and Services of Educational Activities	364,457,661	331,979,897
Sales and Services of Auxiliary Enterprises	439,580,688	449,794,186
Sales and Services to UW Hospital Authority	57,378,670	67,962,661
Payments for Salaries and Fringe Benefits	(3,359,674,494)	(3,238,489,094)
Payments to Vendors and Suppliers	(1,329,725,067)	(1,267,997,865)
Payments for Scholarships and Fellowships	(142,248,667)	(157,604,259)
Student Loans Collected	35,018,216	34,860,482
Student Loan Interest and Fees Collected	4,917,698	3,479,344
Student Loans Issued	(10,484,330)	(38,867,000)
Other Revenue	389,220,281	441,671,806
<b>Net Cash Used in Operating Activities</b>	<b>(1,077,195,746)</b>	<b>(987,815,235)</b>
<b>Cash Flows from Investing Activities</b>		
Interest and Dividends on Investments, Net	44,271,932	56,477,115
Proceeds from Sales and Maturities of Investments	44,010,643	606,554,944
Purchase of Investments	(58,967,134)	(574,778,660)
<b>Net Cash Provided by Investing Activities</b>	<b>29,315,441</b>	<b>88,253,399</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Issuance of Capital Debt	128,157,292	283,953,586
Payments for Debt Retirements (Refundings)	—	(198,809,814)
Capital Appropriations	54,910,058	142,359,852
Gifts and Other Receipts	57,696,922	59,991,791
Purchase of Capital Assets	(446,705,623)	(366,419,063)
Principal Payments on Capital Debt and Leases	(247,850,321)	(213,662,660)
Interest Payments on Capital Debt and Leases	(143,526,616)	(134,558,006)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(597,318,288)</b>	<b>(427,144,314)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
State Appropriations	1,119,709,499	1,045,774,472
Gifts and Other Receipts	415,472,942	392,489,922
Federal Pell Grants	160,031,504	162,691,351
Transfer to State Agencies	(64,134,111)	(71,553,703)
Additions to Permanent Endowments	5,857,496	1,145,488
Student Direct Lending Receipts	642,821,804	660,690,781
Student Direct Lending Disbursements	(639,275,251)	(662,240,091)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>1,640,483,883</b>	<b>1,528,998,220</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(4,714,710)</b>	<b>202,292,070</b>
Cash and Cash Equivalents - beginning of year	1,868,379,238	1,666,087,168
<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 1,863,664,528</b>	<b>\$ 1,868,379,238</b>

# University of Wisconsin System

## Statement of Cash Flows (continued)

	Year ended June 30, 2019	Year ended June 30, 2018
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating Loss	\$ (1,607,437,172)	\$ (1,327,618,400)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>		
Depreciation Expense	327,325,155	323,984,139
Changes in Assets, Liabilities and Deferred Outflows and Inflows of Resources:		
Receivables, net	33,090,386	(20,274,054)
Inventories	1,903,213	12,174,617
Prepaid Expense (including Deferred Charges)	(5,367,352)	14,359,318
Accounts Payable and Accrued Liabilities	(8,540,157)	(35,977,511)
Perkins Loan Liability	—	(11,207,859)
Unearned Revenue	3,961,813	1,748,902
Compensated Absences	4,612,119	1,515,734
Deferred Outflows of Resources	(584,769,538)	82,971,505
Pension Liability (Asset) and Deferred Inflows of Resources	860,459,384	(21,787,360)
Other Postemployment Benefits	(102,433,597)	(7,704,266)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (1,077,195,746)</b>	<b>\$ (987,815,235)</b>
<b>Noncash Investing, Capital and Financing Activities</b>		
Capital Leases (Initial Year):		
Fair Market Value	\$ 712,464	\$ 607,586
Current Year Cash Payments	120,485	78,986
Gifts-In-Kind	4,479,936	3,451,445
Net Change in Unrealized Gains	25,525,728	2,219,619

*The accompanying notes to the financial statements are an integral part of these statements.*

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*Years Ended June 30, 2019 and 2018*

## FINANCIAL STATEMENTS OF RELATED UNIVERSITY CAMPUS FOUNDATIONS

*All foundations reported are legally separate, tax-exempt, affiliated campus foundations formed to generate private support for the respective institutions.*

**University of Wisconsin System Campus Foundations**
**Consolidated Statements of Financial Position**

	June 30, 2019	June 30, 2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 41,035,732	\$ 157,067,432
Income and Redemption Receivables	61,807,183	26,247,913
Pledges Receivable, Net	153,112,772	175,326,722
Prepaid Expenses and Other Assets	19,475,078	27,002,501
Investments	4,653,845,118	4,336,283,723
Property and Equipment, Net	187,097,143	194,543,943
Real Estate	4,136,138	10,354,733
<b>TOTAL ASSETS</b>	<b>\$ 5,120,509,164</b>	<b>\$ 4,926,826,967</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 5,796,578	\$ 6,871,606
Pending Investment Purchases Payable	82,648,552	54,783,240
Accrued Expenses and Other Liabilities	30,647,935	48,696,811
Note Payable	163,077,223	175,205,910
Liability Under Split-Interest Agreements	43,471,964	45,438,021
Funds Due to Other Organizations	290,753,527	282,320,826
<b>Total Liabilities</b>	<b>616,395,779</b>	<b>613,316,414</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	175,820,329	159,146,933
With Donor Restrictions	4,328,293,056	4,154,363,620
<b>Total Net Assets</b>	<b>4,504,113,385</b>	<b>4,313,510,553</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,120,509,164</b>	<b>\$ 4,926,826,967</b>

**Consolidated Statements of Activities**

	Year ended June 30, 2019	Year ended June 30, 2018
<b>REVENUES, GAINS AND OTHER SUPPORT</b>		
Contributions	\$ 411,597,999	\$ 394,117,599
Interest and Dividend Income	40,359,122	52,472,592
Net Investment Gains	124,549,127	247,237,966
Rental Income	9,631,027	12,512,616
Other Income	9,891,446	11,322,932
<b>Total Revenues, Gains and Other Support</b>	<b>596,028,721</b>	<b>717,663,705</b>
<b>EXPENSES</b>		
Program Expenses	341,854,160	344,567,683
Management and General Expenses	23,077,436	46,167,986
Fundraising Expenses	36,923,335	34,448,206
<b>Total Expenses</b>	<b>401,854,931</b>	<b>425,183,875</b>
<b>INCREASE IN NET ASSETS</b>	<b>194,173,790</b>	<b>292,479,830</b>
Net Assets - Beginning of Year	4,309,939,595	4,021,030,723
<b>Net Assets - End of Year</b>	<b>\$ 4,504,113,385</b>	<b>\$ 4,313,510,553</b>

The accompanying notes to the financial statements are an integral part of these statements.





*Years Ended June 30, 2019 and 2018*

## NOTES TO THE FINANCIAL STATEMENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

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**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 1 – Organization and Summary of Significant Accounting Policies**

**Basis of Accounting and Financial Statement Presentation**

The University of Wisconsin System (University) is a major enterprise fund of the State of Wisconsin. The financial statements are presented in the proprietary fund financial statements of the State of Wisconsin's Comprehensive Annual Financial Report (CAFR). The University's financial information presented in the CAFR has been adjusted to reflect reclassifications and adjustments which are done to conform to reporting requirements relative to the CAFR.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). In fiscal year 2019, the University adopted GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83) and GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement* (GASB 88). In fiscal year 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The University's annual report consists of three basic financial statements prepared in accordance with GASB principles: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows have been prepared using the economic resources measurement focus and the accrual basis of accounting. The University of Wisconsin System reports as a Business Type Activity, as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Revenues, Expenses, and Changes in Net Position classifies the University's fiscal year activity as operating and non-operating. Operating revenue results from exchange transactions, such as payment received for providing goods and services, including tuition and fees, certain grants and contracts, sales and services of educational activities, and auxiliary enterprise revenue. Other operating revenues include resources generated from units such as intercollegiate athletics, stadium, arena, student health services, car fleet, stores operations, child care services, copy centers, and student service programs such as placement, orientation, intramurals, and counseling centers.

Other operating revenues are summarized as follows:

	Year ended June 30, 2019	Year ended June 30, 2018
Athletics	\$ 151,308,297	\$ 142,874,926
Student Health Services	50,146,063	49,440,477
Student Union/Student Center	46,333,790	46,462,297
All Other Areas	159,265,558	225,623,016
Total Other Operating Revenues	<u>\$ 407,053,708</u>	<u>\$ 464,400,716</u>

Certain significant revenue streams relied upon for operations are reported as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts, and investment income. The majority of the University's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation. Non-operating expenses include capital financing costs and costs related to investment activity.

**NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)**

The Statement of Cash Flows presents the change in the cash and cash equivalents balance for the fiscal year. Cash and cash equivalents include bank accounts and investments with original maturity dates of 90 days or less at the time of purchase. These investments consist primarily of commercial paper, money market funds, and U.S. Treasury bills. Investments in marketable securities are carried at fair value as established by the major securities markets. Investments in limited partnerships are carried at fair value based on quarterly reports from the limited partnerships' management. Annually, these reports are audited by independent auditors.

**Financial Reporting Entity**

The University is made up of 13 four-year universities and 13 additional campuses affiliated with seven of the four-year institutions. The University has also considered all potential component units for which it is financially accountable and other affiliated organizations where the nature and significance of their relationships, including their ongoing financial support, with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the University's reporting entity is based on the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, GASB Statement No. 61, *The Financial Reporting Entity; Omnibus*, an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14. Based upon the application of these criteria, 12 campus foundations are included in the financial statements as discretely presented component units because they operate entirely for the benefit of the University.

**Other Organizations**

The financial statements do not include the accounts of the University of Wisconsin Hospital and Clinics Authority (UWHCA), which is a separate legal organization reported as discrete component unit within financial statements of the State of Wisconsin; the University of Wisconsin Medical Foundation (UWMF), which is a blended component unit of UWHCA; or the La Crosse Medical Health Science Consortium, Inc., which is a Wisconsin non-stock corporation tax exempt under Internal Revenue Code (IRC) 501(c)(3) not meeting the criteria of a component unit. In addition, the financial statements do not include the accounts of various legally independent and fully self-governing support organizations, such as booster clubs and alumni groups; funds contributed to the University by these organizations are reported at the time they are received. Note 11 describes the effect of affiliation and operating agreements with the UWMF; UWHCA; Wisconsin Alumni Research Foundation (WARF), relating to the Wisconsin Institutes for Discovery; and La Crosse Medical Health Science Consortium, Inc. had on the University's financial statements.

**Summary of Significant Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The University eliminates intra-fund assets and liabilities to prevent double counting in the Statement of Net Position. Likewise, revenues and expenses related to internal service activities are also eliminated in the Statement of Revenues, Expenses, and Changes in Net Position.

Inventories consist of consumable supplies used in operations or items held for resale. Fuels are reported at market value, while other inventories held by individual institutional cost centers are valued using a variety of cost flow assumptions that, for each type of inventory, are consistently applied from

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)**

year to year. In addition to central stores and fuels, the major types of inventories include laboratory supplies, physical plant supplies, food service and student housing supplies, and items held for resale by campus computer outlets.

Prepaid expenses represent payments made prior to June 30<sup>th</sup> for goods and services received after the close of the fiscal year, primarily health and life insurance coverage, and costs associated with revenues that have not yet been earned as of June 30<sup>th</sup>, primarily summer session costs incurred prior to the close of the fiscal year. The revenues and expenses of the 2019 and 2018 summer sessions are reportable within the fiscal year beginning July 1 and ending June 30, based on the prorated portion of the number of summer session days that occurred in fiscal year 2019 and 2018, respectively.

Accounting policies related to capital assets are described in Note 4.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from the WRS' fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unearned revenues consist of payments received but not yet earned as of June 30<sup>th</sup>, primarily summer session tuition payments, tuition and room deposits for the next fall term, advance ticket sales for athletic events, and amounts received from grant and contract sponsors which have not yet been earned under the terms of the agreement.

The compensated absences liability consists of accumulated unpaid annual leave, compensatory time, personal holiday hours, and Saturday/legal holiday hours earned and vested. The University leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

Restricted funds received as gifts, grants, and contracts are used according to donor restrictions or the specific purpose of the grantor. In addition, restrictions are statutorily established that limit the use of certain resources for specific purposes. These restrictions apply not only to state support but also to many of the University's program revenue sources, including segregated fee auxiliary operations. The funds reported as restricted will be used in accordance with the purposes for which they are restricted and are the first resources used for these purposes. Unrestricted funds would be used only secondarily to support these restricted purposes.

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position that applies to future periods and will be recognized as an outflow of resources (expense/expenditure) in those periods. The University's deferred outflows of resources are related to the net pension asset (liability), other postemployment benefits (OPEB) liability, debt refunding and capital asset retirement obligation. Additional information related to pensions is available in Note 8, OPEBs is available in Note 9, and debt is available in Note 6. See Note 10 for more information regarding deferred outflows of resources.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position that applies to future periods and will be recognized as an inflow of resources (decrease in expense/expenditure) in those periods. The University's deferred inflows of resources are related to the net pension asset (liability), OPEB liability, and debt refunding. Additional information related to pensions is available in Note 8, OPEBs is available in Note 9, and debt is available in Note 6. See Note 10 for more information regarding deferred inflows of resources.

**NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)**

Student tuition and fees are presented net of scholarships and fellowships applied to student accounts. Stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

**Reclassifications**

Certain amounts from the prior year have been reclassified. On the statement of revenues, expenses, and changes in net position \$102.8 million has been reclassified from student tuition and fees to fringe benefits and on the statement of cash flows that same amount has been reclassified from student tuition and fees to payments for salaries and fringe benefits to more accurately reflect the nature of these funds. Current assets and current liabilities have been increased by \$106.0 million to reflect investments offered up as collateral and related liabilities under securities lending arrangements with the University's investment manager. Operating loss and net position has not been affected by these changes.

**Newly Adopted Accounting Pronouncements**

Effective for the fiscal year ended June 30, 2019, the University adopted GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83), which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for capital asset retirement obligations. In accordance with the statement, the University has recognized capital asset retirement obligations of \$12.0 million as of June 30, 2019, related to decommissioning costs for a nuclear research reactor as required by the United States Nuclear Regulatory Commission. This obligation was recognized based on the best estimate of the current value of outlays expected to be incurred. The corresponding deferred outflow of resources is amortized over the estimated remaining useful life of the associated tangible capital asset coinciding with a licensure period through the year 2031. The University has issued a statement to the United States Nuclear Regulatory Commission of intent to obtain funds necessary for decommissioning, when necessary. No restricted assets are set aside for payment of the capital asset retirement obligations. June 30, 2018 amounts have not been restated as the impact of GASB 83 is not deemed to materially impact the financial reporting for the fiscal year ended June 30, 2018.

Effective for the fiscal year ended June 30, 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement* (GASB 88). This statement requires additional information related to debt be disclosed in the financial statements. The adoption of GASB 88 has been applied retrospectively and impacts Note 6 of the financial statements.

**New Accounting Pronouncements**

GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of GASB 84 are effective for fiscal year 2020.

GASB Statement No. 87 (GASB 87), *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of GASB 87 are effective for fiscal year 2021.

GASB Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*, will enhance the relevance and comparability of information about capital assets and the cost

**NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)**

of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. Paragraphs 5–22 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, are superseded by this Statement. The provisions of GASB 89 are effective for fiscal year 2021.

GASB Statement No. 90 (GASB 90), *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*, aims to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. The provisions of GASB 90 are effective for fiscal year 2020.

GASB Statement No. 91 (GASB 91), *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and aims to eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of GASB 91 are effective for fiscal year 2022.

Management is in the process of evaluating whether these GASB statements will be applicable to the University and the impact these statements may have on the University's financial statements.



**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 2 – Cash and Investments**

**Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of shares in the State Investment Fund (SIF), a short-term pool of state and local funds managed by the State of Wisconsin Investment Board (SWIB) with oversight by a Board of Trustees as authorized in Wisconsin Statutes Sections 25.17 (3) (b), (ba), (bd), and (dg). SWIB is not registered with the SEC as an investment company. The fair value of the investment in the SIF is based on net asset value (NAV) per share (or its equivalent), as of June 30, 2019. The SIF is a commingled fund with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. The valuation of the underlying investments of the SIF depends on asset class. Repurchase Agreements and non-negotiable Certificates of Deposit are valued at cost. All remaining short-term debt investments (U.S. Government/Agency securities, Banker's Acceptances, Commercial Paper, and negotiable Certificates of Deposit) are carried at fair value. Because quoted market prices for SIF securities are often not available, at month end, BNY Mellon, as SWIB's custodial bank, compiles fair values from third party pricing services which use matrix pricing models to estimate a security's fair value. There are no unfunded commitments relating to the SIF and shares of the SIF can be fully redeemed at any time with no notice or other restrictions. Further information about the investments in the SIF can be obtained from the separately issued State Investment Fund Annual Financial Report for the Fiscal Year Ended June 30, 2019.

Of the \$1,863.7 million and \$1,868.4 million in cash and cash equivalents as of June 30, 2019 and 2018, respectively, \$1,622.4 million and \$1,678.8 million, respectively, represent amounts held within the SIF; \$241.3 million and \$189.4 million, respectively, was maintained by individual University institutions in local bank accounts to meet operating needs; and a small, residual amount was held at BNY Mellon to meet the cash needs of the investing activities of the Trust Fund. Interest distributions are received on a monthly basis for balances associated with trust funds, federal aid programs, and funds attributable to the appropriations listed in Wisconsin Statutes Section 20.285(1) (Li). Investment earnings for all other funds do not accrue to the University.

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits that are in possession of an outside party. The University does not have a deposit policy specifically for custodial risk. Shares in the SIF are not required to be categorized under GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

For the remaining deposits, the University had balances in excess of Federal Deposit Insurance Corporation limits totaling \$234.6 million and \$182.5 million at June 30, 2019 and 2018, respectively. These amounts, deposited in approved financial institutions, are uninsured and uncollateralized. A state appropriation for losses on public deposits (Wisconsin Statutes Section 34.08) insures up to \$400,000 over the amount of federal insurance.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Deposits in foreign currency at June 30, 2019 and 2018 are insignificant. The University does not have a formal policy for foreign currency risk.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 2 – Cash and Investments (continued)**

**Investments**

The University invests its Trust Funds, primarily gifts and bequests, in accordance with the investment policies and guidelines governed and authorized by the Board of Regents. Effective, April 1, 2018, the Board of Regents transferred its investment management responsibilities to the State of Wisconsin Investment Board (SWIB) as permitted through Section 36.11 (11m) of the Wisconsin statutes. The SWIB-managed Long Term Fund has a target asset allocation to public markets of the following: 57% public equities, 20% fixed income, and 23% inflation sensitive securities. SWIB achieves these allocations through the use of externally-managed index funds. In addition, this fund continues to have an allocation to private markets through a “legacy” portfolio that will self-liquidate over time as investments are sold and cash proceeds are received. The target allocations to public markets were last affirmed/ approved by the Board of Regents in April 2018.

Effective April 1, 2019, a new internally managed investment fund was established for a limited and select number of participating Trust Funds accounts. This fund was established by the University Board of Regents to provide educational investment management opportunity for the UW-Madison School of Business's Applied Security Analysis Program. The "RegentFund" is an intermediate-term fixed income portfolio, governed by and subject to a University Board of Regents approved Memorandum of Understanding, which includes detailed investment guidelines.

The SWIB-managed Long Term Fund consisted of the following actual asset allocation by investment category on June 30, 2019 and 2018:

<b>Investment Category</b>	<b>2019</b>	<b>2018</b>
Global Equities	40.0%	40.7%
Treasury Inflation Protection Securities (TIPS)	17.0%	16.9%
Investment Grade Government/Credit	17.2%	16.7%
Hedged Non-U.S. Equities (Developed Markets)	5.1%	5.2%
Real Estate Investment Trusts (REITs)	2.6%	2.7%
Emerging Markets Equities	2.4%	2.3%
Private Markets <sup>1</sup>	15.7%	15.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> Private Markets is not included in the target allocation. The Private Markets category is comprised of private equity funds of J.P. Morgan, Adams Street Partners, and a TRG Forestry Fund.

The RegentFund (effective as of April 1, 2019) consisted of the following actual asset allocation by investment category on June 30, 2019 and 2018:

<b>Investment Category</b>	<b>2019</b>	<b>2018</b>
Fixed Income Securities	94.4%	—
Short Term Investment Funds	5.6%	—
<b>Total</b>	<b>100.0%</b>	<b>N/A</b>



**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 2 – Cash and Investments (continued)**

Benefiting University entities receive quarterly distributions from the Long Term Fund, which is primarily comprised of endowed assets, based on an annual spending rate applied to a twelve-quarter moving average market value of the Fund. The annual spending rate is currently 4.0%. Distributions from the RegentFund, which is primarily comprised of expendable gifts, consisted of quarterly interest earnings distributions. Spending rate and interest distributions from both Funds are transferred to the SIF, pending near-term expenditures. During the fiscal year ended June 30, 2019, the amount made available to spend from these funds was \$16.2 million, relative to \$16.7 million available during the fiscal year ended June 30, 2018.

At June 30, 2019 and 2018, the University's investments were as follows:

<b><u>Investments</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Equity Index Funds	\$ 217,973,035	\$ 202,240,226
Fixed Income Index Funds	157,309,946	141,285,489
Real Estate Index Fund	11,724,118	11,122,064
Fixed Income Securities	6,972,692	—
Short Term Investment Funds	412,590	1,673
Private Markets Limited Partnership	72,368,222	64,851,965
<b>Total Investments</b>	<b>466,760,603</b>	<b>419,501,417</b>
Cash and Cash Equivalents	—	98,567
<b>Total Investments and Cash and Cash Equivalents</b>	<b>\$ 466,760,603</b>	<b>\$ 419,599,984</b>

The total return on the Long Term Fund, including capital appreciation, was 7.5% for fiscal year 2019 compared to 8.1% in fiscal year 2018. The total return on the RegentFund, including capital appreciation, was 3.7% for the three months beginning April 1, 2019 when the Fund was initiated. As of fiscal year ended June 30, 2019, 98.4% of funds were externally managed, compared to 100% at fiscal year ended 2018.

*Credit Risk:* Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit ratings issued by the major rating agencies are one indication of the perceived credit quality of the issuer. As of June 30, 2019, the University was exposed to credit risk directly through its singular separately-managed fixed income portfolio, the RegentFund, and indirectly through the ownership of shares of commingled or mutual funds.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 2 – Cash and Investments (continued)**

The following schedule displays the credit ratings as provided by Moody's Investor Service for debt securities owned as of June 30, 2019 and 2018. Obligations of the United States and obligations explicitly guaranteed by the U.S. government are included in the Aaa rating below.

<b><u>Ratings</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Aaa	\$ 1,010,468	\$ —
Aa1	235,197	—
A1	230,567	—
A2	205,230	—
A3	1,015,456	—
Baa1	930,924	—
Baa2	1,707,644	—
Baa3	833,365	—
Ba1	273,170	—
Ba2	268,995	—
Ba3	129,900	—
B1	131,625	—
Unrated Bond Fund	157,309,946	141,285,489
Unrated Short Term Investments	412,741	—
Unrated Pooled Cash	—	98,567
<b>Totals</b>	<b>\$ 164,695,228</b>	<b>\$ 141,384,056</b>

*Custodial Credit Risk:* Custodial credit risk related to investments is the risk that, in the event of a failure of a counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University's separately-held investment securities are registered in the name of the University, and the University does not participate in any securities lending programs through its custodial bank. Investment securities underlying the University's investment in shares of external investment pools or funds are in custody at those entities. The shares owned in these external investment pools are registered in the name of the University. The University does not have a formal policy for custodial credit risk.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. Separately-managed debt/fixed income accounts that the University held as of June 30, 2019 and 2018 were limited to holding no more than 7.0% in any one issuer (U.S. Government/Agencies were exempted).

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University used the option adjusted modified duration method to analyze interest rate risk for separately-held securities. Fixed income securities held by the University as of June 30, 2019 was expected to be within a range of two years below to one year above the effective duration of the established benchmark's duration.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 2 – Cash and Investments (continued)**

The following schedule displays the interest rate risk statistics for individually-held debt securities owned as of June 30, 2019 and 2018, grouped by sector.

**Fixed Income Sector**

	<b>2019</b>		<b>2018</b>	
	Market Value	Effective Duration (In Years)	Market Value	Effective Duration (In Years)
Corporate Debt	\$ 5,962,225	4.91	—	—
Government Debt	1,423,057	5.32	—	—
Totals	<u>\$ 7,385,282</u>		<u>N/A</u>	

The following schedule displays the interest rate risk statistics for the commingled debt/fixed income funds held as of June 30, 2019 and 2018, as determined by the providers of the funds.

**Fixed Income Commingled Fund**

	<b>2019</b>		<b>2018</b>	
	Market Value	Effective Duration (In Years)	Market Value	Effective Duration (In Years)
BlackRock U.S. TIPS Fund B	\$ 78,255,104	7.48	\$ 71,053,725	7.66
BlackRock Government/Credit Bond Index Fund B	79,054,842	6.59	70,231,764	6.35
Totals	<u>\$ 157,309,946</u>		<u>\$ 141,285,489</u>	

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Long Term Fund held positions only in passively-managed, indexed commingled funds which may invest in securities denominated in foreign currencies. However, the fund used for exposure to developed market equities generally seeks to hedge against the variations in returns deriving solely from the value of the foreign currencies in the fund relative to the U.S. dollar. The fund used for exposure to emerging market equities generally does not engage in similar foreign currency hedging efforts, due largely to the high cost and more limited efficacy of such hedging. Deposits in foreign currency for the RegentFund at June 30, 2019 are immaterial.

*Securities Lending:* The University has an agreement with BlackRock Institutional Trust Company, N.A., which acts as custodian for the University's Long Term Fund investments and authorizes the bank to lend securities held in the University's accounts to third parties. The bank must obtain collateral from the borrower, or acceptable securities. When the University's securities are delivered to a borrower as part of a securities lending arrangement, the borrower is required to place collateral with the lending agent equal to at least 102% of the loaned securities' fair value, including interest accrued, as of the delivery date. Both the collateral and the securities loaned are marked-to-market on a daily basis, with additional collateral obtained or refunded as necessary. In the event that the loaned securities are not returned by the borrower, the bank will, at its own expense, either replace the loaned securities or, if unable to purchase those securities on the open market, credit the University's accounts with cash equal to the fair value of the loaned securities.

The University receives 75 percent of the net revenue derived from all securities lending activities and the bank receives the remainder of the net revenue. Interest and dividend income earned by the University in conjunction with the securities lending program is reported as part of non-operating investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

**NOTE 2 – Cash and Investments (continued)**

Although the University's securities lending activities are collateralized as described above, the securities lending program involves both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize the loan upon a sudden material change in the fair value of the loaned securities or the collateral, or that the bank's investment of collateral received from the borrowers of the University's securities may be subject to unfavorable market fluctuations. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

At June 30, 2019 and 2018, the fair value of securities loaned was \$109,337,546 and \$106,030,701, respectively, while the collateral held was \$109,337,546 and \$106,030,701, respectively. Collateral received consisted of cash. The cash collateral was invested in a U.S. Dollar Cash Collateral Pool. There was no non-cash collateral received as of June 30, 2019 and 2018, respectively. In accordance with accounting standards the value of the collateral held and a corresponding liability to return the collateral have been reported on the accompanying Statement of Net Position.

*Donor-restricted endowments:* For University-controlled, donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted in Wisconsin, permits the Board of Regents of the University to appropriate, for current spending, an amount of realized and unrealized endowment appreciation as it determines to be prudent. Realized and unrealized appreciation in excess of that amount appropriated for current spending is retained by the endowments. Net appreciation since the inception of the endowment accounts of \$147.1 million and \$141.9 million at June 30, 2019 and June 30, 2018, respectively, is available to meet spending rate distributions and is recorded as restricted net assets.

*Fair Value Measurements:* The University and the Foundations categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are described as follows:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted market prices included that are observable for the asset or liability. Matrix pricing, which is a mathematical technique used principally to value debt securities, is consistent with the market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Level 3 – Unobservable inputs for the asset and liability used to measure fair value that rely on the reporting entity's own assumptions.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The University and the Foundations measure the fair value of investments in certain entities that do not have a quoted market price at the calculated net asset value (NAV) per share or its equivalent. As these investments are not readily marketable the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investments existed.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 2 – Cash and Investments (continued)**

As of June 30, 2019, the University's investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value per share or its equivalent. The following table presents these investments by investment category.

<b>Investments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Measured at NAV</b>	<b>Total June 30, 2019</b>
Equity Index Funds	\$ —	\$ —	\$ —	\$ 217,973,035	\$ 217,973,035
Fixed Income Index Funds	—	—	—	157,309,946	157,309,946
Real Estate Index Fund	—	—	—	11,724,118	11,724,118
Fixed Income Securities	1,010,467	5,962,225	—	—	6,972,692
Short Term Investment Funds	412,590	—	—	—	412,590
Private Equity Limited Partnership	—	—	—	72,368,222	72,368,222
Total Investments at Fair Value	<u>\$1,423,057</u>	<u>\$5,962,225</u>	<u>\$ —</u>	<u>\$ 459,375,321</u>	<u>\$ 466,760,603</u>

The equity index funds include a global equity index fund (84%) with an investment strategy designed to track the return of equity securities traded both inside and outside of the United States. An additional 5% of this category includes an emerging markets index fund with an investment strategy designed to track the return of equity securities in emerging markets. The remaining 11% is included in an international currency hedged equity index fund with an investment strategy designed to track the return of the markets in certain countries for equity securities outside of the United States while mitigating exposure to fluctuations between the value of the currencies in the fund and the U.S. dollar. The international and emerging markets index funds have daily liquidity with 2 days' notice. The international hedged index fund has monthly liquidity with 2 days' notice.

The fixed income index funds category includes a corporate and government bond index fund (50%) with an investment strategy of approximating as closely as practicable the return of an industry standard US Government/Credit Bond Index. The remaining 50% includes a U.S. TIPS index fund with an investment strategy of closely approximating the return of all outstanding U.S. TIPS with a maturity of one year or greater. These fixed income index funds have daily liquidity with 2 days' notice.

The real estate index fund includes an investment strategy designed to track the return of publicly traded real estate equity securities. The real estate index fund has daily liquidity with 2 days' notice.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 2 - Cash and Investments (continued)**

As of June 30, 2018, the University's investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value per share or its equivalent. The following table presents these investments by investment category.

<b>Investments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Measured at NAV</b>	<b>Total June 30, 2018</b>
Equity Index Funds	\$ —	\$ —	\$ —	\$ 202,240,226	\$ 202,240,226
Fixed Income Index Funds	—	—	—	141,285,489	141,285,489
Real Estate Index Fund	—	—	—	11,122,064	11,122,064
Short Term Investment Funds	—	—	—	1,673	1,673
Private Equity Limited Partnership	—	—	—	64,851,965	64,851,965
Total Investments at fair value	—	—	—	419,501,417	419,501,417
Cash and Cash Equivalents	98,567	—	—	—	98,567
Total Investments at fair value and Cash and Cash Equivalents	\$ 98,567	\$ —	\$ —	\$ 419,501,417	\$ 419,599,984

As part of the investment management transfer to SWIB, Terrace Investment Holdings SMF, LLC was created to centrally hold and manage the University's investments in private markets Limited Partnership Funds. This investment is illiquid and is generally not resold or redeemed. Distributions from the fund will be received over the life of the investment as the underlying investments are liquidated. The investment strategy of the limited partnership focuses globally on corporate finance, venture capital, and forestry/agricultural investments. The fund-of-funds limited partnership is estimated to have an average remaining life of approximately 5 years at June 30, 2019. The estimated remaining life of the underlying investments are between 0-10 years at June 30, 2019.

The following table presents the fair value and unfunded commitments of the University's investments in private markets Limited Partnerships Funds as of June 30:

<b>Investment Type</b>	<b>2019</b>		<b>2018</b>	
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>
Private Markets Limited Partnership Funds	\$ 72,368,222	\$ 16,921,959	\$ 64,851,965	\$ 23,585,146

No further new commitments to these or other private markets funds are anticipated. The existing positions in the private markets Limited Partnership Funds will eventually self-liquidate, as underlying private investments are sold off and distributions are made to investors.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 2 – Cash and Investments (continued)**

As of June 30, 2019, the Foundations' investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value (NAV) per share or its equivalent. The following table presents these investments by investment category.

<b>Investments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total June 30, 2019</b>
Certificates of Deposit	\$ —	\$ 224,490	\$ —	\$ 224,490
Money Market Funds	6,887,439	5,097,257	—	11,984,696
Federal and State Government Securities	138,923,763	758,210	—	139,681,973
Equity Securities	588,773,400	—	3,951,924	592,725,324
Debt Securities	513,610,571	68,890,342	—	582,500,913
Bond Funds	314,961,922	394,472,517	—	709,434,439
Stock Funds	93,058,988	1,259,254,034	31,707,692	1,384,020,714
Exchange Traded Funds	125,077,921	—	—	125,077,921
Mutual Funds	141,384,293	—	—	141,384,293
Other	1,722,195	—	4,540,893	6,263,088
Subtotal	<u>\$ 1,924,400,492</u>	<u>\$ 1,728,696,850</u>	<u>\$ 40,200,509</u>	<u>\$ 3,693,297,851</u>
Alternate Investments Measured at NAV:				
Private Equity				316,039,512
Timber				5,434,478
Real Estate				82,685,280
Oil and Gas				124,785,961
Hedge Funds				92,249,904
Other				42,297,826
Total investments at fair value				<u>\$4,356,790,812</u>



**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 2 – Cash and Investments (continued)**

As of June 30, 2018, the Foundations' investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value (NAV) per share or its equivalent. The following table presents these investments by investment category.

<b>Investments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total June 30, 2018</b>
Certificates of Deposit	\$ —	\$ 1,143,009	\$ —	\$ 1,143,009
Money Market Funds	7,658,554	7,173,453	—	14,832,007
Federal and State Government Securities	167,347,095	1,424,327	—	168,771,422
Equity Securities	597,926,843	—	3,951,924	601,878,767
Debt Securities	523,875,740	25,768,457	—	549,644,197
Bond Funds	316,138,548	393,146,577	—	709,285,125
Stock Funds	184,442,284	1,250,821,616	35,416,635	1,470,680,535
Exchange Traded Funds	128,233,629	—	—	128,233,629
Mutual Funds	27,526,031	—	—	27,526,031
Other	1,685,250	—	4,582,677	6,267,927
Subtotal	<u>\$1,954,833,974</u>	<u>\$1,679,477,439</u>	<u>\$ 43,951,236</u>	<u>\$ 3,678,262,649</u>
Alternate Investments Measured at NAV:				
Private Equity				316,039,512
Timber				5,434,478
Real Estate				80,961,903
Oil and Gas				124,785,961
Hedge Funds				94,562,169
Other				36,237,051
Total investments at fair value				<u>\$ 4,336,283,723</u>

**NOTE 3 – Receivables**

Accounts receivable and student loans receivable as of June 30, 2019 and June 30, 2018, are summarized as follows:

<b>Receivables (Net)</b>	<b>2019</b>	<b>2018</b>
Student Academic Fees	\$ 20,714,592	\$ 27,520,471
Grants and Contracts	75,981,697	42,463,725
Educational Activities and Other	43,794,645	42,426,799
Auxiliary Enterprises	10,916,210	13,677,395
UW Hospital Authority and La Crosse Medical Health Science Consortium Inc.	7,506,582	—
Investment	95,936	967,213
Student Loans Receivable	173,269,663	197,408,176
State Agencies	23,048,258	22,375,387
Other Governments	66,980,257	109,549,413
Total Receivables (Net)	<u>\$ 422,307,840</u>	<u>\$ 456,388,579</u>

Student loans receivable at June 30, 2019 included allowances for uncollectible loans of \$7.6 million relative to \$9.1 million in the prior year. Principal repayment and interest rates of university and federal loans vary. Federal loan programs are funded primarily with federal contributions to the University under the Perkins loan program and a variety of health professions loan programs.



**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 3 – Receivables (continued)**

Allowances for uncollectible on all non-student loan receivables totaled \$29.4 million and \$22.4 million at June 30, 2019 and 2018, respectively.

The University distributed student loans through the United States Department of Education federal direct lending program totaling \$639.3 million during fiscal year 2019 and \$662.2 million in fiscal year 2018. These distributions and the related funding sources are not reflected as expenses and revenues in the financial statements. However, related cash inflows and outflows are shown in the Statement of Cash Flows.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 4 - Capital Assets**

Land, buildings, improvements (e.g., parking lots, fences, street lighting, etc.), equipment, and library holdings are capitalized at cost at date of acquisition or acquisition value at the date of donation in the case of gifts-in-kind. Generally, capital equipment is defined as any single asset with a minimum value of \$5,000 and having a useful life of more than one year. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets: buildings over 40 years, improvements over 20 years, and capital equipment over periods ranging from 3 to 15 years for specified asset classes. The componentized methodology of depreciation is used for major research facilities generally using estimated useful lives ranging from 10 to 50 years. The buildings and land related to the 13 additional campuses are not owned by the University and thus are not reported in these financial statements. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any way. Proceeds from the sale, exchange, or other disposal of any item belonging to a collection of works of art or historical treasures must be applied to the acquisition of additional items for the same collection.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for a capital asset that has experienced a significant, unexpected decline in its service utility. No individual asset met these criteria in fiscal year 2019 or 2018. Insurance recoveries received in fiscal year 2019 included \$1.5 million for legal settlement costs to resolve loan obligations of the University of Wisconsin - Oshkosh Foundation. Insurance recoveries received for a building fire at the University of Wisconsin-Milwaukee in fiscal year 2019 included \$1.7 million and in fiscal year 2018 included \$3.0 million. Insurance recoveries are reported as other non-operating revenues in the financial statements.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting standards for an intangible asset that lacks physical substance, is nonfinancial in nature, has a useful life extending beyond one year, and is not acquired or created primarily for the purpose of directly obtaining income or profit. Intangible assets are capitalized with a minimum value of \$1.0 million and are included in the equipment balance. Depreciation for intangible assets is calculated on a straight-line basis over ten years. At June 30, 2019, the equipment balance includes \$29.6 million for intangible assets net of depreciation, compared to \$31.8 million at June 30, 2018.

Depreciation expense for fiscal years ended June 30, 2019 and 2018 was \$327.3 million and \$324.0 million, respectively.

During both fiscal year 2018 and 2019, several major construction projects were in progress including the following projects with a budget of \$50.0 million or more:

UW Institution	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Madison	Chemistry Building Addition and Renovation	Academic	\$ 93.8	GFSB/Gifts/Cash
Madison	Music Performance Building	Academic	55.8	Gifts
Madison	New South East Recreational Facility (SERF)	Student Life	96.5	PRSB/Gifts
Madison	Witte Residence Hall Renovation	Student Life	52.8	PRSB/Cash
Milwaukee	NWQ Renovation	Academic	52.1	GFSB/PRSB/Cash
Platteville	Sesquicentennial Hall	Academic	55.2	GFSB/PRSB

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 4 - Capital Assets (continued)**

During fiscal year 2019, several new major construction projects were initiated and in progress including the following projects with a budget of \$50.0 million or more:

UW Institution	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Madison	Gymnasium/Natatorium Replacement	Student Life	\$ 126.3	PRSB/Gifts
Madison	Sellery Residence Hall Addition and Renovation	Student Life	78.8	PRSB/Cash
Madison	Veterinary School Addition and Renovation	Academic	128.1	GFSB/Gifts
Milwaukee	Chemistry Building STEM Program Renovation	Academic	129.5	GFSB

No major construction projects were completed during fiscal year 2019. Several construction projects were completed during fiscal year 2018, including the following projects with \$50.0 million or more in actual expenditures:

UW Institution	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
La Crosse	Science Lab Building	Academic	\$ 82.0	GFSB
Stevens Point	Chemistry-Biology Building	Academic	75.2	GFSB/Cash

The change in book value from July 1, 2018 to June 30, 2019 is summarized as follows:

	Book Value July 1, 2018	Additions	Transfers	Deductions	Book Value June 30, 2019
Buildings	\$ 7,062,816,725	\$ 40,450,166	\$ 43,097,020	\$ (5,163,109)	\$ 7,141,200,802
Improvements	499,845,821	3,698,802	11,160,245	—	514,704,868
Land	157,018,407	—	1,193,684	—	158,212,091
Construction in Progress	483,350,447	291,458,401	(38,536,303)	(1,879,839)	734,392,706
Equipment	1,198,593,663	83,136,429	16,988,101	(134,418,143)	1,164,300,050
Library Holdings	1,122,852,150	19,004,117	—	(14,786,471)	1,127,069,796
Subtotal	\$ 10,524,477,213	\$ 437,747,915	\$ 33,902,747	\$ (156,247,562)	\$ 10,839,880,313

Less Accumulated Depreciation:

	Book Value July 1, 2018	Additions	Transfers	Deductions	Book Value June 30, 2019
Buildings	\$ 3,200,667,236	\$ 212,247,003	\$ —	\$ (54,000)	\$ 3,412,860,239
Improvements	306,836,915	16,608,117	—	54,000	323,499,032
Equipment	909,494,310	76,258,182	95,628	(115,561,666)	870,286,454
Library Holdings	967,407,933	22,211,853	—	(14,786,472)	974,833,314
Total Accumulated Depreciation	5,384,406,394	327,325,155	95,628	(130,348,138)	5,581,479,039
Capital Assets, Net	\$ 5,140,070,819	\$ 110,422,760	\$ 33,807,119	\$ (25,899,424)	\$ 5,258,401,274

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 4 - Capital Assets (continued)**

The change in book value from July 1, 2017 to June 30, 2018 is summarized as follows:

	<b>Book Value July 1, 2017</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deductions</b>	<b>Book Value June 30, 2018</b>
Buildings	\$ 7,004,935,050	\$ 25,132,675	\$ 32,749,000	\$ —	\$ 7,062,816,725
Improvements	494,475,057	6,728,562	(1,357,798)	—	499,845,821
Land	156,977,401	41,006	—	—	157,018,407
Construction in Progress	231,043,044	296,902,210	(44,594,807)	—	483,350,447
Equipment	1,173,081,591	73,028,929	(397,931)	(47,118,926)	1,198,593,663
Library Holdings	1,120,151,973	18,785,575	(131,161)	(15,954,237)	1,122,852,150
Subtotal	\$10,180,664,116	\$ 420,618,957	\$ (13,732,697)	\$ (63,073,163)	\$10,524,477,213

Less Accumulated Depreciation:

	<b>Book Value July 1, 2017</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deductions</b>	<b>Book Value June 30, 2018</b>
Buildings	\$ 2,990,349,607	\$ 210,317,629	\$ —	\$ —	\$ 3,200,667,236
Improvements	290,336,788	16,500,127	—	—	306,836,915
Equipment	879,006,132	74,784,262	—	(44,296,084)	909,494,310
Library Holdings	960,980,050	22,382,121	—	(15,954,238)	967,407,933
Total Accumulated Depreciation	5,120,672,577	323,984,139	—	(60,250,322)	5,384,406,394
Capital Assets, Net	\$ 5,059,991,539	\$ 96,634,818	\$ (13,732,697)	\$ (2,822,841)	\$ 5,140,070,819

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 5 – Liabilities**

Accounts payable and accrued liabilities, consisting of salary and fringe benefits, due to state agencies and other governments, and vendor payables, resulting from University's activities as of June 30, 2019 and 2018, are summarized as follows:

<b>Fiscal Year 2019</b>				
<b><u>UW System Activities</u></b>	<b>Salary and Fringe Benefits</b>	<b>Due to State Agencies and Other Governments</b>	<b>Vendors</b>	<b>Total Payables</b>
Operating	\$ 30,149,999	\$ 58,506,363	\$ 22,579,737	\$ 111,236,099
Gifts, Grants, and Contracts	1,455,253	5,241,665	8,062,457	14,759,375
Capital Projects	—	433,548	52,650,616	53,084,164
Auxiliary Enterprises	1,550,972	2,374,686	2,392,648	6,318,306
Investment and Other	20,983	355,977	257,125	634,085
Total Activities	<u>\$ 33,177,207</u>	<u>\$ 66,912,239</u>	<u>\$ 85,942,583</u>	<u>\$ 186,032,029</u>

<b>Fiscal Year 2018</b>				
<b><u>UW System Activities</u></b>	<b>Salary and Fringe Benefits</b>	<b>Due to State Agencies and Other Governments</b>	<b>Vendors</b>	<b>Total Payables</b>
Operating	\$ 7,496,656	\$ 72,078,877	\$ 42,072,092	\$ 121,647,625
Gifts, Grants, and	1,515,017	2,650,211	11,091,338	15,256,566
Capital Projects	—	433,548	43,703,664	44,137,212
Auxiliary Enterprises	1,640,202	1,007,630	7,204,418	9,852,250
Investment and Other	25,126	372,319	10,917,870	11,315,315
Total Activities	<u>\$ 10,677,001</u>	<u>\$ 76,542,585</u>	<u>\$ 114,989,382</u>	<u>\$ 202,208,968</u>

Long-term liability activity for the fiscal years ended June 30, 2019 and 2018 is as follows:

<b><u>Long-term Liabilities</u></b>	<b>Balance July 1, 2018</b>	<b>Increases (Decreases)</b>	<b>Balance June 30, 2019</b>	<b>Current Portion</b>
<b>2019</b>				
Bonds Payable	\$ 1,537,960,900	\$ 13,265,022	\$ 1,551,225,922	\$ 92,912,919
Notes Payable	57,936,014	10,848,743	68,784,757	16,666,684
Capital Lease Obligations	29,721,154	(354,590)	29,366,564	1,343,880
Perkins Loan Program	138,736,513	—	138,736,513	—
Compensated Absences	139,562,216	4,612,120	144,174,336	70,758,824
Net Pension Liability	—	474,419,425	474,419,425	—
Other Post-employment Health	315,687,625	(78,483,611)	237,204,014	—
Other Postemployment Life	204,440,597	(23,949,986)	180,490,611	—
Capital Asset Retirement Obligations	—	12,009,060	12,009,060	—
Total	<u>\$ 2,424,045,019</u>	<u>\$ 412,366,183</u>	<u>\$ 2,836,411,202</u>	<u>\$ 181,682,307</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 5- Liabilities (continued)**

<b><u>Long-term Liabilities</u></b> <b><u>2018</u></b>	<b><u>Balance</u></b> <b><u>July 1, 2017</u></b>	<b><u>Increases</u></b> <b><u>(Decreases)</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2018</u></b>	<b><u>Current</u></b> <b><u>Portion</u></b>
Bonds Payable	\$ 1,520,059,406	\$ 17,901,494	\$ 1,537,960,900	\$ 89,063,565
Notes Payable	77,348,912	(19,412,898)	57,936,014	14,977,934
Capital Lease Obligations	30,958,503	(1,237,349)	29,721,154	1,267,191
Perkins Loan Program	149,944,372	(11,207,859)	138,736,513	—
Compensated Absences	138,046,481	1,515,735	139,562,216	69,904,647
Net Pension Liability	112,698,659	(112,698,659)	—	—
Other Post-employment Health	289,642,369	26,045,256	315,687,625	—
Other Post-employment Life	—	204,440,597	204,440,597	—
Total	<u>\$ 2,318,698,702</u>	<u>\$ 105,346,317</u>	<u>\$ 2,424,045,019</u>	<u>\$ 175,213,337</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 6 - Long Term Debt**

The State of Wisconsin issues general obligation bonds and notes on behalf of its constituent agencies, including the University, the proceeds of which are used to construct or acquire facilities and other capital assets. The University holds title to the assets thus acquired. As an enterprise fund of the State of Wisconsin, the University reports on its Statement of Net Position the portion of the debt that will be repaid with program revenues generated by the University's self-supporting operations. Debt on academic facilities that is repaid by an appropriation from the State of Wisconsin to the University for that purpose is reported by the State of Wisconsin and not as an obligation of the University. However, cash inflows and outflows are shown in the Statement of Cash Flows.

The reported bond balance at June 30, 2019 does not include bonds considered in-substance defeased with a principal balance of \$62.7 million and premium balance of \$2.7 million. The related bonds are not yet callable, but cash has been put in escrow to pay the related principal payments until May 2028, at which time the bonds will be called.

The following information is the University's proportionate share of the new bonds issued by the State of Wisconsin during the fiscal years of 2019 and 2018:

<b>2019 Series</b>	<b>Interest Rate</b>	<b>Maturity Fiscal Year</b>	<b>Initial Amount</b>	<b>Use</b>
2018-B (Bond)	5.00 %	2039	\$ 91,722,960	Capitalized Projects
2019-A (Note)	1.55% - 2.00%	2038	25,670,036	Capitalized Projects
			<u>\$ 117,392,996</u>	

<b>2018 Series</b>	<b>Interest Rate</b>	<b>Maturity Fiscal Year</b>	<b>Initial Amount</b>	<b>Use</b>
2017-B	4.00% - 5.00%	2038	\$ 20,837,841	Capitalized Projects
2017-1	2.00% - 5.00%	2031	79,412,816	Refunding
2017-2	5.00%	2028	66,149,401	Refunding
2017-3	4.00% - 5.00%	2034	34,164,650	Refunding
2018-A	4.00% - 5.00%	2036	55,957,843	Capitalized Projects
			<u>\$ 256,522,551</u>	

The following information relates to the status of bonds and notes payable outstanding at June 30, 2019:

	<b>Balance July 1, 2018</b>	<b>New Debt/ Accretion</b>	<b>Principal Paid/ Adjustments</b>	<b>Balance June 30, 2019</b>
Bonds (Gross)	\$ 1,409,430,357	\$ 91,722,960	\$ (65,900,564)	\$ 1,435,252,753
Notes	57,936,014	25,670,036	(14,821,293)	68,784,757
Total	<u>\$ 1,467,366,371</u>	<u>\$ 117,392,996</u>	<u>\$ (80,721,857)</u>	<u>\$ 1,504,037,510</u>

The bonds have maturity dates ranging from November 1, 2019 to May 1, 2042. The notes have maturity dates ranging from August 1, 2019 to May 1, 2038. Interest rates range from 1.0% to 7.0%.

As of June 30, 2019, the current and noncurrent bonds and notes payable net of discounts and premiums totaled \$109.6 million and \$1,510.4 million, respectively.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
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**NOTE 6 - Long Term Debt (continued)**

	<b>Balance June 30, 2019</b>	<b>Current</b>	<b>Noncurrent</b>
Bonds (Gross)	\$ 1,435,252,753	\$ 71,478,228	\$ 1,363,774,525
Discount	(235,083)	(22,313)	(212,770)
Premium	116,208,252	21,457,004	94,751,248
Bonds (Net)	1,551,225,922	92,912,919	1,458,313,003
Notes	68,784,757	16,666,684	52,118,073
Total	<u>\$ 1,620,010,679</u>	<u>\$ 109,579,603</u>	<u>\$ 1,510,431,076</u>

The following information relates to the status of bonds and notes payable outstanding at June 30, 2018:

	<b>Balance July 1, 2017</b>	<b>New Debt/ Accretion</b>	<b>Principal Paid/ Adjustments</b>	<b>Balance June 30, 2018</b>
Bonds (Gross)	\$ 1,404,433,151	\$ 76,795,685	\$ (71,798,479)	\$ 1,409,430,357
Notes	77,348,912	—	(19,412,898)	57,936,014
Total	<u>\$ 1,481,782,063</u>	<u>\$ 76,795,685</u>	<u>\$ (91,211,377)</u>	<u>\$ 1,467,366,371</u>

The bonds have maturity dates ranging from November 1, 2018 to May 1, 2042. The notes have maturity dates ranging from August 1, 2018 to May 1, 2022. Interest rates range from 0.8% to 7.0%.

As of June 30, 2018, the current and noncurrent bonds and notes payable net of discounts and premiums totaled \$104.0 million and \$1,491.9 million, respectively.

	<b>Balance June 30, 2018</b>	<b>Current</b>	<b>Noncurrent</b>
Bonds (Gross)	\$ 1,409,430,357	\$ 66,047,036	\$ 1,343,383,321
Discount	(186,590)	(15,809)	(170,781)
Premium	128,717,133	23,032,338	105,684,795
Bonds (Net)	1,537,960,900	89,063,565	1,448,897,335
Notes	57,936,014	14,977,934	42,958,080
Total	<u>\$ 1,595,896,914</u>	<u>\$ 104,041,499</u>	<u>\$ 1,491,855,415</u>

Future debt service requirements for bonds and notes outstanding at June 30, 2019 are as follows:

<b>Fiscal Year(s)</b>	<b>Bonds</b>		<b>Notes</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 71,478,228	\$ 68,272,129	\$ 16,666,684	\$ 2,996,438
2021	68,163,866	63,728,238	19,300,848	2,305,681
2022	71,898,701	60,163,506	7,147,188	1,376,292
2023	77,610,183	56,633,955	—	1,026,801
2024	93,824,295	52,823,147	—	1,026,801
2025-2029	463,733,220	197,623,328	—	5,134,007
2030-2034	403,412,329	92,847,123	—	5,134,007
2035-2039	155,281,931	28,808,195	25,670,037	3,915,388
2040-2044	29,850,000	2,262,275	—	—
Total	<u>\$ 1,435,252,753</u>	<u>\$ 623,161,896</u>	<u>\$ 68,784,757</u>	<u>\$ 22,915,415</u>



**UNIVERSITY OF WISCONSIN SYSTEM**  
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**NOTE 6 - Long Term Debt (continued)**

As noted above, debt on academic facilities that is repaid by an appropriation from the State of Wisconsin to the University for that purpose is reported by the State of Wisconsin and not as an obligation of the University. As of June 30, 2019, the principal balances of such bonds and notes were \$1,314.8 million and \$116.9 million, respectively. As of June 30, 2018, the principal balances of such bonds and notes were \$1,420.1 million and \$140.8 million, respectively. Debt service payments made by the State of Wisconsin for the years ended June 30, 2019 and 2018 were allocated as follows:

	<b>2019</b>	<b>Bonds</b>	<b>Notes</b>
Principal		\$ 109,055,689	\$ 33,539,843
Interest		70,177,266	2,696,967
Total Paid		<u>\$ 179,232,955</u>	<u>\$ 36,236,810</u>
	<b>2018</b>	<b>Bonds</b>	<b>Notes</b>
Principal		\$ 110,729,177	\$ 28,954,785
Interest		65,995,945	1,288,305
Total Paid		<u>\$ 176,725,122</u>	<u>\$ 30,243,090</u>

**NOTE 7 - Lease Commitments**

The University had capital lease obligations with a net present value of \$29.4 million as of June 30, 2019 compared to \$29.7 million at June 30, 2018. The payment schedule for capital lease obligations is as follows:

<b>Fiscal Year(s)</b>	<b>Obligations</b>
2020	\$ 3,461,099
2021	3,214,723
2022	2,889,275
2023	2,604,376
2024	2,488,774
2025 - 2029	12,398,970
2030 - 2034	12,363,920
2035 - 2039	12,363,919
2040 - 2044	9,891,136
Total Scheduled Lease Payments	61,676,192
Amount Representing Interest	(32,309,628)
Net Present Value	<u>\$ 29,366,564</u>

Assets Held Under Capital Lease:

<b>June 30, 2019</b>	<b>Original Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
Buildings and Improvements	\$ 29,286,500	\$ 4,026,894	\$ 25,259,606
Equipment	2,266,856	1,186,453	1,080,403
Total Assets	<u>\$ 31,553,356</u>	<u>\$ 5,213,347</u>	<u>\$ 26,340,009</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 7 – Lease Commitments (continued)**

<b>June 30, 2018</b>	<b>Original Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>
Buildings and Improvements	\$ 29,286,500	\$ 3,294,731	\$ 25,991,769
Equipment	3,028,946	1,848,744	1,180,202
Total Assets	<u>\$ 32,315,446</u>	<u>\$ 5,143,475</u>	<u>\$ 27,171,971</u>

Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Operating lease expenditures, which also represent the minimum rental payments, amounted to \$36.8 million for the fiscal year ended June 30, 2019.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 7 – Lease Commitments (continued)**

Minimum commitments for future operating lease payments are as follows:

<u>Fiscal Year(s)</u>	<u>Commitments</u>
2020	\$ 24,891,485
2021	23,198,763
2022	20,036,052
2023	15,124,559
2024	14,811,864
2025 - 2029	63,737,597
2030 - 2034	56,545,862
2035 - 2039	35,931,283
2040 - 2044	24,714,000
2045 - 2049	14,820,000
Total	<u>\$ 293,811,465</u>

**NOTE 8 – Retirement Benefits**

**Plan Description.** The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

All assets of the WRS are invested by the State of Wisconsin Investment Board. The retirement fund assets consist of shares in the Variable Retirement Investment Trust and the Core Retirement Investment Trust. The Variable Retirement Investment Trust consists primarily of equity securities. The Core Retirement Investment Trust is a balanced investment fund made up of fixed income securities and equity securities. Shares in the Core and Variable Retirement Investment Trust are purchased as funds are made available from retirement contributions and investment income, and sold when funds for benefit payments and other expenses are needed.

**Vesting.** For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's

**NOTE 8 – Retirement Benefits (continued)**

contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**Post-Retirement Adjustments.** The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%
2015	2.9%	2%
2016	0.5%	(5)%
2017	2.0%	4%
2018	2.4%	17%

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 8 – Retirement Benefits (continued)**

During the reporting period, the University's contributions recognized by the WRS amounted to \$137.0 million and \$134.5 million, respectively. Contribution rates as of June 30, 2019 and 2018 were:

<b>Employee Category</b>	<b>June 30, 2019</b>		<b>June 30, 2018</b>	
	<b>Employee</b>	<b>Employer</b>	<b>Employee</b>	<b>Employer</b>
General (including teachers)	6.7%	6.7%	6.8%	6.8%
Executives & Elected Officials	6.7%	6.7%	6.8%	6.8%
Protective with Social Security	6.7%	10.7%	6.8%	10.6%
Protective without Social Security	6.7%	14.9%	6.8%	14.9%

**Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2019, the University reported a net pension liability of \$474.4 million for its proportionate share of the net pension liability, compared to the net pension asset of \$399.1 million at June 30, 2018. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the University's proportion was 13.3%, which was a decrease of 0.1% from its proportion measured as of December 31, 2017. At December 31, 2017, the University's proportion was 13.4%, which was a decrease of 0.1% from its proportion measured as of December 31, 2016.

For the fiscal year ended June 30, 2019 and June 30, 2018, the University recognized pension expense of \$317.7 million and \$170.2 million, respectively.

At June 30, 2019, the University reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Fiscal Year ended June 30, 2019</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ (283,643,792)	\$ 369,500,896	\$ (653,144,688)
Change in Proportion	(892,678)	1,137,227	(2,029,905)
Employer Contributions Subsequent to Measurement Date	102,270,078	102,270,078	—
Net Difference Between Expected and Actual Earnings	692,857,041	692,857,041	—
Assumption Changes	79,969,783	79,969,783	—
Total	<u>\$ 590,560,432</u>	<u>\$ 1,245,735,025</u>	<u>\$ (655,174,593)</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
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**NOTE 8 – Retirement Benefits (continued)**

At June 30, 2018, the University reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Fiscal Year ended June 30, 2018</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ 269,863,896	\$ 507,040,745	\$ (237,176,849)
Change in Proportion	(4,941,443)	25,064	(4,966,507)
Employer Contributions Subsequent to Measurement Date	74,807,123	74,807,123	—
Net Difference Between Expected and Actual Earnings	(548,497,947)	—	(548,497,947)
Assumption Changes	78,850,365	78,850,365	—
Total	<u>\$ (129,918,006)</u>	<u>\$ 660,723,297</u>	<u>\$ (790,641,303)</u>

The amount reported as pension-related deferred outflows resulting from the University's contributions subsequent to the measurement date is recognized as part of the net pension liability calculation in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension benefits will be recognized in pension expense as follows:

<b>Fiscal Year ended June 30</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2020	\$ 490,900,120	\$ (315,496,801)
2021	262,834,008	(218,063,660)
2022	254,203,153	(176,200,788)
2023	135,527,664	54,586,657
2024	—	—
Totals	<u>\$1,143,464,945</u>	<u>\$ (655,174,592)</u>

Additional information related to deferred outflows of resources and deferred inflows of resources is presented in Note 10.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
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**NOTE 8 – Retirement Benefits (continued)**

**Actuarial assumptions.** The total pension liability in the December 31, 2017, and the total pension asset in the December 31, 2016 actuarial valuations were determined using the following fiscal year 2019 and 2018, respectively, actuarial assumptions, applied to all periods included in the measurement.

	<b>2019</b>	<b>2018</b>
Actuarial Valuation Date:	December 31, 2017	December 31, 2016
Measurement Date of Net Pension Asset/Liability	December 31, 2018	December 31, 2017
Actuarial Cost Method:	Entry Age	Entry Age
Asset Valuation Method:	Fair Value	Fair Value
Long-Term Expected Rate of Return:	7.0%	7.2%
Discount Rate:	7.0%	7.2%
Salary Increases:		
Inflation	3.0%	3.2%
Seniority/Merit	0.1% - 5.6%	0.2% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	1.9%	2.1%

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

**Long-term Expected Real Rate of Return.** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**NOTE 8 – Retirement Benefits (continued)**

**Asset Allocation Targets and Expected Returns for Fiscal Year 2019**

<b>Core Fund Asset Class</b>	<b>Asset Allocation %</b>	<b>Long-Term Expected Nominal Rate of Return %</b>	<b>Long-Term Expected Real Rate of Return %</b>
Global Equities	49.0%	8.1%	5.5%
Fixed Income	24.5%	4.0%	1.5%
Inflation Sensitive Assets	15.5%	3.8%	1.3%
Real Estate	9.0%	6.5%	3.9%
Private Equity/Debt	8.0%	9.4%	6.7%
Multi-Asset	4.0%	6.7%	4.1%
Total Core Fund	110.0%	7.3%	4.7%
<b>Variable Fund Asset Class</b>			
U.S. Equities	70.0%	7.6%	5.0%
International Equities	30.0%	8.5%	5.9%
Total Variable Fund	100.0%	8.0%	5.4%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

**Single Discount Rate.** A single discount rate of 7.0% was used to measure the total pension liability, as opposed to a discount rate of 7.2% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.0%. Because of the unique structure of WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the University's proportionate share of the net pension (asset)/liability to changes in the discount rate.** The following presents the University's proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.0 percent and 7.2 percent for the fiscal years ended June 30, 2019 and 2018, respectively, as well as what the University's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for fiscal years ended June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
1% Decrease to Discount Rate (2019: 6.0%; 2018: 6.2%)	\$ 1,885,392,486	\$ 1,032,555,481
Current Discount Rate (2019: 7.0%; 2018: 7.2%)	\$ 474,419,425	\$ (399,079,716)
1% Increase to Discount Rate (2019: 8.0%; 2018: 8.2%)	\$ (574,748,485)	\$ (1,487,166,756)



#### NOTE 8 – Retirement Benefits (continued)

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

#### Other Retirement Benefits

In addition to the WRS, certain employees associated with federally funded activities are partially covered by the Federal Retirement Program. The University's contributions to this program totaled \$51,961 during fiscal year 2019, compared with \$58,806 during fiscal year 2018.

#### NOTE 9 – Postemployment Benefits Other Than Pensions

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures in financial reports of state and local governmental employers. GASB statement 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, establishes reporting standards for other postemployment benefits included in the general purpose external financial reports of state and local governmental OPEB plans.

Under Chapter 40 of Wisconsin Statutes, the Department of Employee Trust Funds (ETF) and Group Insurance Board (GIB) have statutory authority for program administration and oversight of postemployment benefits. ETF administers postemployment benefit plans other than pension plans for the Retiree Life Insurance and Retiree Health Insurance plans (for retired state employees). University employees are employees of the State.

ETF issues publicly available financial reports that include financial statements, additional note disclosures, and required supplementary information for these plans. The reports are available at [www.etf.wi.gov](http://www.etf.wi.gov) or may be obtained upon request from: Department of Employee Trust Funds, 4822 Madison Yards Way, Madison, Wisconsin 53705-9100.

The State of Wisconsin Comprehensive Annual Financial Report includes financial statements, additional note disclosures, and required supplementary information for this plan. That report is publicly available at [www.doa.state.wi.us](http://www.doa.state.wi.us) or may be obtained by writing to: Department of Administration, 101 East Wilson Street, Madison, Wisconsin 53703.

**Basis of Accounting.** The OPEB plans are reported in accordance with GASB standards and accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. The OPEB liability, deferred outflows of resources and deferred inflows of resources, OPEB expense, and fiduciary net position, if any, have been determined on the same basis. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value.

#### Retiree Life Insurance Funds

The State Retiree Life Insurance Fund is considered a single-employer defined benefit OPEB plan. GASB standards classify the State Retiree Health Insurance program as a single-employer defined benefit OPEB plan with multiple participating employers, which includes the State, the University, and other component units of the State. The plan is administered through a trust.

The plans provide postemployment life insurance coverage to all eligible employees of participating employers. The plans are established by Wisconsin Statutes Chapter 40.70. ETF contracts with Securian Financial Group, Inc. (Securian) as a third party administrator for the Retiree Life Insurance plans. Benefit terms may be modified by the GIB, subject to state and federal legislative constraints.

**UNIVERSITY OF WISCONSIN SYSTEM**  
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**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

Generally, members may enroll during a 30-day enrollment period after their date of hire. Members may also enroll after the initial 30-day enrollment period with evidence of insurability. Members under evidence of insurability enrollment must enroll in group life insurance coverage before age 55 to be eligible for Basic or Supplemental coverage.

**Contributions.** The GIB approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions for active members to provide them with basic coverage after age 65. There are no employer contributions for pre-65 annuitant coverage. All contributions are actuarially determined. Contribution rates as of June 30, 2019 are:

<b>Coverage Type</b>	<b>Employer Contribution</b>
50% post-retirement coverage	28% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are as listed below:

<b>Attained Age</b>	<b>Basic</b>	<b>Supplemental</b>
Under 30	\$ 0.04	\$ 0.04
30-34	0.04	0.04
35-39	0.04	0.04
40-44	0.06	0.06
45-49	0.10	0.10
50-54	0.16	0.16
55-59	0.22	0.22
60-64	0.30	0.30
65-69	0.39	0.39

During the reporting period, the OPEB plan recognized \$580,265 in contributions from the University.

At retirement, the member must have active group life insurance coverage and satisfy one of the following:

- Wisconsin Retirement System (WRS) coverage prior to January 1, 1989, or
- At least one month of group life insurance coverage in each of five calendar years after 1989 and one of the following:
  - Eligible for an immediate WRS benefit,
  - At least 20 years from their WRS creditable service as of January 1, 1990, plus their years of group life insurance coverage after 1989, or
  - At least 20 years on the payroll of their last employer.

In addition, terminating members and retirees must continue to pay the employee premiums until age 65 (age 70 if active).

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**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

**Benefits and Membership.** After retirement, basic coverage is continued for life in amounts for the insurance in force before retirement:

<b>Age</b>	<b>Coverage</b>
Before age 65	100%
While age 65	75%
While age 66	50%
After age 66	50%

After retirement, additional coverage may be continued until age 65 at 100 percent of the amount of the insurance in force before retirement at the employee's expense, and spouse and dependent coverage benefits is terminated.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** At June 30, 2019, the University reported a liability of \$180.5 million for its proportionate share of the net OPEB liability. The net liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The University's proportion of the net OPEB liability was based on the University's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the University's proportion was 41.8 percent, which was an increase of 0.4 percent from its proportion of 41.4 percent measured as of December 31, 2017. At December 31, 2017, the University's proportion was 41.4 percent, which was a decrease of 1.8 percent from its proportion of 43.2 percent measured as of December 31, 2016.

For the year ended June 30, 2019, the University recognized OPEB expense of \$15.0 million. For the year ended June 30, 2018, the University recognized OPEB expense of \$18.7 million.

At June 30, 2019, the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<b>Fiscal Year ended June 30, 2019:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ (7,828,979)	\$ —	\$ (7,828,979)
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	3,573,199	3,573,199	—
Assumption Changes	(19,182,026)	14,659,851	(33,841,877)
Changes in Proportion	(3,446,808)	1,569,536	(5,016,344)
Total	<u>\$ (26,884,614)</u>	<u>\$ 19,802,586</u>	<u>\$ (46,687,200)</u>

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**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

At June 30, 2018, the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<b>Fiscal Year ended June 30, 2018:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ (1,917,278)	\$ —	\$ (1,917,278)
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	2,011,697	2,011,697	—
Assumption Changes	17,844,053	17,844,053	—
Changes in Proportion	(6,313,448)	—	(6,313,448)
Total	<u>\$ 11,625,024</u>	<u>\$ 19,855,750</u>	<u>\$ (8,230,726)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

<b>Fiscal Year ended June 30:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2020	\$ 4,208,070	\$ (8,226,100)
2021	4,208,070	(8,226,100)
2022	4,208,070	(8,226,100)
2023	3,712,584	(8,226,100)
2024	3,190,900	(8,226,100)
Thereafter	274,892	(5,556,700)
Total	<u>\$ 19,802,586</u>	<u>\$ (46,687,200)</u>

The total OPEB expense is determined as follows:

Net Proportionate Share of Plan OPEB Expense (Income)	\$ 15,728,831
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(728,662)
Total OPEB Expense	<u>\$ 15,000,169</u>

**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

**Actuarial Assumptions.** The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	January 1, 2018
Measurement Date of Net OPEB Liability	December 31, 2018
Actuarial cost method	Entry age normal
20-year tax-exempt municipal bond yield	4.10%
Long-term expected rate of return	5.00%
Discount rate	4.20%
Salary increases:	
Inflation	3.00%
Seniority/merit	0.1% - 5.6%
Mortality rates	Wisconsin 2018 Mortality Table

**Long-Term Expected Return on Plan Assets.** The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the OPEB plan are held with Securian, the insurance carrier. Interest is calculated and credited to the OPEB plan based on the rate of return for a segment of the insurance carrier's general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return, and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

**State OPEB Life Insurance  
Asset Allocation Targets and Expected Returns  
As of December 31, 2017**

<b>Asset Class</b>	<b>Index</b>	<b>Target Allocation</b>	<b>Deferred Long-Term Expected Geometric Real Rate of Return</b>
U.S. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
U.S. Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

**Single Discount Rate.** A single discount rate of 4.20 percent was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.60 percent for the prior year. The plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net

**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

position is projected to be sufficient to make projected benefit payments, and the municipal bond rate, determined using the Bond Buyer General Obligation 20-Bond Municipal Bond Index, applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2033.

**Sensitivity of the University's Proportionate Share of Net OPEB Liability to Changes in the Discount Rate.** The following presents what the University's liability would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current discount rate:

	<b>1% Decrease in Discount Rate (3.20%)</b>	<b>Current Discount Rate (4.20%)</b>	<b>1% Increase in Discount Rate (5.20%)</b>
OPEB Liability	\$245,987,232	\$180,490,611	\$129,771,332

**OPEB Plan Fiduciary Net Position.** Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

**Retiree Health Insurance Funds**

The Retiree Health Insurance plans offer group health insurance to retired University employees. Retirees pay the full premium amount. The plans are not administered through a trust. The Retiree Health Insurance Funds contain certain non-OPEB components relating to post-Medicare pharmacy and health insurance benefits. ETF and the GIB have statutory authority for program administration and oversight under Wisconsin Statutes Chapters 15.165 (2) and 40.03 (6).

University employees participating in the State Health Insurance Plan are eligible to continue their health insurance coverage after leaving covered employment. Membership includes former university employees or their beneficiaries.

Employees may choose between self-insured health plans and alternate health plans with specific provider networks (i.e., HMOs). The HMOs follow GIB guidelines for eligibility and program requirements. All HMOs offer a prescribed benefit package called Uniform Benefits and participate in a yearly competitive premium rate bid process. The Standard Plan and State Maintenance Plan are self-insured by the GIB and administered by WPS Health Insurance. Self-insured coverage for health insurance was discontinued as of December 31, 2017. The Standard Plan is a preferred provider plan. The pharmacy benefit is self-insured by the GIB and administered by Navitus Health Solutions.

Effective January 1, 2012, prescription drug coverage for Medicare eligible retirees enrolled in the State group health insurance program is provided by a self-funded Medicare Part D Employer Group Waiver Plan (EGWP). A Medicare "Wrap" product is also included to provide full coverage to members, as required by uniform benefits, when they reach the Medicare coverage gap, also known as the "donut hole."

**Contributions.** As of the January 2017 actuarial valuation, the State's annual required contributions were \$100.8 million and \$97.9 million for fiscal years ended June 30, 2019 and June 30, 2018, respectively. The State's annual OPEB costs were \$52.4 million and \$85.4 million for fiscal years ended June 30, 2019 and June 30, 2018, respectively, and the State's actual contributions were \$40.8 million in fiscal year 2019 and \$43.2 million in fiscal year 2018, which results in a net OPEB obligation for the State of \$539.7 million as of June 30, 2019, and \$719.3 million as of June 30, 2018.

**State Retiree Health Insurance OPEB.** The State Retiree Health Insurance program provides postemployment health insurance coverage to all eligible retired employees of the University. The



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**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

University does not directly pay any portion of the premium for participating retirees. However, because retirees pay the same premium rate set for active employees, an implicit rate subsidy exists for employers. This implicit rate subsidy is reported as an OPEB liability. At age 65, when eligible, retirees are required to enroll in Medicare.

**Retiree Health Insurance Plan Description.** GASB standards classify the State Retiree Health Insurance program as a single employer defined benefit OPEB plan with multiple participating employers. Medical, prescription drug and dental benefits are provided to eligible retirees.

Retirees pay the full premium until age 65 directly to the plan either through “out-of-pocket” or from unused accumulated sick leave conversion credits. The value of the sick leave benefit is defined as compensated absences and reported under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Contribution requirements are established and may be amended by the GIB. Premiums for non-Medicare retirees are based on an effective rate structure for the health care service provider selected. Monthly rates range from \$543 to \$1,371 for single coverage and \$1,331 to \$3,422 for family coverage.

**Total Retiree Health OPEB Liability.** The OPEB plan liability was measured as of June 30, 2018. It was determined by an actuarial valuation as of January 1, 2017. The University reported a liability of \$237.2 million for its proportionate share of the OPEB liability amounts as of a June 30, 2019 reporting date. At June 30, 2019, the University's proportion was 44.0 percent which was an increase of 0.1 percent from its proportion of 43.9 percent measured as of June 30, 2017. At June 30, 2018, the University's proportion was 43.9 percent which was a decrease of 1.0 percent from its proportion of 44.9 percent measured as of June 30, 2016.

The actuarial valuation was based on the plan of retiree benefits and was made for purposes of fulfilling GASB accounting standards which require recognition of the employer cost of postemployment benefits over an employee's career. The total cost of providing postemployment benefits is projected, considering relevant assumptions, then discounted to determine the total OPEB liability. The total OPEB liability was allocated to participating employers based on their proportionate share of health insurance premiums contributed for active employees.

**Changes in the Total OPEB Liability.** Changes to the University's proportionate share of the OPEB plan liability during the fiscal year include the following:

OPEB Liability – June 30, 2018	\$ 315,687,625
Service Cost	25,509,090
Interest	11,910,415
Differences Between Expected and Actual Experience	369,849
Change of Assumptions	(98,334,274)
Benefit Payments	(17,938,691)
OPEB Liability – June 30, 2019	<u>\$ 237,204,014</u>

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**UNIVERSITY OF WISCONSIN SYSTEM**  
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**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Actuarial Valuation Date	January 1, 2017 (used for June 30, 2018 and June 30, 2017 measurement dates)
Measurement Date of Total OPEB Liability	June 30, 2018
Actuarial cost method	Entry age normal
Asset Valuation Method	N/A
Inflation	Inflation was changed from 3.00% for the June 30, 2018 measurement from 3.20% for the June 30, 2017 measurement
Salary increases	Separate merit and longevity increase rates by employer and service, plus 3.00% were used for the June 30, 2018 measurement compared to varying salary increases by service and employee class plus 3.20% inflation for the June 30, 2017 measurement
Discount Rate	Discount rate was changed to 3.87% for the June 30, 2018 measurement from 3.58% for the June 30, 2017 measurement
Health care cost trend rates (calendar year basis from January 1, 2017)	
Medical	5.25% for 2018 grading down 0.25% per year to 4.50%
Prescription drug	8.50% for 2018 grading down 0.50% per year to 5.00%
Dental	4.00% for 2018 and thereafter
Administrative costs	3.00% for 2018 and thereafter
Benefit Changes	None
Participation Rate	Decreased from 85% to 80%
Assumed Claims	Per capita claims costs were based on premium equivalent rates for plan year 2017, adjusted to reflect plan changes effective January 1, 2017 and actuarial factors applied to weighted average premium rates to estimate costs
Disability Rates	Rates for General, Executive and Elected employees were changed to match the 2015-2017 experience study for the pension valuation compared to the 2012-2014 experience study used in the prior year
Withdrawal Rate	Rate was changed to match the 2015-2017 experience study for the pension valuation compared to the 2012-2014 experience study used in the prior year
Excise Tax	Excise tax on high cost health plans beginning in 2022. Gross Average Claims were trended using the Plan Blended Medical and Prescription Drug Trend Rate, offset by the 2018 threshold trended at 2.6% for 2018 and the assumed rate of inflation for subsequent periods. The tax is assumed to be 40% of the difference, beginning in 2022.
Benefit End Date	Benefits end when participants turn 65 years old

Valuation assumption changes decreased the liability by \$128.2 million due to raising the discount rate to 3.87 percent from 3.58 percent based on the Bond Buyer, 20-year, general obligation municipal bond index rate closest to the measurement date (but not beyond). The assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2017. In addition, the assumed participation rate was lowered from 85 percent to 80 percent based on a study completed in July 2019. Other assumptions used, such as mortality,



**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

disability and retirement rates for active members, are consistent with analysis shown in the Experience Study Report performed by the pension actuary, completed for the period 2015-2017 and the Wisconsin 2017 Mortality Table.

**Sensitivity of the University's Proportionate Share of Total OPEB Liability to Changes in the Discount Rate.** The following presents what the University's liability would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current discount rate:

	<b>1% Decrease in Discount Rate (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase in Discount Rate (4.87%)</b>
OPEB Liability	\$254,038,320	\$237,204,014	\$221,323,805

**Sensitivity of the University's Proportionate Share of Total OPEB liability to Changes in the Healthcare Cost Trend Rates.** The following presents what the University's liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or higher than the current healthcare trend rate:

	<b>1% Decrease in Healthcare Trend Rate</b>	<b>Current Healthcare Trend Rate</b>	<b>1% Increase in Healthcare Trend Rate</b>
OPEB Liability	\$209,691,945	\$237,204,014	\$269,905,594

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** The total deferred outflows and inflows of resources are amortized over the average active participants service life of 10 years. For the year ended June 30, 2019, the University recognized OPEB expense amounting to \$22.6 million. For the year ended June 30, 2018, the University recognized OPEB expense amounting to \$19.9 million.

Total deferred outflows and inflows of resources to be recognized in the current OPEB expense for the fiscal year ended June 30, 2019 and 2018 are as follows:

	<b>Fiscal Year ended June 30, 2019:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ (128,727)	\$ 38,290	\$ (167,017)
Assumption Changes	(14,678,921)	—	(14,678,921)
Total	<u>\$ (14,807,648)</u>	<u>\$ 38,290</u>	<u>\$ (14,845,938)</u>

	<b>Fiscal Year ended June 30, 2018:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ (161,848)	\$ —	\$ (161,848)
Change in Proportion	(490,362)	—	(490,362)
Assumption Changes	(4,358,996)	—	(4,358,996)
Total	<u>\$ (5,011,206)</u>	<u>\$ —</u>	<u>\$ (5,011,206)</u>

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**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

In addition, the contributions subsequent to the measurement date of \$17,977,163 (a deferred outflow of resources) will be included as a reduction of the net OPEB liability in the next year (2020). The deferred outflows and inflows of resources to be recognized in the future OPEB expense for the fiscal year ended June 30, 2019 and 2018 are as follows:

	<b>Fiscal Year ended June 30, 2019:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ (1,124,335)	\$ 334,448	\$ (1,458,783)
Change in Proportion	(3,933,999)	479,259	(4,413,258)
Assumption Changes	(128,210,497)	—	(128,210,497)
Employer Contributions Subsequent to Measurement Date	17,977,163	17,977,163	—
Total	<u>\$ (115,291,668)</u>	<u>\$ 18,790,870</u>	<u>\$ (134,082,538)</u>

	<b>Fiscal Year ended June 30, 2018:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience	\$ (1,618,482)	\$ —	\$ (1,618,482)
Change in Proportion	(4,903,622)	—	(4,903,622)
Assumption Changes	(43,589,955)	—	(43,589,955)
Employer Contributions Subsequent to Measurement Date	18,979,895	18,979,895	—
Total	<u>\$ (31,132,164)</u>	<u>\$ 18,979,895</u>	<u>\$ (50,112,059)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

<b>Fiscal Year ended June 30:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2019	\$ —	\$ (14,807,648)
2020	—	(14,807,648)
2021	—	(14,807,648)
2022	—	(14,807,648)
2023	—	(14,807,648)
Thereafter	—	(59,230,591)
Total	<u>N/A</u>	<u>\$ (133,268,831)</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
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**NOTE 9 – Postemployment Benefits Other Than Pensions (continued)**

The total OPEB expense is determined as follows:

Service Cost	\$	25,509,090
Interest		11,910,415
Recognition of Deferred Outflows		38,290
Recognition of Deferred Inflows		(14,845,938)
Total OPEB Expense	\$	<u>22,611,857</u>

The Schedule of Changes in the University's proportionate share of the total OPEB liability and related ratios is presented as required supplementary information following the notes to the financial statements.

**UNIVERSITY OF WISCONSIN SYSTEM**  
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**NOTE 10 – Deferred Outflows and Deferred Inflows of Resources**

At June 30, 2019 and June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources from the following sources:

**Deferred Outflows**

	<b>Pension</b>	<b>Other Post-Employment Benefits</b>	<b>Debt Refundings</b>	<b>Other</b>	<b>Total</b>
<b>Fiscal Year 2019</b>					
Differences between expected and actual experience	\$ 369,500,896	\$ 334,448	\$ —	\$ —	\$ 369,835,344
Net differences between projected and actual earnings on pension and OPEB plan investments	692,857,041	3,573,199	—	—	696,430,240
Employer contributions subsequent to the measurement date	102,270,078	17,977,163	—	—	120,247,241
Changes in Actuarial Assumptions	79,969,783	14,659,851	—	—	94,629,634
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,137,227	2,048,795	—	—	3,186,022
Unamortized Losses	—	—	44,960,019	—	44,960,019
Asset Retirement Obligations	—	—	—	11,085,286	11,085,286
<b>Total Deferred Outflows</b>	<b>\$ 1,245,735,025</b>	<b>\$ 38,593,456</b>	<b>\$ 44,960,019</b>	<b>\$ 11,085,286</b>	<b>\$ 1,340,373,786</b>
<b>Fiscal Year 2018</b>					
Differences between expected and actual experience	\$ 507,040,745	\$ —	\$ —	\$ —	507,040,745
Net differences between projected and actual earnings on pension and OPEB plan investments	—	2,011,697	—	—	2,011,697
Employer contributions subsequent to the measurement date	74,807,123	18,979,895	—	—	93,787,018
Changes in Actuarial Assumptions	78,850,365	17,844,053	—	—	96,694,418
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,064	—	—	—	25,064
Unamortized Losses	—	—	50,910,007	—	50,910,007
<b>Total Deferred Outflows</b>	<b>\$ 660,723,297</b>	<b>\$ 38,835,645</b>	<b>\$ 50,910,007</b>	<b>\$ —</b>	<b>\$ 750,468,949</b>

**UNIVERSITY OF WISCONSIN SYSTEM**  
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**NOTE 10 – Deferred Outflows and Deferred Inflows of Resources (continued)**

**Deferred Inflows**

	<b>Pension</b>	<b>Other Postemployment Benefits</b>	<b>Debt Refundings</b>	<b>Other</b>	<b>Total</b>
<b>Fiscal Year 2019</b>					
Differences between expected and actual experience	\$ 653,144,688	\$ 9,287,762	\$ —	\$ —	\$ 662,432,450
Changes in Actuarial Assumptions	—	162,052,374	—	—	162,052,374
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,029,905	9,429,602	—	—	11,459,507
Unamortized Gains	—	—	332,732	—	332,732
Gifts	—	—	—	274,713	274,713
Total Deferred Inflows	<u>\$ 655,174,593</u>	<u>\$ 180,769,738</u>	<u>\$ 332,732</u>	<u>\$ 274,713</u>	<u>\$ 836,551,776</u>
<b>Fiscal Year 2018</b>					
Differences between expected and actual experience	\$ 237,176,849	\$ 3,535,760	\$ —	\$ —	\$ 240,712,609
Net differences between projected and actual earnings on pension and OPEB plan investments	548,497,947	—	—	—	548,497,947
Changes in Actuarial Assumptions	—	43,589,955	—	—	43,589,955
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,966,507	11,217,070	—	—	16,183,577
Unamortized Gains	—	—	575,913	—	575,913
Gifts	—	—	—	55,428	55,428
Total Deferred Inflows	<u>\$ 790,641,303</u>	<u>\$ 58,342,785</u>	<u>\$ 575,913</u>	<u>\$ 55,428</u>	<u>\$ 849,615,429</u>

**UNIVERSITY OF WISCONSIN SYSTEM**  
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**Years Ended June 30, 2019 and 2018**

**NOTE 11 – Other Organizations**

GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14 provide guidance in determining whether organizations are to be included as part of a reporting entity. The University has defined significance as 5% of the primary government (individual campus) that the potential component unit exists to support. The University has determined that the Campus Foundations individually and in aggregate exceed the 5% threshold and therefore are disclosed in these financial statements as discretely presented component units. The following pages show the summarized financial information of the major component unit campus foundations.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 11 – Other Organizations (continued)**

Condensed financial statement information related to the University's campus foundations for the year ended June 30, 2019 is as follows:

<b>Condensed Statement of Financial Position</b>	<b>(unaudited) University of Wisconsin Foundation, Inc.</b>	<b>(unaudited) The University of Wisconsin Milwaukee Foundation Inc.</b>	<b>(unaudited) Others</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 14,352,673	\$ 6,865,794	\$ 19,817,265	\$ 41,035,732
Income and Redemption Receivables	61,322,010	448,327	36,846	61,807,183
Pledges Receivable, Net	105,016,732	15,019,533	33,076,507	153,112,772
Prepaid Expenses and Other Assets	7,283,671	1,361,305	10,830,102	19,475,078
Investments	4,157,753,513	166,812,031	329,279,574	4,653,845,118
Property and Equipment, Net	17,055,651	71,584,049	98,457,443	187,097,143
Real Estate	3,544,489	—	591,649	4,136,138
<b>TOTAL ASSETS</b>	<b>\$4,366,328,739</b>	<b>\$ 262,091,039</b>	<b>\$ 492,089,386</b>	<b>\$5,120,509,164</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,909,273	\$ 122,804	\$ 3,764,501	\$ 5,796,578
Pending Investment Purchases Payable	82,648,552	—	—	82,648,552
Accrued Expenses and Other Liabilities	10,085,247	2,430,924	18,131,764	30,647,935
Note Payable	—	81,300,595	81,776,628	163,077,223
Liability Under Split-Interest Agreements	42,673,164	—	798,800	43,471,964
Funds Due to Other Organizations	287,886,482	2,666,271	200,774	290,753,527
<b>Total Liabilities</b>	<b>425,202,718</b>	<b>86,520,594</b>	<b>104,672,467</b>	<b>616,395,779</b>
<b>NET ASSETS</b>				
Without Donor Restrictions	144,599,437	2,653,644	28,567,248	175,820,329
With Donor Restrictions	3,796,526,584	172,916,801	358,849,671	2,346,478,459
<b>Total Net Assets</b>	<b>3,941,126,021</b>	<b>175,570,445</b>	<b>387,416,919</b>	<b>4,504,113,385</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$4,366,328,739</b>	<b>\$ 262,091,039</b>	<b>\$ 492,089,386</b>	<b>\$5,120,509,164</b>
<b>Condensed Statement of Activities</b>				
<b>REVENUES, GAINS AND OTHER</b>				
Contributions	341,625,459	25,132,662	44,839,878	411,597,999
Interest and Dividend Income	35,853,328	—	4,505,794	40,359,122
Net Investment Gains (Losses)	112,677,479	9,740,116	2,131,532	124,549,127
Rental Income	—	5,647,041	3,983,986	9,631,027
Other Income	5,447,052	50,000	4,394,394	9,891,446
<b>Total Revenues, Gains and Other Support</b>	<b>495,603,318</b>	<b>40,569,819</b>	<b>59,855,584</b>	<b>596,028,721</b>
<b>EXPENSES</b>				
Program Expenses	275,391,164	27,201,863	39,261,133	341,854,160
Management and General Expenses	16,414,420	1,201,155	5,461,861	23,077,436
Fund raising Expenses	27,851,178	3,683,492	5,388,665	36,923,335
<b>Total Expenses</b>	<b>319,656,762</b>	<b>32,086,510</b>	<b>50,111,659</b>	<b>401,854,931</b>
<b>INCREASE IN NET ASSETS</b>	<b>175,946,556</b>	<b>8,483,309</b>	<b>9,743,925</b>	<b>194,173,790</b>
Net Assets - Beginning of Year	3,765,179,465	167,087,136	377,672,994	4,309,939,595
<b>Net Assets - End of Year</b>	<b>\$3,941,126,021</b>	<b>\$ 175,570,445</b>	<b>\$ 387,416,919</b>	<b>\$4,504,113,385</b>

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 11 – Other Organizations (continued)**

Condensed financial statement information related to the University's campus foundations for the year ended June 30, 2018 is as follows:

**Condensed Statement of Financial Position**

	<b>University of Wisconsin Foundation, Inc.</b>	<b>The University of Wisconsin Milwaukee Foundation Inc.</b>	<b>Others</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 130,916,735	\$ 5,412,565	\$ 20,738,132	\$ 157,067,432
Income and Redemption Receivables	25,817,848	390,924	39,141	26,247,913
Pledges Receivable, Net	122,589,146	16,204,604	36,532,972	175,326,722
Prepaid Expenses and Other Assets	6,741,875	1,558,055	18,702,571	27,002,501
Investments	3,860,699,207	157,618,943	317,965,573	4,336,283,723
Property and Equipment, Net	18,926,940	74,312,871	101,304,132	194,543,943
Real Estate	9,276,327	—	1,078,406	10,354,733
<b>TOTAL ASSETS</b>	<b>4,174,968,078</b>	<b>255,497,962</b>	<b>496,360,927</b>	<b>4,926,826,967</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,419,408	\$ 131,134	\$ 4,321,064	\$ 6,871,606
Pending Investment Purchases Payable	54,783,240	—	—	54,783,240
Accrued Expenses and Other Liabilities	28,758,099	2,418,097	17,520,615	48,696,811
Note Payable	—	82,970,274	92,235,636	175,205,910
Liability Under Split-Interest Agreements	44,599,135	—	838,886	45,438,021
Funds Due to Other Organizations	279,228,731	2,891,321	200,774	282,320,826
<b>Total Liabilities</b>	<b>409,788,613</b>	<b>88,410,826</b>	<b>115,116,975</b>	<b>613,316,414</b>
<b>NET ASSETS</b>				
Without Donor Restrictions	129,327,363	808,156	29,011,414	159,146,933
With Donor Restrictions	3,635,852,102	166,278,980	352,232,538	4,154,363,620
<b>Total Net Assets</b>	<b>3,765,179,465</b>	<b>167,087,136</b>	<b>381,243,952</b>	<b>4,313,510,553</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,174,968,078</b>	<b>\$ 255,497,962</b>	<b>\$ 496,360,927</b>	<b>\$ 4,926,826,967</b>
<b>Condensed Statement of Activities</b>				
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 313,184,081	\$ 35,165,211	\$ 45,768,307	\$ 394,117,599
Interest and Dividend Income	47,585,892	—	4,886,700	52,472,592
Net Investment Gains (Losses)	213,774,081	9,429,925	24,033,960	247,237,966
Rental Income	—	5,758,561	6,754,055	12,512,616
Other Income	6,109,982	—	5,212,950	11,322,932
<b>Total Revenues, Gains and Other Support</b>	<b>580,654,036</b>	<b>50,353,697</b>	<b>86,655,972</b>	<b>717,663,705</b>
<b>EXPENSES</b>				
Program Expenses	279,541,953	22,474,587	42,551,143	344,567,683
Management and General Expenses	37,841,323	2,111,749	6,214,914	46,167,986
Fundraising Expenses	25,720,620	3,552,236	5,175,350	34,448,206
<b>Total Expenses</b>	<b>343,103,896</b>	<b>28,138,572</b>	<b>53,941,407</b>	<b>425,183,875</b>
<b>INCREASE IN NET ASSETS</b>	<b>237,550,140</b>	<b>22,215,125</b>	<b>32,714,565</b>	<b>292,479,830</b>
Net Assets - Beginning of Year	3,527,629,325	144,872,011	348,529,387	4,021,030,723
<b>Net Assets - End of Year</b>	<b>\$ 3,765,179,465</b>	<b>\$ 167,087,136</b>	<b>\$ 381,243,952</b>	<b>\$ 4,313,510,553</b>



**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 11 – Other Organizations (continued)**

**A – University of Wisconsin Medical Foundation**

The University of Wisconsin Medical Foundation (UWMF) is the not-for-profit clinical practice organization for the faculty physicians of the School of Medicine and Public Health within the UW-Madison and is reported as a blended component unit of the University of Wisconsin Hospital and Clinics Authority. The UWMF provides clinical sites, technical and professional staff, and administrative services for the UW-Madison faculty physicians group.

During fiscal year 2007-08, the Wisconsin Department of Health Services (DHS) implemented a Certified Public Expenditure (CPE) program for the services the UW faculty physicians group provides to Medical Assistance (MA) recipients. Because the UW faculty physicians group qualifies as a public provider, it is eligible to receive cost-based reimbursement under federal MA rules.

Under the CPE program, DHS is able to claim additional federal MA funds based upon the difference between the established MA reimbursement rate for the services provided by the UW-Madison faculty physicians group and the actual cost of providing those services. To enable the draw of these federal funds by DHS, UW-Madison remitted a total of \$11.2 million to DHS during fiscal year 2019 and \$11.3 million in fiscal year 2018, representing the state's share of this difference. DHS then claimed the federal share of the difference from the federal government and subsequently provided \$26.7 million during fiscal year 2019 and \$26.6 million during fiscal year 2018, representing both the state and federal share of the difference, to the UWMF. In addition, transfers by UW-Madison to the MA Trust Fund of \$15.5 million during fiscal year 2019 and \$15.4 million in fiscal year 2018 were also made under this program and are reported as a transfer to state agencies on the financial statements.

During fiscal year 2019, the UWMF remitted \$33.3 million to UW-Madison as reimbursement for payments to DHS during fiscal year 2018. During fiscal year 2018, the UWMF remitted \$42.7 million to UW-Madison as reimbursement for payments to DHS during fiscal year 2017.

In addition, UW-Madison incurred expenditures for which reimbursement was received from the UWMF. Of the \$129.0 million expended in fiscal year 2019, \$116.9 million was for salaries and fringe benefits of staff in the UW-Madison School of Medicine. In fiscal year 2018, of the \$114.5 million expended, \$101.8 million was for salaries and fringe benefits of staff in the UW-Madison School of Medicine.

**B – University of Wisconsin Hospital and Clinics Authority**

The University of Wisconsin Hospital and Clinics Authority (UWHCA), pursuant to an act of the Wisconsin State Legislature, began operating on June 29, 1996 as a separate public authority, and is reported as a discrete component unit within the financial statements of the State of Wisconsin. As required by this legislation, the University has entered into various affiliation and operating agreements with UWHCA, including a lease agreement. Under the terms of the lease, UWHCA makes payments equal to the debt service on all outstanding bonds issued by the State of Wisconsin to acquire, construct, or improve the leased facilities. At June 30, 2019, the present value of these future lease payments totaled \$0.12 million, compared to \$0.14 million at June 30, 2018, an amount equal to the principal on the related bonds outstanding; the asset is included on the statement of net position as part of the capital lease receivable, and the related debt is included as part of the total University bonds outstanding of \$1,435.3 million and \$1,435.1 million at June 30, 2019 and June 30, 2018, respectively. The leased facilities are not included as part of the University's investment in buildings since they have been reported by UWHCA in their audited financial statements in accordance with the generally accepted accounting principles that pertain to the reporting of leased assets.

During the fiscal year ended June 30, 2019, the University received services from UWHCA totaling \$5.1 million and provided services to UWHCA totaling \$57.0 million, compared to amounts for fiscal year ended June 30, 2018 of \$5.0 million and \$69.7 million. The cost of the services provided and the associated revenue are separately identified in the Statement of Revenues, Expenses, and Changes in

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 11 – Other Organizations (continued)**

Net Position. The amounts spent for services received are included as salaries and fringe benefits and supplies and services expenses on this statement. The services received were funded by an equivalent amount of state appropriations revenue.

**C – The Wisconsin Institutes for Discovery**

The Wisconsin Institutes for Discovery, which opened in December 2010, is a visionary public-private facility that has taken shape as an innovative building housing two world-class biomedical research institutes and a public space known as the Town Center for campus and community members to gather and collaborate. The public institute, the Wisconsin Institutes for Discovery, is organized under the UW-Madison Graduate School. The private portion of the facility is owned by the Wisconsin Alumni Research Foundation (WARF), which is an independent, nonprofit foundation chartered to support research at UW-Madison and the designated technology transfer organization for the university. The facility was originally undertaken with \$50.0 million in State of Wisconsin and University funding, \$110.0 million contributed by WARF, and a \$50.0 million donation from a private donor. The Morgridge Institute for Research, an independent IRC 501(c)(3) medical research organization, occupies the majority of the WARF-owned portion of the building.

The Wisconsin Institutes for Discovery facility is a 300,000 square foot building located at 330 North Orchard Street in Madison, Wisconsin. Since the University initially owned all of this land, the University and WARF became parties to a Real Property Exchange Agreement dated January 19, 2007. Under the terms of the Exchange Agreement, the University agreed to convey to WARF a portion of this land, and WARF agreed to convey to the University properties of equal value as defined in the agreement. In fiscal years 2008-09 and 2010-11, the University recorded \$4.3 million and \$7.7 million, respectively, as Land and Capital Contributions for the fair market value of the properties WARF has conveyed to the University of Wisconsin System under this agreement. The remainder of the property was transferred to the Board of Regents of the University in November 2016. As such, the Wisconsin Institutes for Discovery does not meet the criteria of a component unit of the University.

The Wisconsin Institutes for Discovery is operated as a condominium. University and WARF are the members of The Wisconsin Institutes for Discovery Condominium Association, Inc. (Association), as set forth in the Condominium Declaration dated September 25, 2009. Ownership of the facility has been determined to be 30% University and 70% WARF. Of the total capitalized cost, the University capitalized \$60.1 million as Buildings, and the remaining amount was capitalized by WARF. Under the terms of the Condominium Declaration, the Association contracts with WARF for purposes of the management and operation of the property. The parties also entered into an Operating and Services Agreement that sets forth the mutually agreed upon specifics of such management and operation.

**D – La Crosse Medical Health Science Education Research Center**

On June 6, 1997, the Board of Regents entered into a Use Agreement with The La Crosse Medical Health Science Consortium, Inc. (The Consortium), a Wisconsin non-stock corporation tax exempt under IRC 501(c)(3) with offices at 1725 State Street, La Crosse, Wisconsin. As such, The Consortium does not meet the criteria of a component unit of the University.

The Use Agreement makes available the exclusive use of the La Crosse Medical Health Science Education Research Center to The Consortium. As required by this Use Agreement, the University has entered into various operating agreements with The Consortium, including a lease agreement. Under the terms of the lease, The Consortium makes payments equal to the debt service on all outstanding bonds issued by the State of Wisconsin to acquire, construct, or improve the leased facilities. At June 30, 2019, the present value of these future lease payments totaled \$0.52 million, compared to \$0.82 million at June 30, 2018, an amount equal to the principal on the related bonds outstanding; the asset is included on the statement of net position as part of the capital lease receivable, and the related debt is included as part of the total University bonds outstanding. The leased facilities are not included as part of the

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
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**NOTE 11 – Other Organizations (continued)**

University's investment in buildings since they have been reported by The Consortium in their audited financial statements in accordance with the generally accepted accounting principles that pertain to the reporting of leased assets.

During the fiscal years ended June 30, 2019 and 2018, the University provided services and rent to The Consortium totaling \$0.7 million. The cost of the services provided, and the associated revenue are included in the Statement of Revenues, Expenses, and Changes in Net Position. The amounts spent for services received are included as salaries and fringe benefits and supplies and services expenses on this statement. The services received were funded by an equivalent amount of revenue from state appropriations.

**E – Funds Held In Trust by Others**

Funds held in trust by others are endowment funds held by trustees outside of the University Trust Funds for the benefit of the University. The market value of these funds amounted to \$196.4 million at June 30, 2019, compared with \$194.9 million at June 30, 2018. During fiscal year 2019, \$1.1 million of these funds was made available by the trustees for spending. In fiscal year 2018, \$1.1 million of was available by the trustees for spending.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 12 – Operating Expenses by Functional Classification**

Operating expenses by functional classification for the fiscal year ended June 30, 2019:

	<b>Salary and Fringe Benefits</b>	<b>Scholarships and Fellowships</b>	<b>Supplies and Services</b>	<b>Other</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	\$ 1,315,949,829	\$ 1,251,704	\$ 125,299,550	\$ 10,471,096	\$ —	\$ 1,452,972,179
Research	692,046,296	3,169,800	290,068,353	1,865,103	—	987,149,552
Public Service	214,337,538	546,929	143,141,295	6,750,206	—	364,775,968
Academic Support	323,983,152	688,886	104,674,406	(672,154)	—	428,674,290
Farm Operations	13,158,625	—	7,490,451	24,756	—	20,673,832
Student Services	325,671,886	763,397	178,270,635	782,723	—	505,488,641
Institutional Support	279,926,847	2,071,299	27,798,895	(735,319)	—	309,061,722
Operation/Maintenance	155,755,015	—	142,089,940	1,041,964	—	298,886,919
Financial Aid	110,422,990	133,737,111	492,970	(1,051,708)	—	243,601,363
Auxiliary Enterprises	120,531,549	19,541	236,414,915	2,707,394	—	359,673,399
Hospital	—	—	50,361,274	—	—	50,361,274
Depreciation	—	—	—	—	327,325,155	327,325,155
Total Operating Expenses	<u>\$ 3,551,783,727</u>	<u>\$ 142,248,667</u>	<u>\$ 1,306,102,684</u>	<u>\$ 21,184,061</u>	<u>\$ 327,325,155</u>	<u>\$ 5,348,644,294</u>

Operating expenses totaled \$5.3 billion. Salary and fringe benefits; scholarships and fellowships; and supplies and services and other expenses constituted 66.4%, 2.7%, and 24.8% of total operating expenses, respectively. Depreciation comprised \$327.3 million or 6.1% of total operating expenses.

Operating expenses by functional classification for the fiscal year ended June 30, 2018:

	<b>Salary and Fringe Benefits</b>	<b>Scholarships and Fellowships</b>	<b>Supplies and Services</b>	<b>Other</b>	<b>Depreciation</b>	<b>Total</b>
Instruction	\$ 1,137,524,125	\$ 1,871,450	\$ 115,928,100	\$ 2,277,509	\$ —	\$ 1,257,601,184
Research	678,592,984	4,402,803	299,136,284	2,328,773	—	984,460,844
Public Service	199,867,665	594,357	92,926,513	5,488,856	—	298,877,391
Academic Support	303,537,046	228,268	97,955,799	187,981	—	401,909,094
Farm Operations	11,171,935	—	7,013,669	(1,123)	—	18,184,481
Student Services	310,758,954	748,423	167,605,123	(3,805)	—	479,108,695
Institutional Support	268,665,397	2,868,114	39,966,356	98,188	—	311,598,055
Operation/Maintenance	149,743,404	—	134,583,908	45,008	—	284,372,320
Financial Aid	108,153,972	146,883,786	1,070,034	1,800,655	—	257,908,447
Auxiliary Enterprises	119,846,812	7,058	243,303,851	120,843	—	363,278,564
Hospital	—	—	63,137,755	—	—	63,137,755
Depreciation	—	—	—	—	323,984,139	323,984,139
Total Operating Expenses	<u>\$ 3,287,862,294</u>	<u>\$ 157,604,259</u>	<u>\$ 1,262,627,392</u>	<u>\$ 12,342,885</u>	<u>\$ 323,984,139</u>	<u>\$ 5,044,420,969</u>

Operating expenses totaled \$5.0 billion. Salary and fringe benefits; scholarships and fellowships; and supplies and services and other expenses constituted 65.2%, 3.1%, and 25.3% of total operating expenses, respectively. Depreciation comprised \$324.0 million or 6.4% of total operating expenses.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 13 – Classification of Net Position**

Net Position is reported in the following categories: Net Investment in Capital Assets, Restricted - Nonexpendable, Restricted - Expendable, and Unrestricted.

Net Investment in Capital Assets includes assets, such as buildings, construction in progress, and equipment, that are reported net of related debt. Restricted funds are those that have externally-imposed stipulations. Restricted - Nonexpendable funds are those that must be permanently maintained, such as permanent endowments. Restricted - Expendable includes balances such as those for quasi-endowments; segregated fees; student loans; federal aid; and gifts, grants, and contracts. These funds are expendable subject to actions of the University that are pursuant to stipulations or may become expendable by the passage of time. Unrestricted funds are those that are not subject to external stipulations. However, most of the unrestricted funds have been identified for academic and research programs and initiatives, and capital programs.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 13 – Classification of Net Position (continued)**

The amounts within each category at June 30, 2019 and June 30, 2018 are as follows:

	<b><u>2019</u></b>	<b><u>2018</u></b>
Net Investment in Capital Assets	\$3,587,086,479	\$3,519,597,333
Restricted - Nonexpendable Permanent Endowment	197,906,470	188,177,512
Restricted - Expendable		
Restricted for Pensions	—	399,079,716
Restricted Endowment Earnings	89,474,275	85,548,343
Restricted Donor Investments	200,692,160	195,706,530
Auxiliary Operations - Segregated Fees	93,772,886	89,562,658
Restricted for Student Loans		
Federal Aid	46,732,101	34,027,391
Gifts	35,067,774	32,047,657
Endowment Funds	9,812,464	13,364,280
Subtotal	<u>91,612,339</u>	<u>79,439,328</u>
Restricted - Other		
Federal Aid	48,467,533	46,527,942
Gifts and Nonfederal Grants & Contracts	305,130,900	282,805,370
Construction Fund	167,906,942	229,766,918
Segregated Revenue	541,859	491,902
All Other Restricted Program Revenue	2,090,552	3,177,487
Subtotal	<u>524,137,786</u>	<u>562,769,619</u>
Total Restricted - Expendable	999,689,446	1,412,106,194
Unrestricted		
Tuition (Academic & Extension Student Fees)	152,731,901	146,332,124
General Operations	115,515,415	99,502,178
Auxiliary Operations (Non-Segregated Fee)	227,741,105	200,189,927
Indirect Cost Reimbursement	116,538,350	128,800,892
Quasi-Endowment Funds	95,028,756	82,703,693
All Other Unrestricted Program Revenue	65,964,890	18,305,386
Gifts and Nonfederal Grants & Contracts	64,936,379	1,492,060
Federal Aid <sup>^</sup>	(65,017,654)	(62,872,893)
All Other Non-Program Revenue*	(198,443,071)	(304,216,968)
Total Unrestricted	<u>5,359,678,467</u>	<u>310,236,399</u>
Total Net Position	<u><u>\$5,359,678,466</u></u>	<u><u>\$5,430,117,438</u></u>

<sup>^</sup> Funds are typically collected on a reimbursement basis resulting in a negative balance at year end.

\* The negative balance results primarily from an accumulating effect of accrual entries on General Purpose Revenue and Segregated Revenue funds.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 13 – Classification of Net Position (continued)**

The following table shows reclassifications which are done to conform to reporting requirements related to the State of Wisconsin's CAFR. As a reporting entity, the University cannot exercise total discretion over the use of net position of segregated fee auxiliary operations because of statutory mandates; however, they do have discretion in the use of the net position of quasi-endowments reported as unrestricted.

CAFR reclassifications as of June 30, 2019 (in millions):

	<b>University of Wisconsin System</b>	<b>Auxiliary Operations</b>	<b>Quasi- Endowments</b>	<b>Student Loans</b>	<b>State of Wisconsin CAFR</b>
Net Investment in Capital Assets	\$ 3,587.1	\$ —	\$ —	\$ —	\$ 3,587.1
Restricted for					
Pension	—	—	—	—	—
Nonexpendable	197.9	—	—	—	197.9
Expendable	383.9	(93.8)	60.5	—	339.5
Student Loans	91.6	—	—	(9.8)	81.8
Other	524.1	—	—	9.8	607.0
Unrestricted	575.0	93.8	(60.5)	—	497.3
Total Net Position	<u>\$ 5,359.6</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,359.6</u>

CAFR reclassifications as of June 30, 2018 (in millions):

	<b>University of Wisconsin System</b>	<b>Auxiliary Operations</b>	<b>Quasi- Endowments</b>	<b>Student Loans</b>	<b>State of Wisconsin CAFR</b>
Net Investment in Capital Assets	\$ 3,519.6	\$ —	\$ —	\$ —	\$ 3,519.6
Restricted for					
Pension	399.1	—	—	—	399.1
Nonexpendable	188.2	—	—	—	188.2
Expendable	359.6	(89.6)	37.3	—	307.3
Student Loans	79.4	—	—	(9.8)	69.6
Other	574.0	—	—	9.8	583.8
Unrestricted	310.2	89.6	(37.3)	—	362.5
Total Net Position	<u>\$ 5,430.1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,430.1</u>



**UNIVERSITY OF WISCONSIN SYSTEM**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**NOTE 14 – Change in Accounting Principle**

The June 30, 2018 Statement of Net Position includes the following change in accounting principle.

<b>Accounts Affected</b>	<b>Amount</b>	<b>Explanation</b>
Unrestricted Net Position	\$ 220,919,801	OPEB liability adjustment as it
Other Postemployment Benefits	(220,919,801)	relates to GASB No. 75

**NOTE 15 – Contingent Liabilities**

The University of Wisconsin System is covered by the State of Wisconsin's self-funded program with settlements or judgments paid from the State Risk Management Fund. Loss experience is charged back to the individual University of Wisconsin institutions in subsequent years based on exposure and experience with caps in place for large losses.

The University of Wisconsin System is party in a number of legal actions. While final resolutions have not yet been determined, management is of the opinion that any liabilities resulting from these actions will not have a material adverse effect on the University of Wisconsin System's financial position.

**NOTE 16 – Subsequent Events**

In August 2019, the State issued \$220.6 million of 2019 Series A general obligation bonds to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The interest rates associated with the bonds were set at 4.0 to 5.0 percent payable semiannually beginning November 1, 2019. The bonds mature annually beginning May 1, 2021 through May 1, 2040. The total par amount of the 2019 Series A bonds that was issued for University of Wisconsin purposes is \$97.8 million; additional purchase premium proceeds from this issue were also applied for UW purposes.

In October 2019, the State issued \$329.7 million of 2019 Series 1 general obligation refunding bonds (taxable) to be used for the advance refunding of general obligation bonds previously issued by the State of Wisconsin for general governmental purposes. The interest rates associated with these bonds were set at 1.757 to 2.531 percent payable semiannually beginning May 1, 2020. The bonds mature annually beginning May 1, 2023 through May 1, 2033.

In December 2019, the State plans to issue \$267.2 million of 2019 Series general obligation bonds. The bonds are to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The interest rates associated with the bonds were set at 4.0 to 5.0 percent payable semiannually beginning May 1, 2020. The bonds mature annually beginning May 1, 2021 through May 1, 2040. The total par amount of the 2019 Series B bonds planned to issue for University of Wisconsin purposes is \$96.9 million; additional purchase premium proceeds from this issue were also applied for UW purposes.

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*Years Ended June 30, 2019 and 2018*

## REQUIRED SUPPLEMENTARY INFORMATION

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**UNIVERSITY OF WISCONSIN SYSTEM**  
**Required Supplementary Information and**  
**Notes to Required Supplementary Information**  
**Years Ended June 30, 2019 and 2018**

**University of Wisconsin System's Proportionate Share of the Net Pension Liability (Asset)**  
Wisconsin Retirement System

The University's proportionate share of the net pension liability (NPL) or net pension (asset) (NPA) of the Wisconsin Retirement System is provided below:

<b>Fiscal Year*</b>	<b>Proportion of the NPL (NPA)</b>	<b>Proportionate Share of the NPL (NPA)</b>	<b>Covered Payroll</b>	<b>Proportionate Share as a Percentage of Covered Payroll</b>	<b>WRS' Net Position as a Percentage of the Total Pension Liability</b>
2019	13.34%	\$474,419,425	\$2,034,643,431	23.32%	96.54%
2018	13.44%	\$(399,079,716)	\$1,967,891,964	(20.28)%	102.93%
2017	13.54%	\$112,698,659	\$1,929,105,545	5.79%	99.10%
2016	13.59%	\$220,459,696	\$1,924,520,818	11.47%	98.20%
2015	13.44%	\$(330,166,674)	\$1,896,092,723	17.41%	102.74%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. GASB standards require the presentation of 10 years of information. Because fiscal year 2015 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

**University of Wisconsin System's Pension Contributions**  
Wisconsin Retirement System

The University's pension contributions to the Wisconsin Retirement System are provided below:

<b>Fiscal Year*</b>	<b>Contractually Required Contributions</b>	<b>Contributions Made</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions Made as a Percentage of Covered Payroll</b>
2019	\$136,968,134	\$136,968,134	\$—	\$2,034,643,431	6.73%
2018	\$134,517,079	\$134,517,079	\$—	\$1,967,891,964	6.84%
2017	\$127,760,738	\$127,760,738	\$—	\$1,929,105,545	6.62%
2016	\$131,542,672	\$131,542,672	\$—	\$1,924,520,818	6.84%
2015	\$133,468,069	\$133,468,069	\$—	\$1,896,092,723	7.04%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. GASB standards require the presentation of 10 years of information. Because fiscal year 2015 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2019**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes in assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop total pension liability changed, including a decrease in the discount rate from 7.2% to 7.0%, and a decrease in the long-term expected rate of return from 7.2% to 7.0%, post-retirement adjustment, wage inflation rate, mortality and separation rates.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Required Supplementary Information and**  
**Notes to Required Supplementary Information**  
**Years Ended June 30, 2019 and 2018**

**University of Wisconsin System's Proportionate Share of the OPEB Liability**  
Retiree Life Insurance Fund

The University's proportionate share of the OPEB liability is provided below:

<b>Fiscal Year*</b>	<b>Proportion of the OPEB Liability</b>	<b>Proportionate Share of the OPEB Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2019	41.83%	\$180,490,611	\$1,205,222,000	15.0%	44.36%
2018	41.42%	\$204,440,597	\$1,318,898,190	15.5%	41.63%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

**University of Wisconsin System's OPEB Contributions**  
Retiree Life Insurance Fund

The University's OPEB contributions are provided below:

<b>Fiscal Year*</b>	<b>Contractually Required Contributions</b>	<b>Contributions Made</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions Made as a Percentage of Covered Payroll</b>
2019	\$580,265	\$580,265	\$—	\$1,205,222,000	0.05%
2018	\$552,145	\$552,145	\$—	\$1,318,898,190	0.04%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2019**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes in assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop total OPEB liability changed, including the discount rate, wage inflation rate, mortality and separation rates.

**UNIVERSITY OF WISCONSIN SYSTEM**  
**Required Supplementary Information and**  
**Notes to Required Supplementary Information**  
**Years Ended June 30, 2019 and 2018**

**University of Wisconsin System's Proportionate Share of the OPEB Liability**  
Retiree Health Insurance Plan

The University's proportionate share of the OPEB liability is provided below:

<b>Fiscal Year*</b>	<b>Proportion of the OPEB Liability</b>	<b>Proportionate Share of the OPEB Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share as a Percentage of Covered Payroll</b>
2019	43.95%	\$ 237,204,014	\$ 1,622,101,587	14.6%
2018	43.89%	\$ 315,687,625	\$ 1,577,063,898	20.0%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

**University of Wisconsin System's OPEB Contributions**  
Retiree Health Insurance Plan

The University's OPEB contributions are provided below:

<b>Fiscal Year*</b>	<b>Contractually Required Contributions</b>	<b>Contributions Made</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions Made as a Percentage of Covered Payroll</b>
2019	\$ 435,919,184	\$ 435,919,184	\$—	\$ 1,622,101,587	26.9%
2018	\$ 433,914,171	\$ 433,914,171	\$—	\$ 1,577,063,898	27.5%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

**Notes to Required Supplementary Information**  
**for the Year Ended June 30, 2019**

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes in assumptions.* Valuation assumption changes decreased the liability by \$128.2 million due to raising the discount rate to 3.87 percent from 3.58 percent based on the Bond Buyer, 20-year, general obligation municipal bond index rate closest to the measurement date (but not beyond). The assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2017. In addition, the assumed participation rate was lowered from 85 percent to 80 percent based on a study completed in July 2019. Other assumptions used, such as mortality, disability and retirement rates for active members, are consistent with analysis shown in the Experience Study Report performed by the pension actuary, completed for the period 2015-2017 and the Wisconsin 2017 Mortality Table.

No assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75 to pay related benefits.

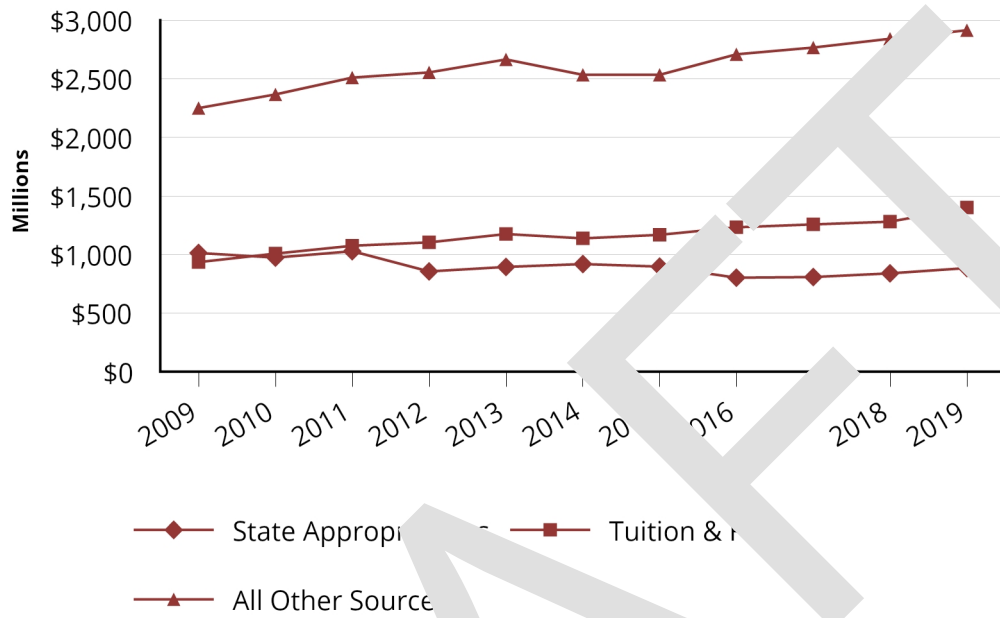


*Years Ended June 30, 2019 and 2018*

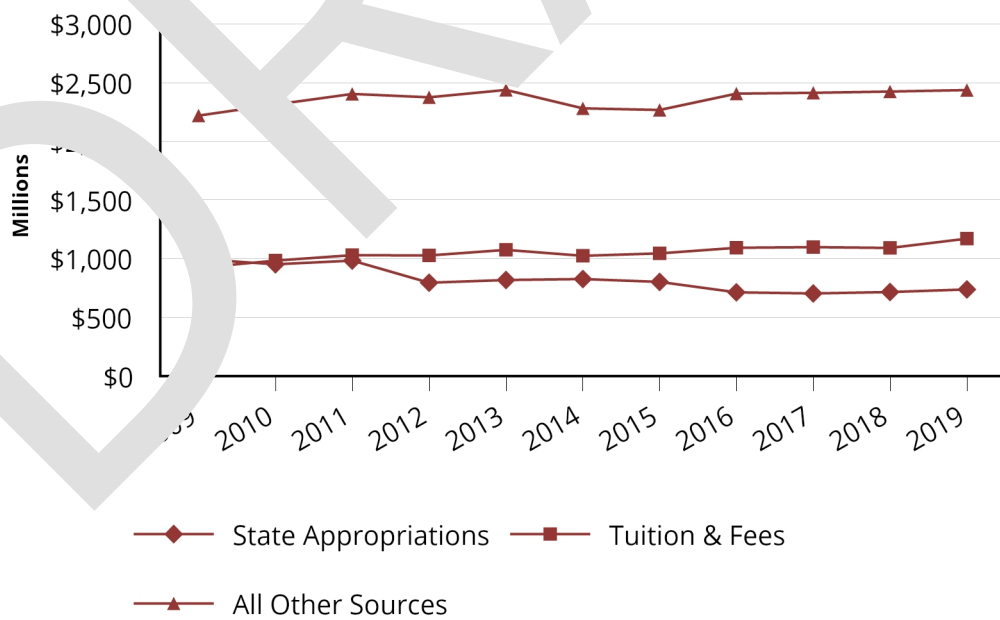
## SUPPLEMENTAL INFORMATION

DRAFT

**CHART 1**  
**COMPARISON OF CURRENT FUNDS REVENUES**  
**2009 -2019**

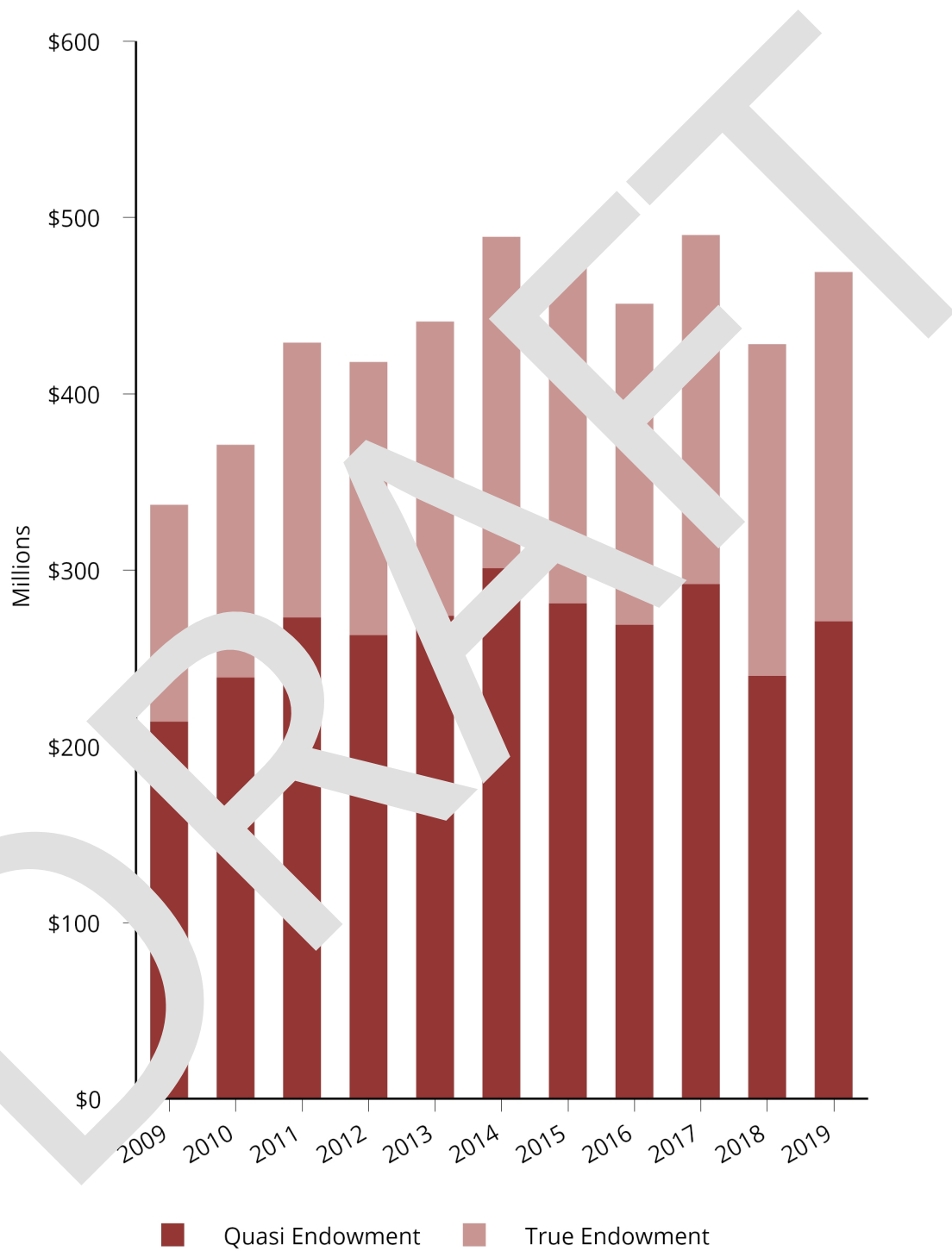


**CHART 2**  
**COMPARISON OF CURRENT FUNDS REVENUES**  
**ADJUSTED FOR INFLATION**  
**2009 -2019**





**CHART 3**  
**UNIVERSITY-CONTROLLED ENDOWMENTS**  
**2009 -2019**



Charts have been prepared on generally accepted accounting principles in effect prior to the adoption of GASB Statement No. 35

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**LEGISLATIVE AUDIT BUREAU AUDIT REPORT 19-5:  
PROGRESS REPORT ON PERSONNEL SYSTEMS RECOMMENDATIONS**

**REQUESTED ACTION**

This item is for information only.

**SUMMARY**

LAB Audit Report 19-5 provided recommendations related to six areas of personnel systems: performance management, merit-based pay, extraordinary salary ranges, pay plan, HRS entry codes for pay actions, and grievances upon dismissal. A systemwide deadline of December 31, 2019, was set for implementation of the recommendations.

UW System Human Resources convened workgroups for each of the identified areas to review the current state and identify the next steps to implement the LAB's recommendations. This included reviewing policies and processes for revision across all institutions and at the system level. Once steps were identified, engagement with shared governance and leadership occurred at both the system and institution levels and the work began. This is a progress report on the implementation of the LAB recommendations.

**Presenter(s)**

- Dr. Shenita Brokenburr, Senior Associate Vice President and Chief Human Resource Officer, UW System Administration

**BACKGROUND**

In May 2019, the Legislative Audit Bureau (LAB) completed its fiscal year 2018-19 management audit of the UW System. LAB identified the following areas for review during this audit: program revenue balance reporting, UW System's personnel systems, and the relationships between UW System institutions and primary fundraising foundations, real estate foundations, and other affiliated organizations.

Specific to personnel systems, LAB highlighted policies at UW institutions that did not consistently comply with UWSA policy and, further, indicated that some institutions lacked

published guidelines. LAB also noted recommendations specific to UW-Madison to improve policies related to extraordinary salary ranges and to ensure grievance policies and procedures comply with statutory requirements.

### **Related Policies**

- UW System Administrative Policy 1254: [Performance Management](#)
- UW System Administrative Policy 1255: [Teaching Assistants Selection, Training and Evaluation](#)
- UW System Administrative Policy 1277: [Compensation](#)
- UW System Administrative Policy 1278: [Pay Plan Distribution](#)
- Recommendation #9 of the 1992 Report of the Governor's Commission on University of Wisconsin Compensation, adopted by the [Board as Regent Resolution #6198](#)
- Regent Policy Document 20-2: [Student Evaluation of Instruction](#)
- Regent Policy Document 20-9: [Guidelines for Tenured Faculty Review and Development](#)
- Wis. Admin. Code § [UWS 3.05, Periodic Review](#)

### **ATTACHMENTS**

None

**Business & Finance Committee**

December 5, 2019

**Item B**

**INSPIRE, ENGAGE, TRANSFORM—OPERATIONAL EXCELLENCE AT  
UW-WHITewater**

**REQUESTED ACTION**

For information only.

**SUMMARY**

As a University, one of UW-Whitewater's strengths is identifying areas in need of improvements and changes. A key resource incorporated across all aspects of the University is the implementation of "The Process Improvement Advisory Team" (PIAT).

PIAT is a collaborative work group focused on process efficiencies and cost containment. UW-Whitewater utilizes a variety of process and project management practices to identify process improvement projects and implement continuous, incremental change. These efforts can include savings of time and money across a variety of areas while ensuring that the changes align with policy, compliance and general best practices.

**Presenter(s)**

- Grace M. Crickette, Vice Chancellor for Administrative Affairs, UW-Whitewater
- Mike Baker, Sustainable Operations Intern—Grounds and Garden and Undergraduate Senior in the Geography BS program

**UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS  
QUARTERLY INVESTMENT REVIEW AS OF SEPTEMBER 30, 2019****REQUESTED ACTION**

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

**SUMMARY**

As of September 30, 2019, UW System Trust Funds assets totaled \$602.1 million, comprised of \$461.06 million in the Long Term (endowment) Fund and \$141.05 million in the Income Cash Fund (a component of the State Investment Fund). Cash flows into/out of the SWIB-managed portfolios for the period included a \$4,747,961 withdrawal from the Long Term Fund in July, which consisted of a \$3,607,728 sale from the public market funds and \$1,140,233 in excess cash distributed from the legacy private market funds in excess of capital calls. An additional \$292,971 was contributed to the SWIB managed funds for payment of fees.

The third calendar quarter of 2019 saw an increase in trade tensions and a more accommodative Federal Reserve. The Fund's public equity investments decreased 0.06% during the quarter, while the bond investments returned 2.67% and the inflation sensitive investments gained 1.81%. The private markets portfolio had a strong quarter, gaining 3.82%.

For the quarter ended September 30, the well-diversified Long Term Fund increased in value 1.38% (before fees), while the UW Fund Custom Benchmark gained 1.33%. The Income Cash Fund gained 0.57% for the period.

**Presenter:**

- Sean Nelson, Vice President for Finance, UW System Administration
- Charles Saunders, Executive Director, UW System Administration Office of Trust Funds

## **BACKGROUND**

The attached UW System Trust Funds Quarterly Investment Review as of September 30, 2019, prepared by the State of Wisconsin Investment Board (SWIB), provides the following information: 1) an overview and summary of total Trust Funds assets, investment performance, and cash flows to/from the SWIB-managed portfolios for the period; 2) a market discussion and commentary section; 3) market overview indicators; 4) asset allocation information; 5) more detailed investment performance information at the overall Fund as well as individual asset class levels; and 6) in the appendix, detailed “fact sheets” for each of the BlackRock common trust index funds, which have been selected by SWIB to provide for Trust Funds’ investments in public markets.

## **ATTACHMENTS**

- A) University of Wisconsin System Trust Funds Quarterly Investment Review  
September 30, 2019



## **University of Wisconsin System Trust Funds**



### **Quarterly Investment Review September 30, 2019**



## UW System Trust Funds: Overview and Investment Summary

Quarter Ended September 30, 2019

### Investment Objective

To achieve, net of administrative and investment expenses, reasonable, attainable and sustainable returns over and above the rate of inflation. SWIB seeks to achieve this objective through the use of passive, externally-managed, public markets funds.

### Market Values 9/30/2019

Total Public Market Assets <sup>1</sup>	\$386,944,676
Total Legacy Private Market Assets <sup>1</sup>	\$73,910,880
Other Cash and Accruals <sup>2</sup>	\$200,686
<b>Total UW System Long Term Fund <sup>3</sup></b>	<b>\$461,056,242</b>

**Income Cash Fund (State Investment Fund 'SIF') <sup>4</sup>** \$141,047,000

<sup>1</sup> Market values are net of accrued external investment management fees, and internal UW fees.

<sup>2</sup> Other Cash and Accruals include custody & middle office fees, SWIB internal management fees, fund-level STIF cash, STIF interest and other pass through fees that either accrue until paid or are pre-paid. Balances vary intra-month and can cross into new quarters.

<sup>3</sup> Market values are net of SWIB internal and external investment management fees, custody & middle office fees, other pass through fees accrued and paid, and internal UW fees.

<sup>4</sup> Data is sourced from the Quarter End Pool Sheets provided by the DOA and represents the monies available in UW Funds 161 and 162 (STAR account(s) 51100 and 51200).

### Performance for Quarter ended 9/30/2019

	Jul-19	Aug-19	Sep-19	3 Months
UW System Long Term Fund (Gross of Fees)	0.25%	-0.22%	1.35%	1.38%
UW System Long Term Fund (Net of All Fees) <sup>5</sup>	0.24%	-0.23%	1.35%	1.35%
UW Fund Custom Benchmark	0.23%	-0.24%	1.34%	1.33%

<sup>5</sup> Returns are net of SWIB internal and external investment management fees, custody & middle office fees, and other pass through fees accrued and paid. Returns are gross of internal UW fees.

### Contributions/(Withdrawals) for the Quarter ended 9/30/2019

UW System Long Term Fund - Public Markets <sup>6</sup>	\$ (3,314,758)
UW System Long Term Fund - Private Markets <sup>7</sup>	\$ (1,140,233)
UW System Long Term Fund Contributions for Fees	\$ 292,971
UW System Long Term Fund Fees Expensed <sup>8</sup>	\$ (127,672)

<sup>6</sup> Amount represents the net of new contributions and withdrawals by UWS, including endowment spending distributions, assessment of UWS internal fees, as well as reallocations among the public and private market portfolios.

<sup>7</sup> Distributions from StepStone and other private market underlying funds are net of external investment management fees paid.

<sup>8</sup> Fees expensed can include external and internal management fees, custody & middle office fees, and other pass through fees accrued and paid from both the public and private market accounts.

## **UW System Trust Funds: Market Discussion & Commentary**

Quarter Ended September 30, 2019

### **Performance and Market Discussion**

For the quarter ended September 30, the UW investment portfolio returned 1.38% compared to the fund's benchmark return of 1.33%.

The Federal Reserve (Fed) cut interest rates by 25 basis points in July and again in September. Fed Chair Powell confirmed that the rate cuts were intended to offset potential downside risks from weak global growth and trade policy uncertainty. On October 30th, the Federal Reserve again cut interest rates by a quarter percentage point for the third time this year.

The ten-year U.S. Treasury yield declined 0.36% from the start of the quarter to the end. The frequently monitored two-year, ten-year Treasury yield spread inverted for the first time since the global financial crisis in August but ended the quarter in positive territory.

On the macro-economic front, survey-based U.S. economic indicators continued to soften in the manufacturing and consumer sectors, while hard economic data releases exhibited resilience. The ISM Manufacturing PMI registered in contractionary territory in both August and September. The September reading was the lowest reading since the global financial crisis. Consumer sentiment also softened, with the University of Michigan Consumer Sentiment gauge falling to its lowest level since 2016 in August. More constructively, labor market conditions were stable as the unemployment rate remained at 3.7% throughout the quarter and average hourly earnings modestly accelerated.

### **Equity Performance**

Overall, UW System's combined equity portfolio returned -0.06% during the quarter versus the combined equity benchmark return of -0.11%.

Global equities as measured by the MSCI ACWI Index experienced a decrease of 0.18% during the quarter.

The U.S. broad-market Russell 3000 Index increased 1.16% in the third quarter of 2019.

Trade tensions were a key focus for both domestic and global investors. The S&P 500 suffered its worst week of 2019 in early August on the back of President Trump's proposal to impose 10% tariffs on all Chinese imports that were not already subject to 25% tariffs. U.S.-China tensions eased ahead of a new round of trade talks in October.

Positive sector returns in the Russell 3000 Index came from Utilities (+8.02%), Real Estate (+7.46%), and Consumer Staples (+5.90%). The lowest sector returns were from Energy (-7.57%), followed by Health Care (-3.28%) and Materials (-0.66%).

The MSCI World ex-U.S. Index returned -0.93% during the third quarter.

In Europe, Germany (-3.9%) underperformed and contributed the most to the index's decline. Eurozone economic activity showed signs of synchronized deceleration. Germany's manufacturing PMI fell to the

worst reading in more than a decade and the eurozone manufacturing PMI fell to a nearly seven-year low. This prompted an aggressive response from the ECB, which announced a stimulus package that included a rate cut, resumption of quantitative easing (QE), and a 2-tier excess liquidity system for banks. Simultaneously, the ECB cut both its growth and inflation forecasts, and lowered its forward guidance.

In the U.K. (-1.3%), continued Brexit uncertainty drove volatility throughout the quarter ahead of the October 31st deadline. Parliament passed legislation that forced the government to ask for an extension if it cannot reach a deal with the E.U., which buoyed sterling. Separately, the Bank of England remained on hold despite economic weakness. U.K. GDP registered its first quarterly contraction in seven years in the second quarter of 2019, while the August manufacturing PMI results showed the steepest monthly contraction since July 2012.

In the Asia Pacific region, Japanese equities (+3.2%) outperformed despite deteriorating economic conditions and an impending sales-tax hike. However, Japanese President Abe and U.S. President Donald Trump reached a limited trade agreement that removed the threat of tariffs on Japan's auto exports for the time being. Elsewhere, Hong Kong (-12.2%) underperformed amid mounting political unrest.

Emerging markets, as represented by the MSCI EM Index, decreased 4.2% for the quarter.

China (-4.7%) contributed to 30% of the index's total decline. Geopolitical frictions continued to be top of mind with respect to China. The escalation of tensions in the form of U.S. tariffs on Chinese imports and the U.S. designation of China as a "currency manipulator" catalyzed intra-quarter drawdowns. Additionally, extensive protests in Hong Kong negatively impacted sentiment. Separately, China's economy continued to slow with industrial production slowing to 4.4% from 7% at the start of 2018.

In Latin America, Mexico (-1.7%) declined but outperformed the MSCI EM benchmark. Uncertainty about the future of trade with the U.S. and concerns about Mexican President Lopez Obrador's policies weighed on investment. Elsewhere in LatAm, Brazil (-4.4%) declined amid weak economic growth and increasing skepticism over the prospect of key fiscal reforms. Industrial output declined to -2.5% YoY in July and inflation remained below the government's target rate. Against this backdrop, the Brazilian central bank cut their policy rate to a new historic low in July.

### **Fixed Income Performance**

UW System's Government/Credit index fund returned 2.67% for the quarter. The benchmark Bloomberg Barclays Government/Credit Index posted a return of 2.64% in the third quarter.

Government bonds returned 2.39% for the quarter, as 10-year yields continued to fall amid rising trade tensions, concerns about slowing global growth, and ongoing political uncertainty. The yield on the 10-year U.S. Treasury dropped 35 basis points to 1.66% by the end of the third quarter. The yield curve flattened, and mid-August saw the yield on the 10-year Treasury fall below the 2-year bond for the first time since 2007.

Corporate bonds returned 2.98% in the third quarter. Despite concerns about slowing global growth, credit markets have been supported by generally healthy corporate earnings, accommodative monetary policies, and investors' reach for yield.

## **Inflation Sensitive Performance**

The Bloomberg Barclays US TIPS Index returned 1.35% for the quarter ended September 30. The UW System's TIPS portfolio performed in-line, returning 1.36%.

US inflation data continued to firm over the quarter, with core inflation surprising to the upside and moving to a one-year high annual rate of 2.4%. The inflation prints reaffirmed the pass-through effects of tariffs from the US-China trade escalation, with goods prices broadly rising 0.24% month-on-month in the August print. Used car prices rose for a third consecutive month, exhibiting seasonal effects, alongside strength in medical care services underscoring rising health insurance prices. These factors, in combination with broad-based strength across components, helped offset weakness found in shelter inflation – a principal component of CPI. Headline CPI rose modestly higher to an annual rate of 1.7%, with strength across components pared by weakness in energy prices.

The FTSE EPRA/NAREIT Developed Index returned 4.63% in the quarter, while the UW System's REIT portfolio gained 4.87%, outperforming the index by 24 basis points.

REITs continued to benefit from a low interest rate environment, which is a tailwind for REITs as lower financing costs and their relatively high yield in excess of risk-free rates is appealing for equity investors. Additionally, stable housing prices, low unemployment, high wage growth, consumption and personal income underpinned the sector. Risks to the sector include a rapid deterioration in economic conditions and high valuations.

## **Legacy Private Markets Performance**

The legacy private markets funds, consisting of Adams Street Partners, JP Morgan, and TRG funds, had a strong quarter, returning 3.82%.

## **Asset Allocation**

Public Markets allocations ended the quarter with 56.1% in Equities, versus a target of 57%; 20.6% in Fixed Income, versus a target of 20%; and 23.3% in Inflation Sensitive assets, versus a target of 23%. The UW System withdrew \$4,747,961.45 from the investment funds in July, which was sourced from both the BlackRock funds (\$3,607,728.45), and from StepStone (\$1,140,233), where cash had accumulated due to distributions from the legacy private market funds being in excess of capital calls.

## UW System Trust Funds: Market Overview

Quarter Ended September 30, 2019

### Economic Indicators

	Quarter Ending	YTD	1 Year	3 Year	5 Year	10 Year
GDP Growth Rate (current dollars) <sup>1</sup>	0.95%	3.07%	3.81%	4.44%	3.86%	4.04%
CPI Growth Rate	0.31%	2.27%	1.78%	2.10%	1.54%	1.75%

\* All returns and growth rates greater than 1 year are annualized.

<sup>1</sup> The GDP growth rate is not adjusted for inflation.

### Market Indicators

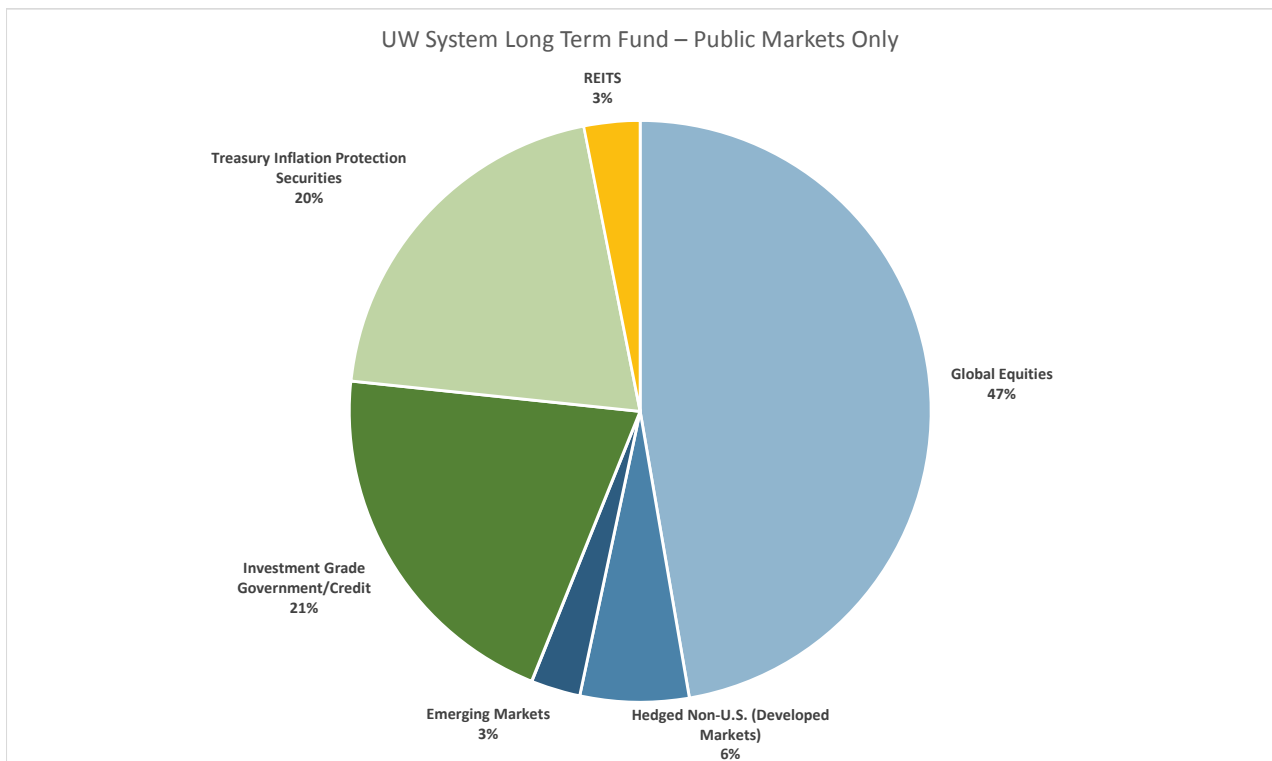
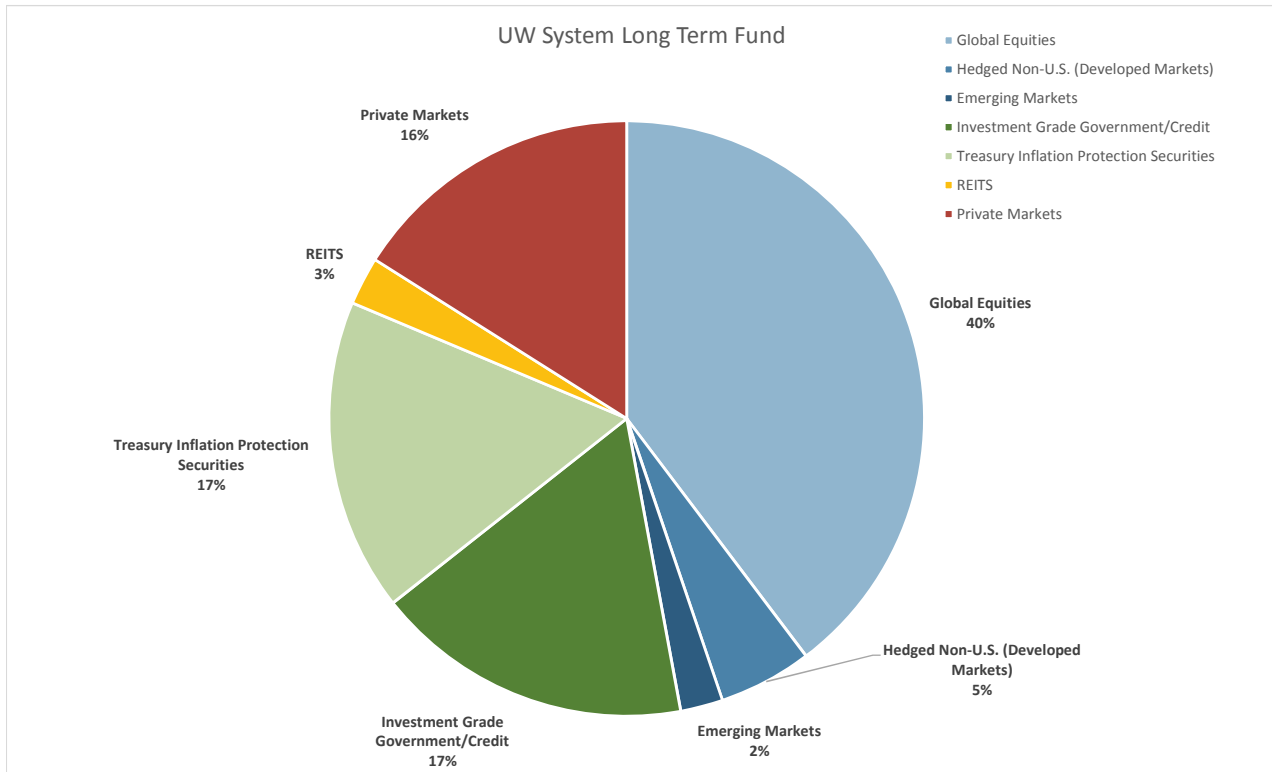
*Investment Performance - Periods Ended September 30, 2019*

	Quarter Ending	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Large Cap Stocks (S&P 500 Index)	1.70%	20.55%	4.25%	13.39%	10.84%	13.24%
U.S. Small Cap Stocks (Russell 2000 Index)	-2.40%	14.18%	-8.89%	8.23%	8.19%	11.19%
U.S. Broad Market Stocks (Russell 3000 Index)	1.16%	20.09%	2.92%	12.83%	10.44%	13.08%
International Stocks (MSCI World ex US Index)	-0.93%	13.57%	-0.95%	6.49%	3.06%	4.78%
International Stocks - Local Currency (MSCI World ex US Index)	1.75%	15.86%	1.91%	8.17%	5.86%	6.91%
Emerging Markets Stocks (MSCI EM Net Index)	-4.25%	5.89%	-2.02%	5.97%	2.33%	3.37%
Global Stocks (MSCI ACWI Net Index)	-0.18%	15.87%	0.48%	9.36%	6.61%	8.45%
Government/Credit (Bloomberg Barclays Capital Gov/Credit)	2.64%	9.72%	11.32%	3.16%	3.61%	3.94%
U.S. TIPS (Bloomberg Barclays U.S TIPS Index)	1.35%	7.58%	7.13%	2.21%	2.45%	3.46%
Real Estate (FTSE EPRA/NAREIT Developed Net Index)	4.63%	19.82%	13.00%	5.61%	6.81%	8.63%

\* All returns and growth rates greater than 1 year are annualized.

## UW System Trust Funds: Asset Allocations

Quarter Ended September 30, 2019



\* Asset Class Allocation percentages are derived using the Net of Fee market value. Sum of asset class market values may not equal total level Net of Fee market value due to the exclusion of fund level Other Cash. Excluded amount is immaterial.

## UW System Trust Funds: Actual Versus Target Asset Allocations

Quarter Ended September 30, 2019

Asset Class/Strategy	Current Allocation (\$MM)	Current Allocation (%)	Target Allocation (%)	Min./Max. Guidelines
<b>Public Equities<sup>1</sup></b>				
Global Equities	\$182,988,136	47.3%	48.0%	44-52%
Hedged Non-U.S. Equities (Developed Markets)	\$23,387,149	6.0%	6.0%	5-7%
Emerging Markets Equities	<u>\$10,630,091</u>	<u>2.7%</u>	<u>3.0%</u>	<u>2-4%</u>
	<b>\$217,005,376</b>	<b>56.1%</b>	<b>57.0%</b>	<b>51-63%</b>
<b>Fixed Income</b>				
Investment Grade Government/Credit	<u>\$79,652,865</u>	<u>20.6%</u>	<u>20.0%</u>	<u>18-22%</u>
	<b>\$79,652,865</b>	<b>20.6%</b>	<b>20.0%</b>	<b>18-22%</b>
<b>Inflation Sensitive</b>				
TIPS (Treasury Inflation Protection Securities)	\$78,242,953	20.2%	20.0%	18-22%
REITS (Real Estate Investment Trusts)	<u>\$12,043,483</u>	<u>3.1%</u>	<u>3.0%</u>	<u>2-4%</u>
	<b>\$90,286,436</b>	<b>23.3%</b>	<b>23.0%</b>	<b>20-26%</b>
<b>Total Public Markets</b>	<b>\$386,944,676</b>	<b>100%</b>	<b>100%</b>	-
<b>Private Markets<sup>2</sup></b>	<u>\$73,910,880</u>	-	<b>N/A</b>	<b>N/A</b>
Terrace Holdings II	<b>\$73,910,880</b>	-		
<b>Other Cash and Accruals<sup>3</sup></b>	\$200,686			
<b>Long Term Fund Total Assets<sup>4</sup></b>	<b>\$461,056,242</b>			

<sup>1</sup> There is a statutory limitation of 85% maximum exposure to public equities. (§36.29)

<sup>2</sup> Private Markets is not included in the target allocation. The Terrace Holdings II Fund comprises private equity funds of J.P. Morgan, Adams Street Partners, and a TRG Forestry Fund.

<sup>3</sup> Other Cash and Accruals include custody & middle office fees, SWIB internal management fees, fund-level STIF cash, STIF interest and other pass through fees that either accrue until paid or are pre-paid. Balances vary intra-month and can cross into new quarters.

<sup>4</sup> Market values are net of SWIB internal and external investment management fees, custody & middle office fees, other pass through fees accrued and paid, and internal UW fees.

### Rebalancing Policy:

The asset allocation of fund investments shall be reviewed at the end of each quarter. Quarterly net capital flows to/from the UW System shall be utilized to rebalance toward the target allocations. If the allocation by asset class falls outside the rebalance range following quarterly cash flows, assets will be systematically rebalanced back to the target allocation as soon as practicable and in any event prior to the next quarterly net capital flows. Only the Public Markets allocations will be included in any rebalancing. The legacy Private Markets investments will receive additional inflows based only upon past commitments. No new commitments will be made to private markets. Eventually the legacy Private Markets investments will self-liquidate as distributions are made from existing funds without any new commitments.

### Guidelines:

Current SWIB Guidelines for UW can be found at <https://www.swib.state.wi.us/statutes-guidelines> under Board of Trustees State Investment Fund & Separately Managed Funds Investment Guidelines.

## UW System Trust Funds: Investment Performance Analysis

Quarter Ended September 30, 2019

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

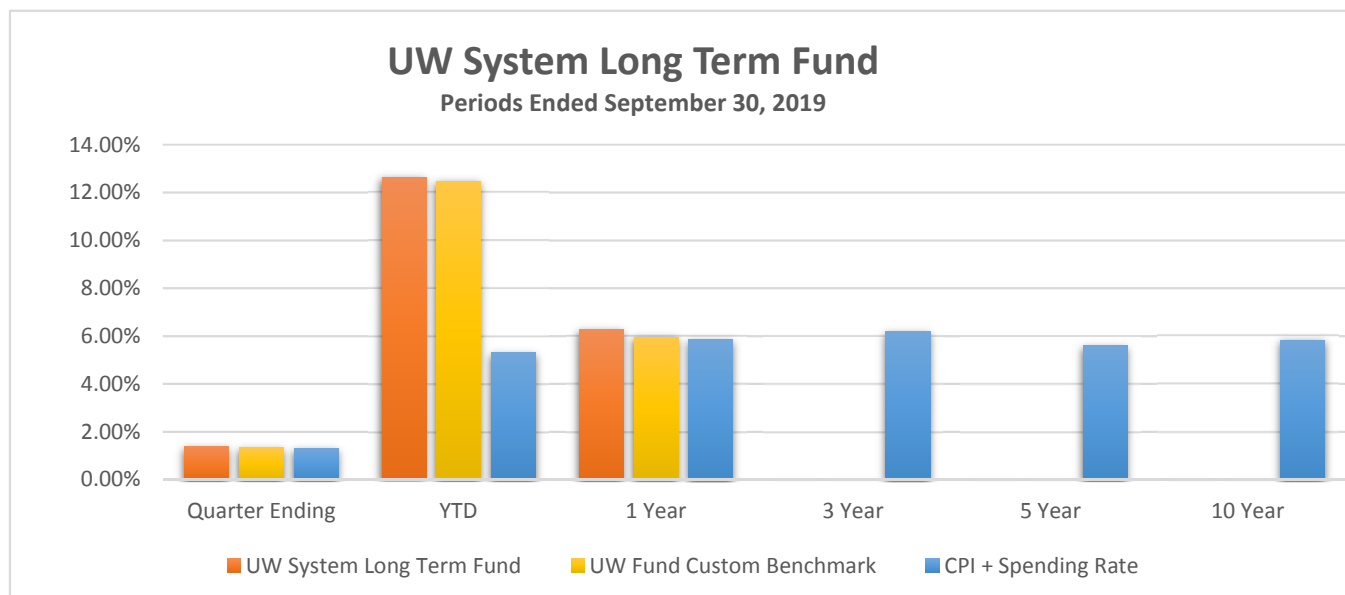
Fund and Benchmark Performance Data						
Investment Performance: Periods Ended September 30, 2019						
	Quarter Ending	YTD	1 Year	3 Year	5 Year	10 Year
<b>UW System Long Term Fund<sup>1</sup></b>	<b>1.38%</b>	<b>12.63%</b>	<b>6.26%</b>	-	-	-
UW Fund Custom Benchmark <sup>2</sup>	1.33%	12.47%	5.96%	-	-	-
Consumer Price Index (CPI)	0.31%	2.27%	1.78%	2.10%	1.54%	1.75%
CPI + Spending Rate <sup>3</sup>	1.29%	5.31%	5.84%	6.17%	5.60%	5.82%
<b>Income Cash Fund (SIF)<sup>4</sup></b>	<b>0.57%</b>	<b>1.80%</b>	<b>2.39%</b>	<b>1.55%</b>	<b>1.02%</b>	<b>0.59%</b>

<sup>1</sup> The UW System Long Term Fund's return is a gross of fees return.

<sup>2</sup> The "UW Fund Custom Benchmark" is asset weighted using the UW Public Equity Benchmark, the Bloomberg U.S. Gov't/Credit Index, the Inflation Sensitive Benchmark, and the net Terrace Holdings II returns. The Bloomberg U.S. Gov't/Credit Index, and the Bloomberg Barclays U.S. TIPS Index are gross returns. All other benchmark components are net returns (net of fees or tax withholdings on dividends). The Private Markets Benchmark change has been approved by both the Investment and Benchmark Committees.

<sup>3</sup> The annual spending rate is 4.0% and the change in CPI is used as the inflation indicator.

<sup>4</sup> Relevant to the extent recipients have allocated a portion of their funds to the Income Cash Fund (SIF). The Income Cash Fund (SIF) is used for receiving spending distributions from the Long Term Fund. UW investment account holders may also allocate a portion of their expendable principal to this fund.





## UW System Trust Funds: Fund and Benchmark Performance Data by Asset Class

Quarter Ended September 30, 2019

Asset Class/Strategy	Quarter Ending	YTD	1 Year	Since Inception
<b>UW System Long Term Fund</b>				
<b>Gross of Fees</b>	<b>1.38%</b>	<b>12.63%</b>	<b>6.26%</b>	<b>6.30%</b>
<i>Net of Fees</i>	<i>1.37%</i>	<i>12.59%</i>	<i>6.20%</i>	<i>6.25%</i>
<i>Net of All Fees</i>	<i>1.35%</i>	<i>12.54%</i>	<i>6.14%</i>	<i>6.18%</i>
UW Fund Custom Benchmark <sup>1</sup>	<b>1.33%</b>	<b>12.47%</b>	<b>5.96%</b>	<b>5.99%</b>
<b>Public Equities</b>				
<b>Gross of Fees</b>	<b>-0.06%</b>	<b>15.77%</b>	<b>1.11%</b>	<b>3.67%</b>
<i>Net of All Fees</i>	<i>-0.06%</i>	<i>15.75%</i>	<i>1.09%</i>	<i>3.64%</i>
UW Public Equity Benchmark <sup>2</sup>	<b>-0.11%</b>	<b>15.57%</b>	<b>0.78%</b>	<b>3.30%</b>
BlackRock MSCI ACWI Index Fund B				
<b>Gross of Fees</b>	<b>-0.09%</b>	<b>16.24%</b>	<b>0.94%</b>	<b>3.88%</b>
<i>Net of All Fees</i>	<i>-0.10%</i>	<i>16.22%</i>	<i>0.92%</i>	<i>3.86%</i>
MSCI ACW IM Net Index	<b>-0.18%</b>	<b>15.87%</b>	<b>0.48%</b>	<b>3.39%</b>
BlackRock EAFE Currency Hedged Equity Index Fund B				
<b>Gross of Fees</b>	<b>2.25%</b>	<b>17.82%</b>	<b>4.26%</b>	<b>7.69%</b>
<i>Net of All Fees</i>	<i>2.24%</i>	<i>17.79%</i>	<i>4.22%</i>	<i>7.64%</i>
MSCI EAFE Net 100% USD Hedged Index	<b>2.31%</b>	<b>17.82%</b>	<b>4.20%</b>	<b>7.50%</b>
BlackRock Emerging Markets Free Fund B				
<b>Gross of Fees</b>	<b>-4.25%</b>	<b>5.84%</b>	<b>-2.13%</b>	<b>-7.32%</b>
<i>Net of All Fees</i>	<i>-4.26%</i>	<i>5.79%</i>	<i>-2.18%</i>	<i>-7.38%</i>
MSCI Emerging Markets Net Dividend Index	<b>-4.25%</b>	<b>5.89%</b>	<b>-2.02%</b>	<b>-7.34%</b>
<b>Fixed Income</b>				
BlackRock Government/Credit Bond Index Fund B				
<b>Gross of Fees</b>	<b>2.67%</b>	<b>9.86%</b>	<b>11.46%</b>	<b>7.37%</b>
<i>Net of All Fees</i>	<i>2.66%</i>	<i>9.84%</i>	<i>11.44%</i>	<i>7.35%</i>
Bloomberg U.S. Gov't/Credit Index	<b>2.64%</b>	<b>9.72%</b>	<b>11.32%</b>	<b>7.22%</b>
<b>Inflation Sensitive</b>				
<b>Gross of Fees</b>	<b>1.81%</b>	<b>9.31%</b>	<b>8.14%</b>	<b>5.91%</b>
<i>Net of All Fees</i>	<i>1.81%</i>	<i>9.30%</i>	<i>8.12%</i>	<i>5.88%</i>
Inflation Sensitive Benchmark <sup>3</sup>	<b>1.77%</b>	<b>9.16%</b>	<b>7.97%</b>	<b>5.64%</b>
BlackRock U.S. Treasury Inflation Protected Securities Fund B				
<b>Gross of Fees</b>	<b>1.36%</b>	<b>7.71%</b>	<b>7.29%</b>	<b>4.85%</b>
<i>Net of All Fees</i>	<i>1.36%</i>	<i>7.70%</i>	<i>7.28%</i>	<i>4.84%</i>
Bloomberg Barclays U.S. TIPS Index, Series L	<b>1.35%</b>	<b>7.58%</b>	<b>7.13%</b>	<b>4.66%</b>
BlackRock Developed Real Estate Index Fund B				
<b>Gross of Fees</b>	<b>4.87%</b>	<b>20.60%</b>	<b>13.93%</b>	<b>13.04%</b>
<i>Net of All Fees</i>	<i>4.85%</i>	<i>20.54%</i>	<i>13.85%</i>	<i>12.95%</i>
FTSE EPRA/NAREIT Developed Net Index	<b>4.63%</b>	<b>19.82%</b>	<b>13.00%</b>	<b>11.94%</b>
<b>Private Markets</b>				
Terrace Holdings II <sup>4</sup>				
<b>Gross of Fees</b>	<b>3.82%</b>	<b>10.71%</b>	<b>14.83%</b>	<b>14.02%</b>
<i>Net of All Fees</i>	<i>3.76%</i>	<i>10.55%</i>	<i>14.55%</i>	<i>13.76%</i>
UW Private Equity Benchmark <sup>5</sup>	<b>3.76%</b>	<b>10.55%</b>	<b>14.55%</b>	<b>13.76%</b>

\* Net of Fee Returns are net of accrued external manager fees (e.g. BlackRock fees.)

\* Net of All Returns are net of SWIB internal and external investment management fees, custody & middle office fees, and other pass through fees accrued and paid. Returns are gross of internal UW fees.

\* All Funds have an inception date of 04/01/2018.

<sup>1</sup> The "UW Fund Custom Benchmark" is asset weighted using the UW Public Equity Benchmark, the Bloomberg U.S. Gov't/Credit Index, the Inflation Sensitive Benchmark, and the net Terrace Holdings II returns. The Bloomberg U.S. Gov't/Credit Index, and the Bloomberg Barclays U.S. TIPS Index are gross returns. All other benchmark components are net returns (net of fees or tax withholdings on dividends).

<sup>2</sup> The "UW Public Equity Benchmark" is comprised of 84% MSCI ACW IM Net Index, 11% MSCI EAFE Net 100% USD Hedged Index, and 5% MSCI Emerging Markets Net Index.

<sup>3</sup> The "Inflation Sensitive Benchmark" is comprised of 87% Bloomberg Barclays U.S. TIPS Index, Series L and 13% FTSE EPRA/NAREIT Developed Net Index.

<sup>4</sup> Returns reflect 6/30/2019 values due to valuation timing lag. The net of fees and net of all returns are net of StepStone manager fees.

<sup>5</sup> The "Private Equity Benchmark" is comprised of the net of fees return of Terrace Holdings II, a Private Equity fund of funds being administered by StepStone. This is a legacy portfolio that is not being actively managed. No new investments will be made, and the funds will eventually self-liquidate. Due to the timing lag in valuations for the underlying funds, the Terrace Holdings II returns will be used as the benchmark. The Private Markets Benchmark change has been approved by both the Investment and Benchmark Committees.

## **APPENDIX**

## MSCI ACWI IMI Index Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

### Investment objective and strategy

The MSCI ACWI IMI Index Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund invests primarily in U.S. and non-U.S. equity securities with the objective of approximating as closely as practicable the capitalization weighted rates of return of the markets in certain countries for publicly traded equity securities. The primary criterion for selection of investments in the Fund shall be the Benchmark listed herein.

### Performance

Total return % as of 09/30/2019 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	5 Year	Since Inception
Fund return %	-0.10	16.15	0.83	9.72	6.98	8.38
Benchmark return %	-0.18	15.87	0.48	9.36	6.61	8.01
Difference	0.08	0.28	0.35	0.36	0.37	0.37

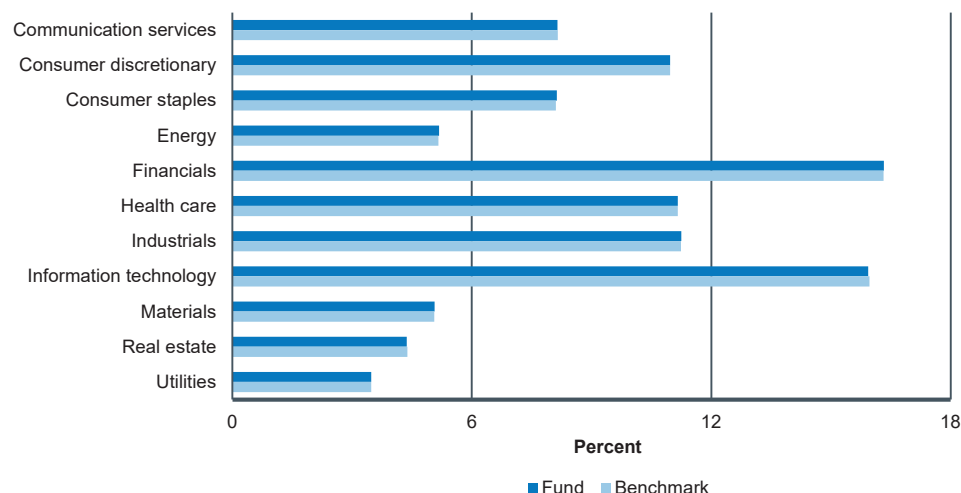
#### Performance disclosure:

The Fund's net asset value does not include an accrual for the investment management fee but does include an accrual for fund level administrative costs and, if applicable, certain third party acquired fund fees and expenses. If the Fund's net asset value did include an accrual for the investment management fee, the Fund's returns would be lower. **Past performance is not necessarily an indicator of future performance.**

\* Period returns for less than one year are cumulative

### Sector allocation

% of Fund or Benchmark as of 09/30/2019



Sources: BlackRock, MSCI Inc.

Data is used for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to 100% due to rounding, exclusion of cash, STIF and other statistically immaterial factors.

### Investment details (as of 09/30/2019)

<b>Benchmark</b>	MSCI ACWI IMI Net Dividend Return Index
<b>Total fund assets</b>	\$3.31 billion
<b>Fund inception date</b>	03/23/2010

### Characteristics (as of 09/30/2019)

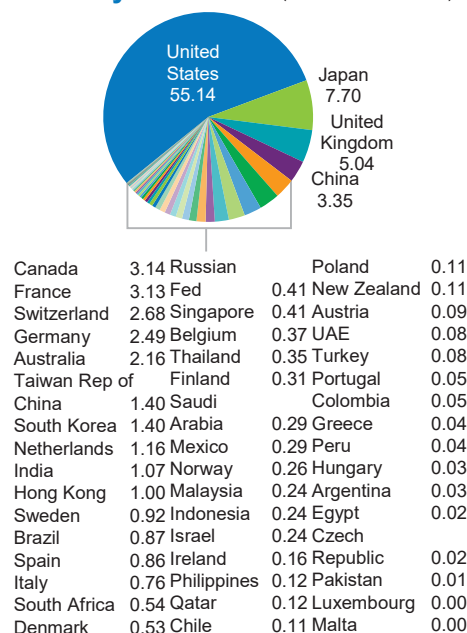
	Fund	Benchmark
Number of securities	8,863	8,817
Dividend yield	2.37	2.36

### Top 10 holdings (as of 09/30/2019)

	Country	Fund (% assets)
Apple Inc	United States	2.00
Microsoft Corp	United States	1.97
Amazon Com Inc	United States	1.41
Facebook Class A Inc	United States	0.83
Alphabet Inc Class C	United States	0.74
JPMorgan Chase & Co	United States	0.74
Alphabet Inc Class A	United States	0.71
Johnson & Johnson	United States	0.67
Nestle Sa	Switzerland	0.65
Procter & Gamble	United States	0.61

Portfolio holdings are subject to change and are not intended as a recommendation of individual securities.

### Country allocation (% as of 09/30/2019)



## MSCI EAFE Currency Hedged Equity Index Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

### Investment objective and strategy

The MSCI EAFE Currency Hedged Equity Index Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund invests primarily in international equity securities whose total return will approximate as closely as practicable the cap weighted total return of the markets in certain countries for equity securities outside the US, while seeking to eliminate variations based solely on the value of the currencies in the Fund as compared to the US dollar. The primary criterion for selection of investments in the Fund is the Benchmark listed herein.

### Performance

Total return % as of 09/30/2019 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	Since Inception
Fund return %	2.25	17.80	4.25	10.42	10.42
Benchmark return %	2.31	17.82	4.20	10.36	10.37
Difference	-0.06	-0.02	0.05	0.06	0.05

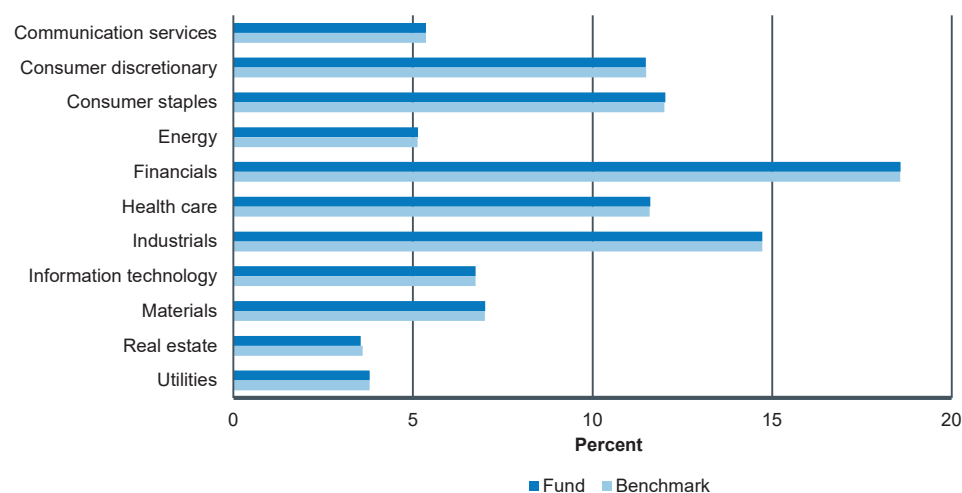
#### Performance disclosure:

The Fund's net asset value does not include an accrual for the investment management fee but does include an accrual for fund level administrative costs and, if applicable, certain third party acquired fund fees and expenses. If the Fund's net asset value did include an accrual for the investment management fee, the Fund's returns would be lower. **Past performance is not necessarily an indicator of future performance.**

\* Period returns for less than one year are cumulative

### Sector allocation

% of Fund or Benchmark as of 09/30/2019



Sources: BlackRock, MSCI Inc.

Data is used for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to 100% due to rounding, exclusion of cash, STIF and other statistically immaterial factors.

### Investment details (as of 09/30/2019)

<b>Benchmark</b>	MSCI EAFE 100% Hedged to USD Net Dividend Return Index
<b>Total fund assets</b>	\$0.23 billion
<b>Fund inception date</b>	04/29/2016

### Characteristics (as of 09/30/2019)

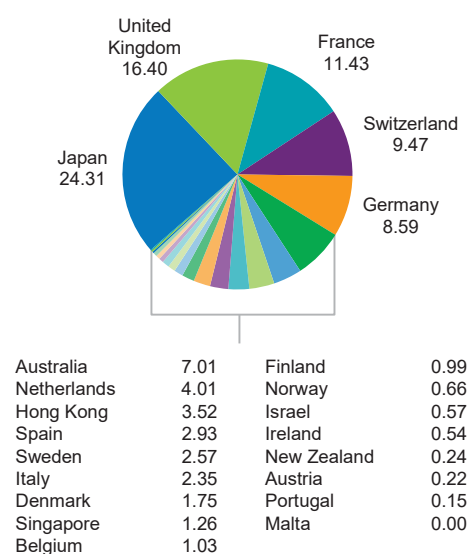
	Fund	Benchmark
Number of securities	927	923
Dividend yield	3.33	3.32

### Top 10 holdings (as of 09/30/2019)

	Country	Fund (% assets)
Nestle Sa	Switzerland	2.38
Roche Holding Par Ag	Switzerland	1.47
Novartis Ag	Switzerland	1.34
HSBC Holdings Plc	United Kingdom	1.11
Toyota Motor Corp	Japan	1.08
BP Plc	United Kingdom	0.92
Royal Dutch Shell Plc	United Kingdom	0.91
Total Sa	France	0.89
AstraZeneca Plc	United Kingdom	0.84
SAP	Germany	0.83

Portfolio holdings are subject to change and are not intended as a recommendation of individual securities.

### Country allocation (% as of 09/30/2019)



## MSCI Emerging Markets Free Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

### Investment objective and strategy

The MSCI Emerging Markets Free Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund invests primarily in international equity securities of issuers in emerging markets, with the objective of providing returns which approximate as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for equity securities traded outside of the United States. The primary criterion for selection of investments in the Fund shall be the Benchmark listed herein.

### Performance

Total return % as of 09/30/2019 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception
Fund return %	-4.25	5.81	-2.10	5.88	2.25	3.28	7.18
Benchmark return %	-4.25	5.89	-2.02	5.97	2.33	3.37	7.26
Difference	0.00	-0.08	-0.08	-0.09	-0.08	-0.09	-0.08

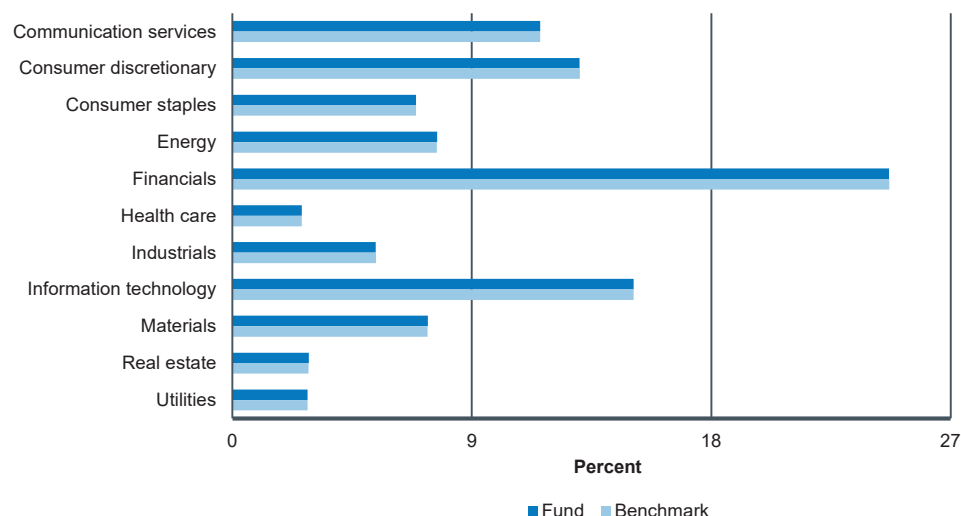
#### Performance disclosure:

The Fund's net asset value does not include an accrual for the investment management fee but does include an accrual for fund level administrative costs and, if applicable, certain third party acquired fund fees and expenses. If the Fund's net asset value did include an accrual for the investment management fee, the Fund's returns would be lower. **Past performance is not necessarily an indicator of future performance.**

\* Period returns for less than one year are cumulative

### Sector allocation

% of Fund or Benchmark as of 09/30/2019



Sources: BlackRock, MSCI Inc.

Data is used for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to 100% due to rounding, exclusion of cash, STIF and other statistically immaterial factors.

### Investment details (as of 09/30/2019)

<b>Benchmark</b>	MSCI Emerging Markets Net Dividend Return Index
<b>Total fund assets</b>	\$8.05 billion
<b>Fund inception date</b>	07/31/2000

### Characteristics (as of 09/30/2019)

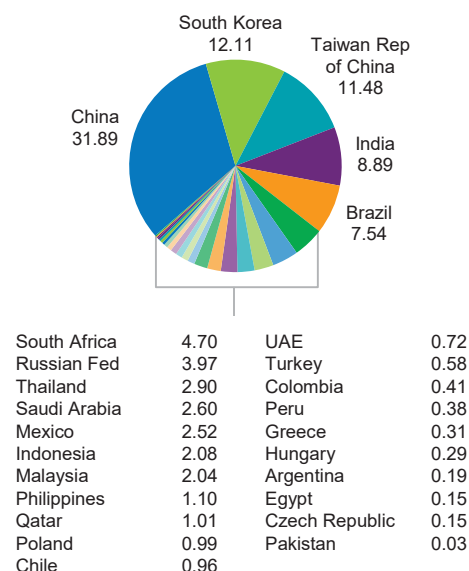
	Fund	Benchmark
Number of securities	1,215	1,202
Dividend yield	2.81	2.81

### Top 10 holdings (as of 09/30/2019)

	Country	Fund (% assets)
Tencent Holdings Ltd	China	4.48
Alibaba Group Holding ADR Represen	China	4.42
Taiwan Semiconductor Manufacturing	Taiwan Rep of China	4.02
Samsung Electronics Ltd	South Korea	3.63
China Construction Bank Corp H	China	1.36
Naspers Ltd	South Africa	1.23
Ping An Insurance (Group) Co of Ch	China	1.19
Reliance Industries Ltd	India	1.00
China Mobile Ltd	China	0.95
Housing Development Finance Corp	India	0.85

Portfolio holdings are subject to change and are not intended as a recommendation of individual securities.

### Country allocation (% as of 09/30/2019)



## Government/Credit Bond Index Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

### Investment objective and strategy

The Government/Credit Bond Index Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund shall be invested and reinvested primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return of the Benchmark listed herein.

### Performance

Total return % as of 09/30/2019 (Return percentages are annualized as of period end. Returns for periods less than one year are cumulative.)

	Month*	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception
Fund return %	-0.75	2.66	9.83	11.41	3.28	3.71	4.04	5.94
Benchmark return %	-0.76	2.64	9.72	11.32	3.16	3.61	3.94	5.90
Difference	0.01	0.02	0.11	0.09	0.12	0.10	0.10	0.04

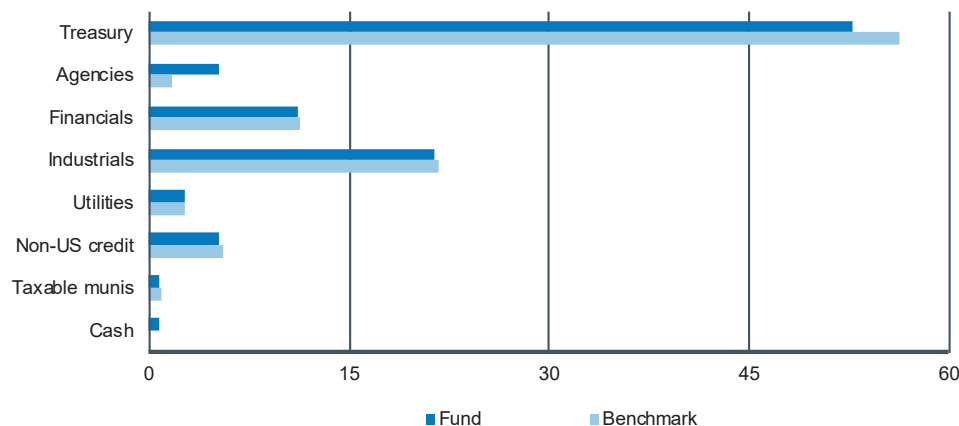
#### Performance disclosure:

The Fund's net asset value does not include an accrual for the investment management fee but does include an accrual for fund level administrative costs and, if applicable, certain third party acquired fund fees and expenses. If the Fund's net asset value did include an accrual for the investment management fee, the Fund's returns would be lower. **Past performance is not necessarily an indicator of future performance.**

\* Period returns for less than one year are cumulative

### Sector allocation

% of Fund or Benchmark as of 09/30/2019



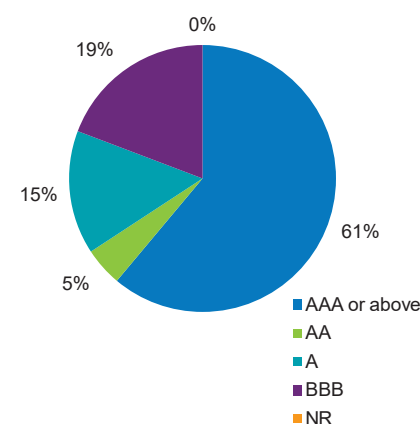
### Investment details (as of 09/30/2019)

<b>Benchmark</b>	Bloomberg Barclays U.S. Government/Credit Bond Index
<b>Total fund assets</b>	\$0.25 billion
<b>Fund inception date</b>	03/31/1991

### Characteristics (as of 09/30/2019)

	Fund	Benchmark
Number of securities	5,776	7,373
Market value (B)	\$0.25	\$16,363.58
Coupon (%)	3.36	3.03
Yield to maturity (YTM) (%)	2.21	2.21
Weighted avg life (yrs)	9.17	9.24
Effective duration (yrs)	6.79	6.83
Spread duration (yrs)	3.31	3.27
Option adjusted spread (bps)	45	45
Convexity (yrs)	0.98	0.99

### Quality breakdown (as of 09/30/2019)



The credit quality of a particular security or group of securities may be based upon a rating from a nationally recognized statistical rating organization or, if unrated by a ratings organization, assigned an internal rating by BlackRock, neither of which ensures the stability or safety of an overall portfolio.

Sources: BlackRock, Bloomberg Finance L.P.

Data is used for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to 100% due to rounding, exclusion of cash, STIF and other statistically immaterial factors.

## U.S. Treasury Inflation Protected Securities Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

### Investment objective and strategy

The U.S. Treasury Inflation Protected Securities Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund shall be invested and reinvested primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater, as defined by the Benchmark listed herein.

### Performance

Total return % as of 09/30/2019 (Return percentages are annualized as of period end. Returns for periods less than one year are cumulative.)

	Month*	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception
Fund return %	-1.35	1.34	7.64	7.20	2.38	2.59	3.57	5.02
Benchmark return %	-1.36	1.35	7.58	7.13	2.21	2.45	3.46	4.94
Difference	0.01	-0.01	0.06	0.07	0.17	0.14	0.11	0.08

#### Performance disclosure:

The Fund's net asset value does not include an accrual for the investment management fee but does include an accrual for fund level administrative costs and, if applicable, certain third party acquired fund fees and expenses. If the Fund's net asset value did include an accrual for the investment management fee, the Fund's returns would be lower. **Past performance is not necessarily an indicator of future performance.**

\* Period returns for less than one year are cumulative

### Investment details (as of 09/30/2019)

<b>Benchmark</b>	Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L)
<b>Total fund assets</b>	\$6.14 billion
<b>Fund inception date</b>	03/05/2002

### Characteristics (as of 09/30/2019)

	Fund	Benchmark
Number of securities	40	40
Market value (B)	\$6.14	\$1,260.44
Coupon (%)	0.73	0.75
Yield to maturity (YTM) (%)	1.65	1.65
Weighted avg life (yrs)	8.34	8.39
Effective duration (yrs)	7.73	7.74
Convexity (yrs)	1.12	1.13

Sources: BlackRock, Bloomberg Finance L.P.

Data is used for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to 100% due to rounding, exclusion of cash, STIF and other statistically immaterial factors.

## Developed Real Estate Index Fund B

A common trust fund maintained by BlackRock Institutional Trust Company, N.A. ("BTC") for investment of fiduciary client assets held by BTC in its capacity as trustee

### Investment objective and strategy

The Developed Real Estate Index Fund B (the "Fund") is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of a particular index. The Fund invests in US and non-US equity securities whose total return will approximate as closely as practicable the capitalization weighted total return net of dividend withholding taxes of the Benchmark listed herein. The investment universe consists of publicly traded real estate equity securities of issuers whose principal business is the ownership and operation of real estate as defined by the Benchmark listed herein.

### Performance

Total return % as of 09/30/2019 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	Since Inception
Fund return %	4.87	20.60	13.93	6.51	6.46
Benchmark return %	4.63	19.82	13.00	5.61	5.64
Difference	0.24	0.78	0.93	0.90	0.82

#### Performance disclosure:

The Fund's net asset value does not include an accrual for the investment management fee but does include an accrual for fund level administrative costs and, if applicable, certain third party acquired fund fees and expenses. If the Fund's net asset value did include an accrual for the investment management fee, the Fund's returns would be lower. **Past performance is not necessarily an indicator of future performance.**

\* Period returns for less than one year are cumulative

### Investment details (as of 09/30/2019)

<b>Benchmark</b>	FTSE EPRA/NAREIT Developed Index
<b>Total fund assets</b>	\$0.39 billion
<b>Fund inception date</b>	11/18/2014

### Characteristics (as of 09/30/2019)

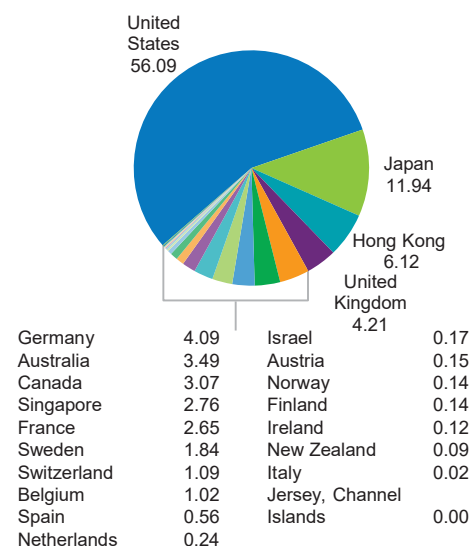
	Fund	Benchmark
Number of securities	316	334
Dividend yield	3.67	3.67

### Top 10 holdings (as of 09/30/2019)

	Country	Fund (% assets)
Prologis REIT Inc	United States	3.23
Simon Property Group REIT Inc	United States	2.88
Welltower Inc	United States	2.22
Public Storage REIT	United States	2.19
Equity Residential REIT	United States	1.90
Avalonbay Communities REIT Inc	United States	1.80
Vonovia Se	Germany	1.67
Ventas REIT Inc	United States	1.64
Digital Realty Trust REIT Inc	United States	1.63
Realty Income REIT Corp	United States	1.47

Portfolio holdings are subject to change and are not intended as a recommendation of individual securities.

### Country allocation (% as of 09/30/2019)



Sources: BlackRock, FTSE International Ltd

Data is used for analytical purposes only. Index data may differ to those published by the Index due to calculation methods. Breakdowns may not sum to 100% due to rounding, exclusion of cash, STIF and other statistically immaterial factors.



## Third Quarter Newsletter

### Portfolio Update

The new Regent Fund took over control of the portfolio on May 3<sup>rd</sup>. Over the summer the team focused on managing portfolio duration to hedge against interest rate movements. Now we are shifting the focus towards increasing portfolio yield, as spreads are tight compared to historical levels, and we are underyielding our benchmark. The team is also focusing on defensive names, while adding exposure to sectors without any current exposure. The income generated by the portfolio was not swept in Q2, although RegentFund expects the income generated in Q3 (approximately \$51,212.46) to be swept early in the fourth quarter.

### Performance Recap

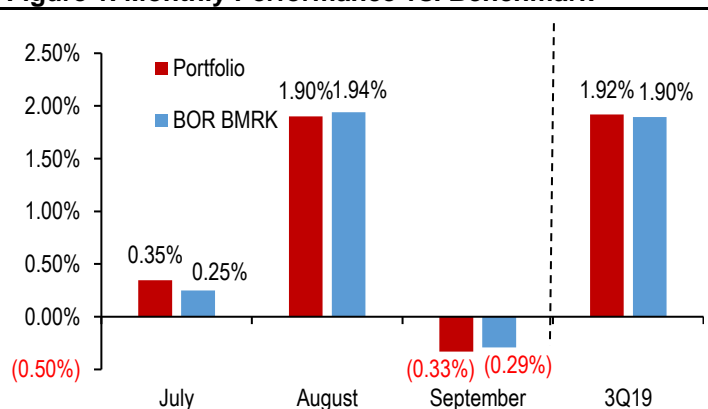
Table 1 and Figure 1 show the monthly performance breakdown of the portfolio and benchmark<sup>1</sup>. Overall during 3Q19 the portfolio return of 1.92% in 3Q19 was in line with the benchmark's return of 1.90%.

**Table 1. Monthly Performance vs. Benchmark**

Time Period	Portfolio	BOR BMRK	Difference
July	0.35%	0.25%	0.10%
August	1.90%	1.94%	(0.04%)
September	(0.33%)	(0.29%)	(0.04%)
3Q19	1.92%	1.90%	0.02%

Source: BNY Mellon, Bloomberg

**Figure 1. Monthly Performance vs. Benchmark**



Source: BNY Mellon, Bloomberg

<sup>1</sup> The Board of Regents portfolio benchmark is comprised of 66.5% Intermediate Corporates (C3A0), 19% Intermediate Governments (G302), 9.5% BB/B High Yield (H5A4) and 5.0% 1-month Treasury Bill.

## **ANNUAL REPORT ON FACULTY TURNOVER FOR FY19**

### **REQUESTED ACTION**

This report is for information only.

### **SUMMARY**

The following charts provide summary comparisons of faculty and faculty turnover (or departures) for the last five fiscal years. In Chart 1, the number of faculty is the number of faculty reported in the October 2018 payroll. Chart 2 captures faculty departures reported in the HR Information System which were further reviewed for corrections by the institutions prior to this report.

Key observations from the five-year lookback are as follows:

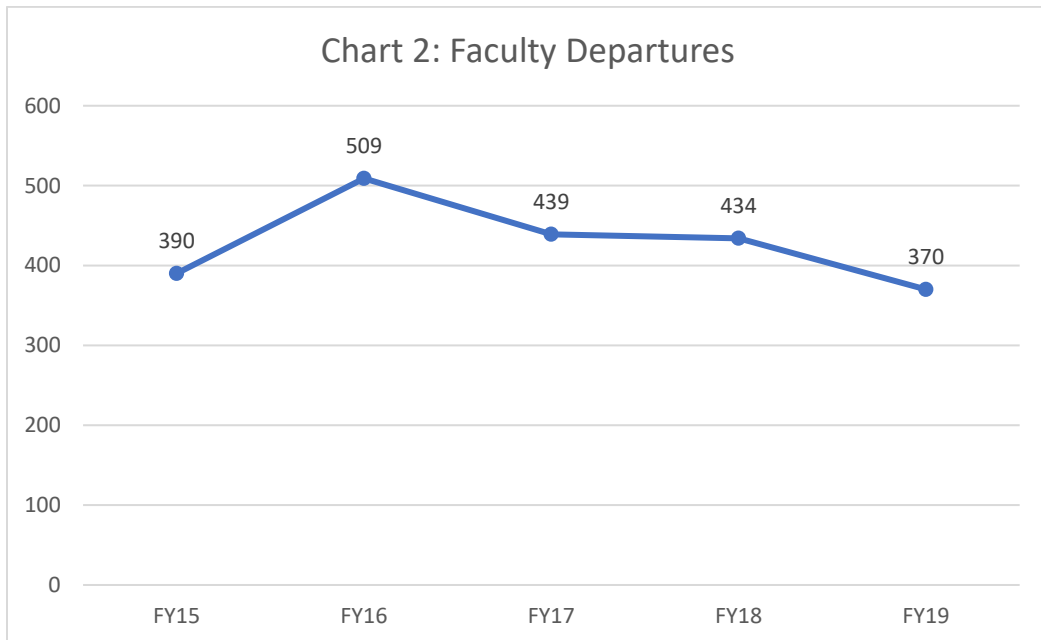
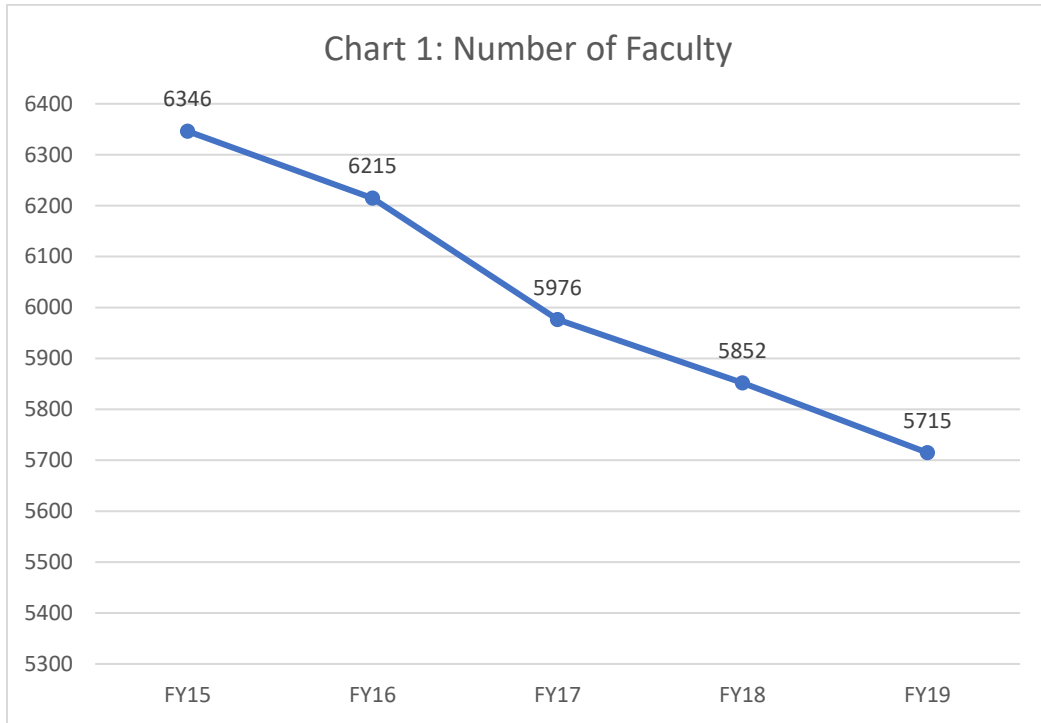
- The number of faculty continued its downward trend for FY19.
- FY16 shows the highest number of departures at 509 with faculty departures trending downward in subsequent years.
- 370 faculty departed UW System in FY19: 206 (or 55.68% of faculty departures) retired, 154 (or 41.62%) resigned and 10 (2.7%) were non-renewed.

Attached to this executive summary is the full FY19 Report on Faculty Turnover.

### **Presenter(s)**

- Dr. Shenita Brokenburr, Chief Human Resource Office and Senior Associate Vice President, UW System Administration
- Daniel Chanen, Director of Benefits and Compensation, UW System Administration

## Faculty Turnover Five-Year Comparison



## BACKGROUND

The Report on Faculty Turnover in the UW System is presented annually to the Board of Regents. Initially requested in 2013, the report provides a summary of tenured and non-tenured (probationary) faculty departures attributed to retirement, resignation and non-renewed contracts for the most previous fiscal year. Beginning with the 2016 Fiscal Year, the report also began including information on reasons for resignation reported in four sub-categories, including salary related job changes, non-salary related job changes, personal/family reasons, and other/unknown reasons.

### Scope and Definitions

- This report contains summary data on faculty departures provided by all UW System institutions through the HR Information System.
- In accordance with [Wis. Stat. § 36.05 \(8\)](#) faculty means persons who hold the rank of professor, associate professor, assistant professor or instructor in an academic department or its functional equivalent in an institution and such academic staff as may be designated by the chancellor and faculty of the institution.
- Turnover is defined as a separation or termination of employment.

## ATTACHMENTS

- A) FY19 Report of Faculty Turnover

## UNIVERSITY OF WISCONSIN SYSTEM

**FY19 - Report on Faculty Turnover by Institution: Tenured & Probationary**

Institution	Number of Faculty	Number of Faculty who Left	Faculty Turnover as Percent of Total Faculty	Retirements	Resignations	Resignation Reason				Non-Renewed
						Salary Related Job Changes	Non-Salary Related Job Changes	Personal / Family	Other / Unknown	
MADISON										
Tenured	1,577	105	6.66%	79	26			1	25	0
Probationary	432	18	4.17%	0	16			1	15	2
Total	2,009	123	6.12%	79	42	0	0	2	40	2
MILWAUKEE										
Tenured	557	36	6.46%	26	8	2		1	5	2
Probationary	116	6	5.17%	0	6			2	4	0
Total	673	42	6.24%	26	14	2	0	3	9	2
EAU CLAIRE										
Tenured	262	14	5.34%	10	4	1		3		0
Probationary	77	10	12.99%	0	9	3	1	5		1
Total	339	24	7.08%	10	13	4	1	8	0	1
GREEN BAY										
Tenured	103	7	6.80%	5	2		1	1		0
Probationary	47	5	10.64%	1	4	1	1	2		0
Total	150	12	8.00%	6	6	1	2	3	0	0
LA CROSSE										
Tenured	229	15	6.55%	12	3			2	1	0
Probationary	139	6	4.32%	0	6	2	1	2	1	0
Total	368	21	5.71%	12	9	2	1	4	2	0

## UNIVERSITY OF WISCONSIN SYSTEM

**FY19 - Report on Faculty Turnover by Institution: Tenured & Probationary**

Institution	Number of Faculty	Number of Faculty who Left	Faculty Turnover as Percent of Total Faculty	Retirements	Resignations	Resignation Reason				Non-Renewed
						Salary Related Job Changes	Non-Salary Related Job Changes	Personal / Family	Other / Unknown	
OSHKOSH										
Tenured	222	15	6.76%	11	4		1		3	0
Probationary	76	5	6.58%	0	5		3		2	0
Total	298	20	6.71%	11	9	0	4	0	5	0
PARKSIDE										
Tenured	75	7	9.33%	5	2		1		1	0
Probationary	41	1	2.44%	0	1				1	0
Total	116	8	6.90%	5	3	0	1	0	2	0
PLATTEVILLE										
Tenured	137	14	10.22%	12	2		2			0
Probationary	91	3	3.30%	0	3		2	1		0
Total	228	17	7.46%	12	5	0	4	1	0	0
RIVER FALLS										
Tenured	137	10	7.30%	9	1		1			0
Probationary	47	1	2.13%	0	1			1		0
Total	184	11	5.98%	9	2	0	1	1	0	0
STEVENS POINT										
Tenured	196	11	5.61%	8	3		2		1	0
Probationary	99	6	6.06%	0	6	1	3		2	0
Total	295	17	5.76%	8	9	1	5	0	3	0

UNIVERSITY OF WISCONSIN SYSTEM

**FY19 - Report on Faculty Turnover by Institution: Tenured & Probationary**

Institution	Number of Faculty	Number of Faculty who Left	Faculty Turnover as Percent of Total Faculty	Retirements	Resignations	Resignation Reason				Non-Renewed
						Salary Related Job Changes	Non-Salary Related Job Changes	Personal / Family	Other / Unknown	
STOUT										
Tenured	168	9	5.36%	7	2	1		1		0
Probationary	103	8	7.77%	0	8	5	2		1	0
Total	271	17	6.27%	7	10	6	2	1	1	0
SUPERIOR										
Tenured	65	4	6.15%	3	1		1			0
Probationary	30	4	13.33%	0	4		2	1	1	0
Total	95	8	8.42%	3	5	0	3	1	1	0
WHITEWATER										
Tenured	242	18	7.44%	13	5				5	0
Probationary	126	10	7.94%	0	7				7	3
Total	368	28	7.61%	13	12	0	0	0	12	3
COLLEGES										
Tenured	185	10	5.41%	3	7		3	1	3	0
Probationary	36	3	8.33%	0	2		1		1	1
Total	221	13	5.88%	3	9	0	4	1	4	1
EXTENSION										
Tenured	95	4	4.21%	2	2		2			0
Probationary	5	5	100.00%	0	4		1	1	2	1
Total	100	9	9.00%	2	6	0	3	1	2	1

UNIVERSITY OF WISCONSIN SYSTEM

**FY19 - Report on Faculty Turnover by Institution: Tenured & Probationary**

Institution	Number of Faculty	Number of Faculty who Left	Faculty Turnover as Percent of Total Faculty	Retirements	Resignations	Resignation Reason				Non-Renewed
						Salary Related Job Changes	Non-Salary Related Job Changes	Personal / Family	Other / Unknown	
<b>SUBTOTAL</b>										
Tenured	4,250	279	6.56%	205	72	4	14	10	44	2
Probationary	1,465	91	6.21%	1	82	12	17	16	37	8
<b>Grand Total</b>	<b>5,715</b>	<b>370</b>	<b>6.47%</b>	<b>206</b>	<b>154</b>	<b>16</b>	<b>31</b>	<b>26</b>	<b>81</b>	<b>10</b>
<b>Percent of Total Faculty</b>				<b>3.60%</b>	<b>2.69%</b>	<b>0.28%</b>	<b>0.54%</b>	<b>0.45%</b>	<b>1.42%</b>	<b>0.17%</b>
<b>Percent of Total Faculty Leaving</b>				<b>55.68%</b>	<b>41.62%</b>	<b>4.32%</b>	<b>8.38%</b>	<b>7.03%</b>	<b>21.89%</b>	<b>2.70%</b>

Last Updated: 11/5/2019

**Data Sources:**

Number of faculty data is reported from October 2018 Payroll, Schedule VI: Number of Staff by Institution and Type-FTE Basis, All Funds and Activities.

Retirement, resignation and non-renewed data reported from HRS as of June 30, 2019.

Resignation reason details are provided by the institutions.



**ANNUAL REPORT ON STAFF AND FACULTY BASE ADJUSTMENTS AND  
ADDITIONAL COMPENSATION PAYMENTS FOR FY19**

**REQUESTED ACTION**

This report is for information only.

**SUMMARY**

The following charts may provide useful context for FY19 activity with regard to faculty and staff base adjustments and additional compensation payments. These charts provide high-level summary comparisons for the last five fiscal years.

**Base Adjustments Five-Year Comparison**

Key observations related to base adjustments include the following:

- FY19 data reflects more than a 5% decline in the number of overall staff receiving base adjustments and more than a 6% drop in the number of staff receiving base adjustments for merit, equity and market reasons from FY18.
- Total dollars used for FY19 base adjustments declined 0.8% (or \$16.3 million) from FY18 and is the lowest figure for the last five fiscal years.
- Faculty, as a group, received:
  - A higher percentage of base adjustments compared to all staff combined (38.48% compared to 25%)
  - A higher average payment per recipient compared to all staff combined (\$5,689 compared to \$4,165)
  - A higher percentage of total salary dollars used for base adjustments compared to all staff combined (1.43% compared to 0.93%)
  - This has been the trend for the last five fiscal years.

It is important to note that FY19 also marked the first pay plan increase approved by the State Legislature for eligible UW System staff since FY15. Eligible employees received up to 2% effective 7/1/2018 and up to 2% effective 1/1/2019.

**Chart 1: Five-Year Comparison: Base Adjustments Summary, All Staff**

<b>Fiscal Year</b>	<b>Total Staff</b>	<b>Total Staff Rec'ing Base Adj</b>	<b>Staff Rec'ing Base Adj as % of Total Staff</b>	<b>Avg Base Adj</b>	<b>Base Adj for Merit, Equity and Market*</b>	<b>Merit, Equity and Market as % of All Base Adj*</b>	<b>Total Budgeted Salary Dollars</b>	<b>Total Base Adj Dollars</b>	<b>Base Adj \$ as % Total Salary</b>
<b>15</b>	34,643	8,231	23.76%	\$3,692	6,331	76.92%	\$2,280,781,760	\$34,433,827	1.51%
<b>16</b>	33,705	8,360	24.80%	\$4,095	6,248	74.74%	\$2,260,225,936	\$34,237,135	1.51%
<b>17</b>	34,080	10,572	31.02%	\$4,183	8,126	76.86%	\$2,285,719,585	\$39,026,878	1.71%
<b>18</b>	34,442	10,544	30.61%	\$3,802	8,488	80.50%	\$2,329,257,987	\$40,090,770	1.72%
<b>19</b>	34,766	8,690	25.00%	\$4,165	6,399	73.64%	\$2,557,647,476	\$23,779,038	0.93%

**Chart 2: Five-Year Comparison: Base Adjustments Summary, Faculty Only**

<b>Fiscal Year</b>	<b>Total Faculty</b>	<b>Total Faculty Rec'ing Base Adj</b>	<b>Faculty Rec'ing Base Adj as % of Total Faculty</b>	<b>Avg Base Adj for Faculty Recipient</b>	<b>Base Adj for Merit, Equity and Market*</b>	<b>Merit, Equity and Market as % of All Base Adj*</b>	<b>Total Budgeted Faculty Salary Dollars</b>	<b>Total Faculty Base Adj Dollars</b>	<b>Faculty Base Adj \$ as % Total Faculty Salary</b>
<b>15</b>	6,485	2,097	32.34%	\$6,352	1,562	74.49%	\$575,818,084	\$13,319,742	2.31%
<b>16</b>	6,353	2,390	37.62%	\$4,826	1,874	78.41%	\$577,558,812	\$11,533,423	2.00%
<b>17</b>	6,120	2,337	38.19%	\$5,113	1,621	69.36%	\$565,770,675	\$11,949,850	2.11%
<b>18</b>	5,983	2,482	41.48%	\$5,012	1,887	76.03%	\$557,369,414	\$12,440,943	2.23%
<b>19</b>	5,837	2,246	38.48%	\$5,689	1,441	64.16%	\$573,526,375	\$12,776,568	2.23%

\*Merit, Equity and Market excludes promotions, title changes, and changes in duties.

### **Additional Compensation Five-Year Comparison**

Key observations for additional compensation payments include the following:

- The percentage of staff receiving additional compensation payments continues to remain above 20% in FY19 for the fourth consecutive fiscal year.

- The average additional compensation payment for recipients in FY19 is \$3,473, \$16 less than FY18.
- Faculty, as a group, received:
  - A higher percentage of additional compensation payments compared to all staff combined (38.63% compared to 23.21%).
  - A higher average payment per recipient compared to all staff combined (\$5,437 compared to \$3,473).
  - A higher percentage of total salary used for additional compensation compared to all staff combined (2.14% compared to 1.1%).
  - This has been the trend for the last five fiscal years.

**Chart 3: Five-Year Comparison: Additional Compensation Payments Summary, All Staff**

<b>Fiscal Year</b>	<b>Total Staff</b>	<b>Total Staff Receiving Additional Comp</b>	<b>Staff Receiving Additional Comp as % of Total Staff</b>	<b>Average Additional Comp Payment for Recipient</b>	<b>Total Budgeted Salary Dollars</b>	<b>Total Additional Comp Dollars</b>	<b>Additional Comp \$ as % of Total Salary</b>
<b>15</b>	34,643	5,771	16.66%	\$3,976	\$2,280,781,760	\$22,946,197	1.01%
<b>16</b>	33,705	7,039	20.88%	\$3,601	\$2,260,225,936	\$25,345,600	1.12%
<b>17</b>	34,080	9,864	28.94%	\$3,070	\$2,285,719,585	\$29,246,727	1.28%
<b>18</b>	34,442	8,622	25.03%	\$3,489	\$2,329,257,987	\$30,085,317	1.29%
<b>19</b>	34,766	8,068	23.21%	\$3,473	\$2,557,647,476	\$28,023,593	1.10%

**Chart 4: Five-Year Comparison: Additional Compensation Payments Summary, Faculty Only**

<b>Fiscal Year</b>	<b>Total Faculty</b>	<b>Total Faculty Receiving Additional Comp</b>	<b>Faculty Receiving Additional Comp as % of Total Faculty</b>	<b>Average Additional Comp Payment for Faculty Recipient</b>	<b>Total Budgeted Faculty Salary Dollars</b>	<b>Total Additional Comp Dollars for Faculty</b>	<b>Faculty Additional Comp \$ as % of Total Salary</b>
<b>15</b>	6,485	2,338	36.05%	\$5,163	\$575,818,084	\$12,071,819	2.10%
<b>16</b>	6,353	2,645	41.63%	\$4,817	\$577,558,812	\$12,741,718	2.21%
<b>17</b>	6,120	3,108	50.78%	\$4,427	\$565,770,675	\$13,760,335	2.43%
<b>18</b>	5,983	2,525	42.20%	\$5,281	\$557,369,414	\$13,333,727	2.39%
<b>19</b>	5,837	2,255	38.63%	\$5,437	\$573,526,375	\$12,261,258	2.14%

Attached to this executive summary are the full FY19 Reports on Base Adjustments and Additional Compensation Payments.

### **Presenter(s)**

- Dr. Shenita Brokenburr, Chief Human Resource Office and Senior Associate Vice President, UW System Administration
- Daniel Chanen, Director of Benefits and Compensation, UW System Administration

### **BACKGROUND**

UW System chancellors have delegated authority pursuant to [Wis. Stat. § 36.09\(1\)\(j\)](#), to adjust salaries for all faculty and staff, for the purpose of recognizing merit, correcting salary inequities, recognizing job reclassifications or promotions, or addressing other competitive factors. It is important to note that FY16 was the first fiscal year in which merit was a permissible reason to adjust salaries for all staff. Additionally, with the implementation of the new personnel systems, university staff base salary adjustments and additional compensation in the form of lump sums no longer require the Department of Personnel Management (formerly OSER) approval.

Under the same delegated authority for personnel transactions used to provide base salary adjustments, chancellors have the authority to provide lump sum additional pay to faculty and staff to recognize merit, for serving in an interim capacity, and for additional work performed beyond what is normally expected as part of a full service or administrative workload for staff or part of a full teaching or research workload for faculty.

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

Regent action taken at the December 2013 meeting directed this report become an annual report to the Board for information purposes only. Starting in FY14, separate tables are provided that include base adjustments and lump sum payments for faculty only.

## **ATTACHMENTS**

- A) FY19 Report on Base Adjustments (Tables 1-5)
- B) FY19 Report on Additional Compensation Payments (Tables 1-3)

TABLE 1: Base Adjustments

UNIVERSITY OF WISCONSIN SYSTEM																
FY19 - Report of Base Adjustments: All Employees by Category/All Reasons																
	Faculty, Academic Staff and Limited Appointees (FA/AS/LI^)					University Staff					Totals					
Institution	FY19 Total Budgeted FA/AS/LI Salary Dollars	Total Dollars for FA/AS/LI Base Adj	Number of FA/AS/LI Receiving Base Adj	Total FA/AS/LI Appointm ents	Percent FA/AS/LI Receiving Base Adj	FY19 Total Budgeted Univ Staff Salary Dollars	Total Dollars for Univ Staff Base Adj	Number of Univ Staff Receiving Base Adj	Total Univ Staff Appointm ents	Percent Univ Staff Receiving Base Adj	FY19 Total Budgeted Salary Dollars	Total Base Adj Dollars	Number of Staff Receiving Base Adj	Total Appointm ents	Percent of Staff Receiving Base Adj	Total Base Adj as Percent of Total Budgeted Salaries
Madison	\$ 1,224,665,918	\$ 21,792,000	3,707	12,947	28.63%	\$ 254,644,095	\$ 4,324,577	1,714	4468	38.36%	\$ 1,479,310,013	\$ 26,116,577	5,421	17,415	31.13%	1.77%
Milwaukee	\$ 182,636,518	\$ 2,413,185	610	2,830	21.55%	\$ 56,594,950	\$ 400,400	108	840	12.86%	\$ 239,231,468	\$ 2,813,585	718	3,670	19.56%	1.18%
Eau Claire	\$ 53,901,441	\$ 587,567	110	938	11.72%	\$ 23,264,540	\$ 53,186	20	352	5.68%	\$ 77,165,981	\$ 640,753	130	1,290	10.07%	0.83%
Green Bay	\$ 29,240,807	\$ 554,941	246	557	44.17%	\$ 10,294,489	\$ 133,481	73	167	43.71%	\$ 39,535,296	\$ 688,422	319	724	44.06%	1.74%
La Crosse	\$ 59,522,373	\$ 885,527	432	1,043	41.42%	\$ 14,028,656	\$ 57,544	64	306	20.92%	\$ 73,551,029	\$ 943,071	496	1,349	36.77%	1.28%
Oshkosh	\$ 60,189,980	\$ 461,848	97	1,087	8.92%	\$ 19,782,323	\$ 52,463	43	331	12.99%	\$ 79,972,303	\$ 514,311	140	1,418	9.87%	0.64%
Parkside	\$ 21,475,425	\$ 123,890	36	410	8.78%	\$ 8,487,667	\$ 59,466	19	149	12.75%	\$ 29,963,092	\$ 183,356	55	559	9.84%	0.61%
Platteville	\$ 43,071,556	\$ 403,014	88	723	12.17%	\$ 17,293,873	\$ 66,089	25	320	7.81%	\$ 60,365,429	\$ 469,103	113	1,043	10.83%	0.78%
River Falls	\$ 30,361,988	\$ 299,701	120	643	18.66%	\$ 10,435,139	\$ 61,612	43	177	24.29%	\$ 40,797,127	\$ 361,313	163	820	19.88%	0.89%
Stevens Point	\$ 42,422,231	\$ 402,353	97	825	11.76%	\$ 21,014,302	\$ 41,910	38	351	10.83%	\$ 63,436,533	\$ 444,263	135	1,176	11.48%	0.70%
Stout	\$ 45,981,057	\$ 497,220	216	839	25.73%	\$ 21,414,391	\$ 186,633	62	351	17.66%	\$ 67,395,448	\$ 683,853	278	1,190	23.35%	1.01%
Superior	\$ 16,155,011	\$ 116,619	26	343	7.58%	\$ 6,096,904	\$ 18,679	3	92	3.26%	\$ 22,251,915	\$ 135,298	29	435	6.67%	0.61%
Whitewater	\$ 62,828,736	\$ 296,841	90	1,048	8.59%	\$ 21,413,967	\$ 286,985	112	344	32.56%	\$ 84,242,703	\$ 583,826	202	1,392	14.51%	0.69%
Colleges	\$ 36,869,889	\$ 264,088	171	785	21.79%	\$ 7,576,033	\$ 97,515	24	143	16.78%	\$ 44,445,922	\$ 361,603	195	928	21.02%	0.81%
Extension	\$ 92,211,530	\$ 942,120	239	958	24.96%	\$ 14,395,104	\$ 27,800	12	91	13.19%	\$ 106,606,634	\$ 969,920	251	1,049	23.93%	0.91%
UWSA	\$ 6,541,724	\$ 133,715	16	62	25.98%	\$ 2,661,028	\$ 52,104	11	30	36.67%	\$ 9,202,752	\$ 185,819	27	92	29.48%	2.02%
UWSA2*	\$ 31,297,678	\$ 78,588	10	110	9.09%	\$ 8,876,153	\$ 22,371	8	106	7.55%	\$ 40,173,831	\$ 100,959	18	216	8.33%	0.25%
TOTALS	\$ 2,039,373,862	\$ 30,253,217	6,311	26,148	24.14%	\$ 518,273,614	\$ 5,942,815	2,379	8,618	27.61%	\$ 2,557,647,476	\$ 36,196,032	8,690	34,766	25.00%	1.42%

Last Updated: 11/5/2019

**Data Sources:**

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**Notes and Definitions:**

This report excludes temporary help, student help, student & graduate assistants and employees-in-training.

Base Adjustments permitted under Wis. Stat. 36.09(1)(j) for merit, equity, title changes, promotions, and recognition of competitive factors.

UWSA - represents appointments funded for System Administration.

\*UWSA2 - formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

^FA/AS/LI Staff were formerly named Unclassified.

TABLE 2: Base Adjustments

## UNIVERSITY OF WISCONSIN SYSTEM

**FY19 - Report of Average Dollar Base Adjustments: All Employees by Category/All Reasons**

	Faculty, Academic Staff & Limited Appointees (FA/AS/LI^)				University Staff				Totals			
Institution	FY19 Total Budgeted FA/AS/LI Salary Dollars	Total Dollars for FA/AS/LI Base Adj	Number of FA/AS/LI Receiving Base Adj	Average Base Adj per FA/AS/LI Recipient	FY19 Total Budgeted University Staff Salary Dollars	Total Dollars for University Staff Base Adj	Number of University Staff Receiving Base Adj	Average Base Adj per University Staff Recipient	FY19 Total Budgeted Salary Dollars	Total Base Adj Dollars	Number of Staff Receiving Base Adj	Average Base Adj per Recipient
Madison	\$ 1,224,665,918	\$ 21,792,000	3,707	\$ 5,879	\$ 254,644,095	\$ 4,324,577	1,714	\$ 2,523	\$ 1,479,310,013	\$ 26,116,577	5,421	\$ 4,818
Milwaukee	\$ 182,636,518	\$ 2,413,185	610	\$ 3,956	\$ 56,594,950	\$ 400,400	108	\$ 3,707	\$ 239,231,468	\$ 2,813,585	718	\$ 3,919
Eau Claire	\$ 53,901,441	\$ 587,567	110	\$ 5,342	\$ 23,264,540	\$ 53,186	20	\$ 2,659	\$ 77,165,981	\$ 640,753	130	\$ 4,929
Green Bay	\$ 29,240,807	\$ 554,941	246	\$ 2,256	\$ 10,294,489	\$ 133,481	73	\$ 1,829	\$ 39,535,296	\$ 688,422	319	\$ 2,158
La Crosse	\$ 59,522,373	\$ 885,527	432	\$ 2,050	\$ 14,028,656	\$ 57,544	64	\$ 899	\$ 73,551,029	\$ 943,071	496	\$ 1,901
Oshkosh	\$ 60,189,980	\$ 461,848	97	\$ 4,761	\$ 19,782,323	\$ 52,463	43	\$ 1,220	\$ 79,972,303	\$ 514,311	140	\$ 3,674
Parkside	\$ 21,475,425	\$ 123,890	36	\$ 3,441	\$ 8,487,667	\$ 59,466	19	\$ 3,130	\$ 29,963,092	\$ 183,356	55	\$ 3,334
Platteville	\$ 43,071,556	\$ 403,014	88	\$ 4,580	\$ 17,293,873	\$ 66,089	25	\$ 2,644	\$ 60,365,429	\$ 469,103	113	\$ 4,151
River Falls	\$ 30,361,988	\$ 299,701	120	\$ 2,498	\$ 10,435,139	\$ 61,612	43	\$ 1,433	\$ 40,797,127	\$ 361,313	163	\$ 2,217
Stevens Point	\$ 42,422,231	\$ 402,353	97	\$ 4,148	\$ 21,014,302	\$ 41,910	38	\$ 1,103	\$ 63,436,533	\$ 444,263	135	\$ 3,291
Stout	\$ 45,981,057	\$ 497,220	216	\$ 2,302	\$ 21,414,391	\$ 186,633	62	\$ 3,010	\$ 67,395,448	\$ 683,853	278	\$ 2,460
Superior	\$ 16,155,011	\$ 116,619	26	\$ 4,485	\$ 6,096,904	\$ 18,679	3	\$ 6,226	\$ 22,251,915	\$ 135,298	29	\$ 4,665
Whitewater	\$ 62,828,736	\$ 296,841	90	\$ 3,298	\$ 21,413,967	\$ 286,985	112	\$ 2,562	\$ 84,242,703	\$ 583,826	202	\$ 2,890
Colleges	\$ 36,869,889	\$ 264,088	171	\$ 1,544	\$ 7,576,033	\$ 97,515	24	\$ 4,063	\$ 44,445,922	\$ 361,603	195	\$ 1,854
Extension	\$ 92,211,530	\$ 942,120	239	\$ 3,942	\$ 14,395,104	\$ 27,800	12	\$ 2,317	\$ 106,606,634	\$ 969,920	251	\$ 3,864
UWSA	\$ 6,541,724	\$ 133,715	16	\$ 8,357	\$ 2,661,028	\$ 52,104	11	\$ 4,737	\$ 9,202,752	\$ 185,819	27	\$ 6,882
UWSA2*	\$ 31,297,678	\$ 78,588	10	\$ 7,859	\$ 8,876,153	\$ 22,371	8	\$ 2,796	\$ 40,173,831	\$ 100,959	18	\$ 5,609
TOTALS	\$ 2,039,373,862	\$ 30,253,217	6,311	\$ 4,794	\$ 518,273,614	\$ 5,942,815	2,379	\$ 2,498	\$ 2,557,647,476	\$ 36,196,032	8,690	\$ 4,165

Last Updated: 11/5/2019

**Data Sources:**

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Base Adjustment data are reported from HRS as of June 30, 2019.

Appointment data are reported from October 2018 Payroll Report, Schedule V: Number of Staff by Institution and Type-Appointment Count, All Funds and Activities.

**Notes and Definitions:**

This report excludes temporary help, student help, student &amp; graduate assistants and employees-in-training.

Base Adjustments permitted under Wis. Stat. 36.09(1)(j) for merit, equity, title changes, promotions, and recognition of competitive factors.

UWSA - represents appointments funded for System Administration.

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^FA/AS/LI Staff were formerly named Unclassified.

TABLE 3: Base Adjustments

## UNIVERSITY OF WISCONSIN SYSTEM

**FY19 - Report of Base Adjustments: All Employees by Category/Merit, Market and Equity Reasons**

(Excludes: Promotions, Title Changes and Changes in Duties)

	Faculty, Academic Staff & Limited Appointees (FA/AS/LI^)					University Staff					Totals					
	FY19 Total Budgeted FA/AS/LI Salary Dollars	Total Dollars for FA/AS/LI Base Adj	Number of FA/AS/LI Receiving Base Adj	Total FA/AS/LI Appointm ents	Percent FA/AS/LI Receiving Base Adj	FY19 Total Budgeted Univ Staff Salary Dollars	Total Dollars for Univ Staff Base Adj	Number of Univ Staff Receiving Base Adj	Total Univ Staff Appointme nts	Percent Univ Staff Receiving Base Adj	FY19 Total Budgeted Salary Dollars	Total Base Adj Dollars	Number of Staff Receiving Base Adj	Total Appointm ents	Percent of Staff Receiving Base Adj	Total Base Adj as Percent of Total Budgeted Salaries
Institution																
Madison	\$ 1,224,665,918	\$ 14,731,937	2,805	12,947	21.67%	\$ 254,644,095	\$ 3,671,181	1,564	4468	35.00%	\$ 1,479,310,013	\$ 18,403,118	4,369	17,415	25.09%	1.24%
Milwaukee	\$ 182,636,518	\$ 1,471,858	411	2,830	14.52%	\$ 56,594,950	\$ 144,572	33	840	3.93%	\$ 239,231,468	\$ 1,616,430	444	3,670	12.10%	0.68%
Eau Claire	\$ 53,901,441	\$ 207,972	35	938	3.73%	\$ 23,264,540	\$ 4,826	1	352	0.28%	\$ 77,165,981	\$ 212,798	36	1,290	2.79%	0.28%
Green Bay	\$ 29,240,807	\$ 416,338	225	557	40.39%	\$ 10,294,489	\$ 114,865	69	167	41.32%	\$ 39,535,296	\$ 531,203	294	724	40.61%	1.34%
La Crosse	\$ 59,522,373	\$ 657,797	415	1,043	39.79%	\$ 14,028,656	\$ 53,030	62	306	20.26%	\$ 73,551,029	\$ 710,827	477	1,349	35.36%	0.97%
Oshkosh	\$ 60,189,980	\$ 173,086	39	1,087	3.59%	\$ 19,782,323	\$ 33,756	22	331	6.65%	\$ 79,972,303	\$ 206,842	61	1,418	4.30%	0.26%
Parkside	\$ 21,475,425	\$ 72,072	13	410	3.17%	\$ 8,487,667	\$ 54,433	17	149	11.41%	\$ 29,963,092	\$ 126,505	30	559	5.37%	0.42%
Platteville	\$ 43,071,556	\$ 182,133	40	723	5.53%	\$ 17,293,873	\$ 38,632	17	320	5.31%	\$ 60,365,429	\$ 220,765	57	1,043	5.46%	0.37%
River Falls	\$ 30,361,988	\$ 185,071	74	643	11.51%	\$ 10,435,139	\$ 48,466	38	177	21.47%	\$ 40,797,127	\$ 233,537	112	820	13.66%	0.57%
Stevens Point	\$ 42,422,231	\$ 196,069	25	825	3.03%	\$ 21,014,302	\$ 20,456	10	351	2.85%	\$ 63,436,533	\$ 216,525	35	1,176	2.98%	0.34%
Stout	\$ 45,981,057	\$ 113,458	63	839	7.51%	\$ 21,414,391	\$ 78,478	36	351	10.26%	\$ 67,395,448	\$ 191,936	99	1,190	8.32%	0.28%
Superior	\$ 16,155,011	\$ 44,439	7	343	2.04%	\$ 6,096,904	\$ 16,141	2	92	2.17%	\$ 22,251,915	\$ 60,580	9	435	2.07%	0.27%
Whitewater	\$ 62,828,736	\$ 116,253	12	1,048	1.15%	\$ 21,413,967	\$ 250,835	105	344	30.52%	\$ 84,242,703	\$ 367,088	117	1,392	8.41%	0.44%
Colleges	\$ 36,869,889	\$ 94,192	121	785	15.42%	\$ 7,576,033	\$ 88,758	19	143	13.29%	\$ 44,445,922	\$ 182,950	140	928	15.09%	0.41%
Extension	\$ 92,211,530	\$ 345,989	83	958	8.67%	\$ 14,395,104	\$ 23,078	11	91	12.09%	\$ 106,606,634	\$ 369,067	94	1,049	8.96%	0.35%
UWSA	\$ 6,541,724	\$ 50,290	7	62	11.37%	\$ 2,661,028	\$ 30,887	7	30	23.33%	\$ 9,202,752	\$ 81,177	14	92	15.29%	0.88%
UWSA2*	\$ 31,297,678	\$ 31,590	5	110	4.55%	\$ 8,876,153	\$ 16,100	6	106	5.66%	\$ 40,173,831	\$ 47,690	11	216	5.09%	0.12%
TOTALS	\$ 2,039,373,862	\$ 19,090,544	4,380	26,148	16.75%	\$ 518,273,614	\$ 4,688,494	2,019	8,618	23.43%	\$ 2,557,647,476	\$ 23,779,038	6,399	34,766	18.41%	0.93%

Last Updated: 11/5/2019

**Data Sources:**

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Appointment data are reported from October 2018 Payroll Report, Schedule V: Number of Staff by Institution and Type-Appointment Count, All Funds and Activities.

**Notes and Definitions:**

This report excludes temporary help, student help, student &amp; graduate assistants and employees-in-training.

Base Adjustments permitted under Wis. Stat. 36.09(1)(j) for merit, equity, title changes, promotions, and recognition of competitive factors.

UWSA - represents appointments funded for System Administration.

\*UWSA2 - formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

^FA/AS/LI Staff were formerly named Unclassified.



TABLE 4: Base Adjustments

## UNIVERSITY OF WISCONSIN SYSTEM

<b>FY19 - Report of Base Adjustments: Faculty Only/All Reasons</b> Professor, Associate Professor, Assistant Professor and Instructor							
Institution	FY19 Total Budgeted Faculty Dollars	Total Dollars for Faculty Base Adjustments	Number of Faculty Receiving Base Adjustments	Average Base Adjustment per Faculty Recipient	Total Faculty Appointments	Percent of Faculty Receiving Base Adjustments	Percent of Faculty Salary Dollars
Madison	\$ 276,551,930	\$ 9,090,034	968	\$ 9,391	2,065	46.87%	3.29%
Milwaukee	\$ 66,462,167	\$ 1,273,161	340	\$ 3,745	691	49.20%	1.92%
Eau Claire	\$ 26,585,847	\$ 277,116	55	\$ 5,038	347	15.84%	1.04%
Green Bay	\$ 10,926,394	\$ 131,820	106	\$ 1,244	152	69.74%	1.21%
La Crosse	\$ 29,426,753	\$ 449,525	257	\$ 1,749	374	68.72%	1.53%
Oshkosh	\$ 23,087,577	\$ 154,043	31	\$ 4,969	300	10.33%	0.67%
Parkside	\$ 8,166,530	\$ 41,371	12	\$ 3,448	118	10.17%	0.51%
Platteville	\$ 17,607,780	\$ 54,101	21	\$ 2,576	229	9.16%	0.31%
River Falls	\$ 14,426,341	\$ 229,410	104	\$ 2,206	188	55.32%	1.59%
Stevens Point	\$ 22,756,397	\$ 286,266	55	\$ 5,205	300	18.33%	1.26%
Stout	\$ 19,462,074	\$ 207,081	104	\$ 1,991	277	37.55%	1.06%
Superior	\$ 6,560,598	\$ 41,940	8	\$ 5,243	96	8.33%	0.64%
Whitewater	\$ 30,650,267	\$ 109,192	42	\$ 2,600	375	11.20%	0.36%
Colleges	\$ 12,914,951	\$ 103,247	48	\$ 2,151	223	21.55%	0.80%
Extension	\$ 7,940,769	\$ 328,261	95	\$ 3,455	102	93.56%	4.13%
UWSA	\$ -	\$ -	0	N/A	0	N/A	N/A
UWSA2*	\$ -	\$ -	0	N/A	0	N/A	N/A
TOTALS	\$ 573,526,375	\$ 12,776,568	2,246	\$ 5,689	5,837	38.48%	2.23%

Last Updated: 11/5/2019

**Data Sources:**

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**Notes and Definitions:**

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TABLE 5: Base Adjustments

## UNIVERSITY OF WISCONSIN SYSTEM

<b>FY19 - Report of Base Adjustments: Faculty Only/Merit, Market &amp; Equity Reasons</b> Professor, Associate Professor, Assistant Professor and Instructor (Excludes: Promotions, Title Changes and Changes in Duties)							
Institution	FY19 Total Budgeted Faculty Dollars	Total Dollars for Faculty Base Adjustments	Number of Faculty Receiving Base Adjustments	Average Base Adjustment per Faculty Recipient	Total Faculty Appointments	Percent of Faculty Receiving Base Adjustments	Percent of Faculty Salary Dollars
Madison	\$ 276,551,930	\$ 6,147,125	654	\$ 9,399	2,065	31.66%	2.22%
Milwaukee	\$ 66,462,167	\$ 960,669	284	\$ 3,383	691	41.10%	1.45%
Eau Claire	\$ 26,585,847	\$ 131,975	24	\$ 5,499	347	6.91%	0.50%
Green Bay	\$ 10,926,394	\$ 157,913	102	\$ 1,548	152	67.11%	1.45%
La Crosse	\$ 29,426,753	\$ 355,867	258	\$ 1,379	374	68.98%	1.21%
Oshkosh	\$ 23,087,577	\$ 48,352	8	\$ 6,044	300	2.67%	0.21%
Parkside	\$ 8,166,530	\$ 13,371	3	\$ 4,457	118	2.54%	0.16%
Platteville	\$ 17,607,780	\$ 7,601	4	\$ 1,900	229	1.75%	0.04%
River Falls	\$ 14,426,341	\$ 160,282	69	\$ 2,323	188	36.70%	1.11%
Stevens Point	\$ 22,756,397	\$ 142,793	10	\$ 14,279	300	3.33%	0.63%
Stout	\$ 19,462,074	\$ 15,323	5	\$ 3,065	277	1.81%	0.08%
Superior	\$ 6,560,598	\$ 17,940	4	\$ 4,485	96	4.17%	0.27%
Whitewater	\$ 30,650,267	\$ -	0	N/A	375	0.00%	0.00%
Colleges	\$ 12,914,951	\$ 12,000	8	\$ 1,500	223	3.59%	0.09%
Extension	\$ 7,940,769	\$ 37,133	8	\$ 4,642	102	7.88%	0.47%
UWSA	\$ -	\$ -	0	N/A	0	N/A	N/A
UWSA2*	\$ -	\$ -	0	N/A	0	N/A	N/A
TOTALS	\$ 573,526,375	\$ 8,208,344	1,441	\$ 5,696	5,837	24.69%	1.43%

Last Updated: 11/5/2019

**Data Sources:**

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Appointment data are reported from October 2018 Payroll Report, Schedule V: Number of Staff by Institution and Type-Appointment Count, All Funds and Activities.

**Notes and Definitions:**

This report excludes temporary help, student help, student &amp; graduate assistants and employees-in-training.

Base Adjustments permitted under Wis. Stat. 36.09(1)(j) for merit, equity, title changes, promotions, and recognition of competitive factors.

UWSA - represents appointments funded for System Administration.

\*UWSA2 - formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

^FA/AS/LI Staff were formerly named Unclassified.

TABLE 1: Additional Compensation

## UNIVERSITY OF WISCONSIN SYSTEM

<b>FY19 - Report of Additional Compensation Payments: All Employees Combined/All Reasons</b>							
Institution	FY19 Total Budgeted Salary Dollars	FY19 Additional Compensation Payments	Number of Staff Receiving Additional Compensation Payments	Total Appointments	Percent Receiving Additional Compensation Payments	Average Amount of Additional Compensation per Recipient	Percent of Total Budgeted Salary Dollars
Madison	\$ 1,479,310,013	\$ 7,472,264	3,067	17,415	17.61%	\$ 2,436	0.51%
Milwaukee	\$ 239,231,468	\$ 2,007,351	409	3,670	11.14%	\$ 4,908	0.84%
Eau Claire	\$ 77,165,981	\$ 1,767,227	419	1,290	32.47%	\$ 4,218	2.29%
Green Bay	\$ 39,535,296	\$ 1,167,136	176	724	24.31%	\$ 6,631	2.95%
La Crosse	\$ 73,551,029	\$ 2,421,208	1,119	1,349	82.95%	\$ 2,164	3.29%
Oshkosh	\$ 79,972,303	\$ 2,421,503	414	1,418	29.19%	\$ 5,849	3.03%
Parkside	\$ 29,963,092	\$ 995,190	206	559	36.85%	\$ 4,831	3.32%
Platteville	\$ 60,365,429	\$ 1,164,426	304	1,043	29.14%	\$ 3,830	1.93%
River Falls	\$ 40,797,127	\$ 953,772	227	820	27.68%	\$ 4,202	2.34%
Stevens Point	\$ 63,436,533	\$ 1,623,751	331	1,176	28.15%	\$ 4,906	2.56%
Stout	\$ 67,395,448	\$ 1,265,686	285	1,190	23.94%	\$ 4,441	1.88%
Superior	\$ 22,251,915	\$ 861,554	187	435	42.99%	\$ 4,607	3.87%
Whitewater	\$ 84,242,703	\$ 3,029,706	603	1,392	43.32%	\$ 5,024	3.60%
Colleges	\$ 44,445,922	\$ 679,092	249	928	26.84%	\$ 2,727	1.53%
Extension	\$ 106,606,634	\$ 100,703	41	1,049	3.91%	\$ 2,456	0.09%
UWSA	\$ 9,202,752	\$ 22,914	8	92	8.74%	\$ 2,864	0.25%
UWSA2*	\$ 40,173,831	\$ 70,110	23	216	10.65%	\$ 3,048	0.17%
TOTALS	\$ 2,557,647,476	\$ 28,023,593	8,068	34,766	23.21%	\$ 3,473	1.10%

Last Updated: 11/5/2019

**Data Sources:**

Budgeted salaries data are reported from the 2018-19 University of Wisconsin System Annual Budget, Division of Finance.

Additional Compensation Payment data are reported from HRS as of June 30, 2019.

Appointment data are reported from October 2018 Payroll Report, Schedule V: Number of Staff by Institution and Type-Appointment Count, All Funds and Activities.

**Notes and Definitions:**

This report excludes temporary help, student help, student & graduate assistants and employees-in-training.

Additional Compensation Payments permitted under Wis. Stat. 36.09(1)(j) for merit, equity, title changes, promotions, and recognition of competitive factors.

UWSA - represents appointments funded for System Administration.

\*UWSA2 - formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

^FA/AS/LI Staff were formerly named Unclassified.

TABLE 2: Additional Compensation

## UNIVERSITY OF WISCONSIN SYSTEM

**FY19 - Report of Additional Compensation Payments: All Employees by Category/All Reasons**

	Faculty, Academic Staff & Limited Appointees (FA/AS/LI <sup>^</sup> )					University Staff					Totals					
Institution	FY19 Total Budgeted FA/AS/LI Salary Dollars	Total Dollars for FA/AS/LI Additional Comp	Number of FA/AS/LI Receiving Additional Comp	Total FA/AS/LI Appointm ents	Percent FA/AS/LI Receiving Additional Comp	FY19 Total Budgeted Univ Staff Salary Dollars	Total Dollars for Univ Staff Additional Comp	Number of Univ Staff Receiving Additional Comp	Total Univ Staff Appointm ents	Percent Univ Staff Receiving Additional Comp	FY19 Total Budgeted Salary Dollars	Total Additional Comp Dollars	Number of Staff Receiving Additional Comp	Total Appointm ents	Percent of Staff Receiving Additional Comp	Total Additional Comp as % of Total Budgeted Salaries
Madison	\$ 1,224,665,918	\$ 5,643,656	1,975	12,947	15.25%	\$ 254,644,095	\$ 1,828,608	1,091	4468	24.42%	\$ 1,479,310,013	\$ 7,472,264	3,066	17,415	17.61%	0.51%
Milwaukee	\$ 182,636,518	\$ 1,993,845	401	2,830	14.17%	\$ 56,594,950	\$ 13,507	8	840	0.95%	\$ 239,231,468	\$ 2,007,352	409	3,670	11.14%	0.84%
Eau Claire	\$ 53,901,441	\$ 1,724,677	386	938	41.13%	\$ 23,264,540	\$ 42,550	33	352	9.38%	\$ 77,165,981	\$ 1,767,227	419	1,290	32.47%	2.29%
Green Bay	\$ 29,240,807	\$ 1,167,136	176	557	31.60%	\$ 10,294,489	\$ -	0	167	0.00%	\$ 39,535,296	\$ 1,167,136	176	724	24.31%	2.95%
La Crosse	\$ 59,522,373	\$ 2,318,255	843	1,043	80.82%	\$ 14,028,656	\$ 102,953	276	306	90.20%	\$ 73,551,029	\$ 2,421,208	1,119	1,349	82.95%	3.29%
Oshkosh	\$ 60,189,980	\$ 2,421,503	414	1,087	38.08%	\$ 19,782,323	\$ -	0	331	0.00%	\$ 79,972,303	\$ 2,421,503	414	1,418	29.19%	3.03%
Parkside	\$ 21,475,425	\$ 988,967	199	410	48.54%	\$ 8,487,667	\$ 6,223	7	149	4.70%	\$ 29,963,092	\$ 995,190	206	559	36.85%	3.32%
Platteville	\$ 43,071,556	\$ 1,155,626	294	723	40.64%	\$ 17,293,873	\$ 8,800	10	320	3.13%	\$ 60,365,429	\$ 1,164,426	304	1,043	29.14%	1.93%
River Falls	\$ 30,361,988	\$ 934,021	222	643	34.53%	\$ 10,435,139	\$ 19,750	5	177	2.82%	\$ 40,797,127	\$ 953,771	227	820	27.68%	2.34%
Stevens Point	\$ 42,422,231	\$ 1,598,099	284	825	34.44%	\$ 21,014,302	\$ 25,652	47	351	13.39%	\$ 63,436,533	\$ 1,623,751	331	1,176	28.15%	2.56%
Stout	\$ 45,981,057	\$ 1,257,969	277	839	33.00%	\$ 21,414,391	\$ 7,717	8	351	2.28%	\$ 67,395,448	\$ 1,265,686	285	1,190	23.94%	1.88%
Superior	\$ 16,155,011	\$ 853,007	173	343	50.44%	\$ 6,096,904	\$ 8,547	14	92	15.22%	\$ 22,251,915	\$ 861,554	187	435	42.99%	3.87%
Whitewater	\$ 62,828,736	\$ 3,027,006	601	1,048	57.35%	\$ 21,413,967	\$ 2,700	2	344	0.58%	\$ 84,242,703	\$ 3,029,706	603	1,392	43.32%	3.60%
Colleges	\$ 36,869,889	\$ 658,923	240	785	30.58%	\$ 7,576,033	\$ 20,169	9	143	6.29%	\$ 44,445,922	\$ 679,092	249	928	26.84%	1.53%
Extension	\$ 92,211,530	\$ 97,495	41	958	4.28%	\$ 14,395,104	\$ 3,208	1	91	1.10%	\$ 106,606,634	\$ 100,703	42	1,049	4.00%	0.09%
UWSA	\$ 6,541,724	\$ 17,164	5	62	8.12%	\$ 2,661,028	\$ 5,750	3	30	10.00%	\$ 9,202,752	\$ 22,914	8	92	8.74%	0.25%
UWSA2*	\$ 31,297,678	\$ 40,900	12	110	10.91%	\$ 8,876,153	\$ 29,210	11	106	10.38%	\$ 40,173,831	\$ 70,110	23	216	10.65%	0.17%
TOTALS	\$ 2,039,373,862	\$ 25,898,249	6,543	26,148	25.02%	\$ 518,273,614	\$ 2,125,344	1,525	8,618	17.70%	\$ 2,557,647,476	\$ 28,023,593	8,068	34,766	23.21%	1.10%

Last Updated: 11/5/2019

**Data Sources:**

Budgeted salaries data are reported from the 2018-19 University of Wisconsin System Annual Budget, Division of Finance.

Additional Compensation Payment data are reported from HRS as of June 30, 2019.

Appointment data are reported from October 2018 Payroll Report, Schedule V: Number of Staff by Institution and Type-Appointment Count, All Funds and Activities.

**Notes and Definitions:**

This report excludes temporary help, student help, student &amp; graduate assistants and employees-in-training.

Additional Compensation Payments permitted under Wis. Stat. 36.09(1)(j) for merit, equity, title changes, promotions, and recognition of competitive factors.

UWSA - represents appointments funded for System Administration.

\*UWSA2 - formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

<sup>^</sup>FA/AS/LI Staff were formerly named Unclassified.

TABLE 3: Additional Compensation

## UNIVERSITY OF WISCONSIN SYSTEM

<b>FY19 - Report of Additional Compensation Payments: Faculty Only/All Reasons</b> Professor, Associate Professor, Assistant Professor and Instructor							
Institution	FY19 Total Budgeted Faculty Dollars	Total Dollars for Faculty Additional Compensation	Number of Faculty Receiving Additional Compensation	Average Additional Compensation per Faculty Recipient	Total Faculty Appointments	Percent of Faculty Receiving Additional Compensation	Percent of Faculty Salary Dollars
Madison	\$ 276,551,930	\$ 1,057,862	220	\$ 4,808	2,065	10.65%	0.38%
Milwaukee	\$ 66,462,167	\$ 613,539	101	\$ 6,075	691	14.62%	0.92%
Eau Claire	\$ 26,585,847	\$ 1,008,920	189	\$ 5,338	347	54.45%	3.79%
Green Bay	\$ 10,926,394	\$ 709,303	85	\$ 8,345	152	55.92%	6.49%
La Crosse	\$ 29,426,753	\$ 1,425,293	364	\$ 3,916	374	97.33%	4.84%
Oshkosh	\$ 23,087,577	\$ 1,342,131	186	\$ 7,216	300	62.00%	5.81%
Parkside	\$ 8,166,530	\$ 600,871	97	\$ 6,195	118	82.20%	7.36%
Platteville	\$ 17,607,780	\$ 565,048	134	\$ 4,217	229	58.47%	3.21%
River Falls	\$ 14,426,341	\$ 608,187	114	\$ 5,335	188	60.64%	4.22%
Stevens Point	\$ 22,756,397	\$ 1,079,402	156	\$ 6,919	300	52.00%	4.74%
Stout	\$ 19,462,074	\$ 1,020,378	184	\$ 5,546	277	66.43%	5.24%
Superior	\$ 6,560,598	\$ 326,111	69	\$ 4,726	96	71.88%	4.97%
Whitewater	\$ 30,650,267	\$ 1,642,818	267	\$ 6,153	375	71.20%	5.36%
Colleges	\$ 12,914,951	\$ 254,195	87	\$ 2,922	223	39.07%	1.97%
Extension	\$ 7,940,769	\$ 7,200	2	\$ 3,600	102	1.97%	0.09%
UWSA	\$ -	\$ -	0	N/A	0	N/A	N/A
UWSA2*	\$ -	\$ -	0	N/A	0	N/A	N/A
TOTALS	\$ 573,526,375	\$ 12,261,258	2,255	\$ 5,437	5,837	38.63%	2.14%

Last Updated: 11/5/2019

**Data Sources:**

Budgeted salaries data are reported from the 2018-19 University of Wisconsin System Annual Budget, Division of Finance.

Additional Compensation Payment data are reported from HRS as of June 30, 2019.

Appointment data are reported from October 2018 Payroll Report, Schedule V: Number of Staff by Institution and Type-Appointment Count, All Funds and Activities.

**Notes and Definitions:**

This report excludes temporary help, student help, student &amp; graduate assistants and employees-in-training.

Additional Compensation Payments permitted under Wis. Stat. 36.09(1)(j) for merit, equity, title changes, promotions, and recognition of competitive factors.

UWSA - represents appointments funded for System Administration.

\*UWSA2 - formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

^FA/AS/LI Staff were formerly named Unclassified.

**UNIVERSITY OF WISCONSIN SYSTEM CONTRACTUAL AGREEMENT  
WITH TRAVEL INCORPORATED**

**REQUESTED ACTION**

Adoption of Resolution F., approving the contractual agreement between the Board of Regents of the University of Wisconsin System and Travel Incorporated.

**Resolution F.** That, upon the recommendation of the Chancellors of the University of Wisconsin System 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 the University of Wisconsin System, and Travel Incorporated. This contract is effective July 1, 2020 for a period of five (5) years with three (3) one (1) year renewal options.

**SUMMARY**

The University of Wisconsin System seeks to establish contract(s) with one or more travel management service firms which are experienced with University (or similar) institutional travel.

The University of Wisconsin System Administration is seeking to partner with a quality travel management company for support and optimization of the University's Employee Travel Services business travel program, including managing faculty, staff, guest and student travel in an efficient and cost effective manner, by offering state-of-the-art corporate self-booking technology, and optional on-site or optional agency full-service for all University of Wisconsin System Institutions.

This is the majority of UWS travel and will include all non "group block" travel and all non-athletic travel. The Contractor must be a Concur preferred and certified reseller. UWS estimates about \$17-\$20 million in airline spend (taking into account the reduction of the Group Block Services and Athletic Services that has been put into specialized categories). This category of travel will maintain the majority of UWS airline tickets.

An estimated 20,000 individuals travel annually on University paid business and represent UW System institutions and campuses.

Some highlights of the contract with Travel Incorporated include:

- Contractor will assume operation of the Employee Travel Services under the new contract on July 1, 2020 for five (5) years with three (3) one (1) year extensions for a potential eight (8) year contract.
- The contractor will operate all Employee Travel Services, including Air, Hotel, and vehicle rental.
- Estimated Annual spend with Contractor is valued at approximately \$467,000 per year for Employee Travel Services.
- Estimated spend with Contractor for life of the contract for Employee Travel Services: \$3.73 million.

**Presenter:**

- Elizabeth Dressel, Director of Travel Management Services, UW System Administration
- Paul Schlough, Procurement Specialist Senior, UW System Administration
- Ruth Anderson, Associate Vice President for Office of Procurement, UW System Administration

**BACKGROUND**

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

**Related Policies**

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

**UNIVERSITY OF WISCONSIN SYSTEM CONTRACTUAL AGREEMENT  
WITH SHORTS TRAVEL MANAGEMENT**

**REQUESTED ACTION**

Adoption of Resolution G., approving the contractual agreement between the Board of Regents of the University of Wisconsin System and Shorts Travel Management.

**Resolution G.** That, upon the recommendation of the Chancellors of the University of Wisconsin System 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 the University of Wisconsin System, and Shorts Travel Management. This contract is effective July 1, 2020 for a period of five (5) years with three (3) one (1) year renewal options.

**SUMMARY**

The University of Wisconsin System seeks to establish contract(s) with one or more travel management service firms which are experienced with University (or similar) institutional travel.

The University of Wisconsin System Administration is seeking to partner with a quality travel management company for support and optimization of the University's UWS Athletic Travel Services business travel program, including managing faculty, staff, guest and student travel in an efficient and cost effective manner, by offering state-of-the-art corporate self-booking technology and off-site dedicated agency full-service agency all University of Wisconsin System Institutions.

This service category is responsible for booking all NCAA-related athletic travel across the four-year Universities, as well as some individual athletic related travel for athletic staff and consultants and contractors. Note: UW-Madison is not in scope and is excluded from this agreement.

Some highlights of the contract with Shorts Travel Management include:



- Contractor will assume operation of the UW System Athletic Travel Services under the new contract on July 1, 2020 for five (5) years with three (3) one (1) year extensions for a potential eight (8) year contract.
- The contractor will operate Athletic Travel Services for all UW system Institutions except UW-Madison.
- Estimated Annual spend with Contractor is valued at approximately \$138,000 per year for University Group Block Travel Services.
- Estimated spend with Contractor for life of the contract for University Group Block Travel Services: \$1.10 million.

#### **Presenters:**

- Elizabeth Dressel, Director of Travel Management Services, UW System Administration
- Paul Schlough, Procurement Specialist Senior, UW System Administration
- Ruth Anderson, Associate Vice President for Office of Procurement, UW System Administration

#### **BACKGROUND**

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

#### **Related Policies**

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

**UNIVERSITY OF WISCONSIN SYSTEM CONTRACTUAL AGREEMENT  
WITH FOX WORLD TRAVEL**

**REQUESTED ACTION**

Adoption of Resolution H., approving the contractual agreement between the Board of Regents of the University of Wisconsin System and Fox World Travel.

**Resolution H.** That, upon the recommendation of the Chancellors of the University of Wisconsin System 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 the University of Wisconsin System, and Fox World Travel. This contract is effective July 1, 2020 for a period of five (5) years with three (3) one (1) year renewal options.

**SUMMARY**

The University of Wisconsin System Administration is seeking to partner with a quality travel management company for support and optimization of the University's University Group Block Travel Services business travel program, including managing faculty, staff, guest and student travel in an efficient and cost effective manner, by offering an on-site or agency full-service for all University of Wisconsin System Institutions.

This category is for servicing larger groups that cannot be individually reserved when a special block of airline tickets or hotel rooms needs to be reserved. For purposes of this agreement, group blocks are considered to be 10 or more individuals (excluding NCAA/UW System Athletic Travel).

An estimated 20,000 individuals travel annually on University paid business and represent UW System institutions and campuses.

Some highlights of the contract with Fox Travel include:

- Contractor will assume operation of the University Group Block Travel Services under the new contract on July 1, 2020 for five (5) years with three (3) one (1) year extensions for a potential eight (8) year contract.
- The contractor will operate all University Group Block Travel Services for Study Abroad and North American travel.
- Estimated Annual spend with Contractor is valued at approximately \$215,000 per year for University Group Block Travel Services.
- Estimated spend with Contractor for life of the contract for University Group Block Travel Services: \$1.72 million.

#### **Presenters:**

- Elizabeth Dressel, Director of Travel Management Services, UW System Administration
- Paul Schlough, Procurement Specialist Senior, UW System Administration
- Ruth Anderson, Associate Vice President for Office of Procurement, UW System Administration

#### **BACKGROUND**

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

#### **Related Policies**

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

**UW-OSHKOSH CONTRACTUAL AGREEMENT WITH  
KINGS COLLEGES, LLC D/B/A KINGS EDUCATION**

**REQUESTED ACTION**

Adoption of Resolution I., approving the contractual agreement between the Board of Regents of the University of Wisconsin System and Kings Colleges, LLC d/b/a Kings Education.

**Resolution I.** That, upon the recommendation of the Chancellor of the University of Wisconsin-Oshkosh 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-Oshkosh, and Kings Colleges, LLC d/b/a Kings Education to provide recruitment of international F-1 & J-1 students for a period of six (6) years, effective January 1, 2020 with one (1) two-year renewal option.

**SUMMARY**

In the United States, F visas are a type of non-immigrant student visa that allows foreigners to pursue education (academic studies and/or language training programs) in the United States, and the J-1 visa in the United States is for people who wish to take part in work-and-study-based exchange and visitor programs in the U.S. On the UW-Oshkosh campus, F and J visa holder numbers have decreased from 125 in fall 2015 to 65 anticipated in fall 2019. On the Fox Cities campus, they have increased from a handful in 2015 to an anticipated 160 in fall 2019. The Fond du Lac campus has only two. The Fox Cities campus, along with a few other 2-year campuses in the UW, benefited from active recruitment and allocation of staff FTE and a recruiting contract specific to the Fox Cities campus.

The University currently utilizes a few single-source agencies, one multi-source agency, a few higher education institutions, and a few high schools. UW-Oshkosh is not currently under contract for recruiting international students.

The UW-Oshkosh ran a competitive Request for Proposal (RFP) process (BPK-20-198) to seek a contractor for the recruitment of international F-1 and J-1 students and is seeking approval for award. Three vendors submitted a proposal: Central Boarding Academy, Kings

Education, and Study Portals. Kings Education was selected as the winning provider of these services. A four-member evaluation committee, including one student, one faculty, and two staff members, completed the scoring process which was led by UW-Oshkosh Procurement. The Kings Colleges, LLC d/b/a Kings Education proposal meets all the UW-Oshkosh desired outcomes.

Some of the highlights of the contract are as follows:

- A tangible and strategic direction for a sustainable enrollment growth plan across the three campuses provided by Kings recruiting international students,
- An increase in international university brand recognition (Kings Education operates in 80+ countries),
- A focus on increased campus diversity and international programming,
- Expanded social programming to attract and retain international students, and
- An opportunity to build an international student alumni network.

This contract is estimated to be valued over \$1 million and will be part of the strategic enrollment plan of the University.

**Presenters:**

- James Fletcher, Vice Chancellor for Finance and Administration, UW-Oshkosh
- Art Munin, Assistant Vice Chancellor for Student Development/Dean of Students, UW-Oshkosh
- Aggie Hanni, Assistant Vice Chancellor for Enrollment Management, UW-Oshkosh
- Brian Klinger, Director of Purchasing, UW-Oshkosh
- Ruth Anderson, Associate Vice President for Administrative Services, UW System Administration

**BACKGROUND**

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

**Related Policies**

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

**UW-MADISON CONTRACTUAL AGREEMENT WITH  
BOEHRINGER INGELHEIM PHARMACEUTICALS, INC.**

**REQUESTED ACTION**

Adoption of Resolution J., to approve the contractual agreement between the Board of Regents and Boehringer Ingelheim Pharmaceuticals, Inc.

**Resolution J.** 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 Boehringer Ingelheim Pharmaceuticals, Inc for a period of five years.

**SUMMARY**

The University of Wisconsin-Madison, with assistance from the Office of Research and Sponsored Programs at the University of Wisconsin-Madison, has negotiated a Master Clinical Trial Agreement with Boehringer Ingelheim Pharmaceuticals, Inc. In consideration for providing the requested research, Boehringer Ingelheim Pharmaceuticals, Inc. shall pay the University an undetermined amount which potentially could exceed \$1,000,000. The term of Master Clinical Trial Agreement is anticipated to start December 15, 2019 and remain in effect for five years. The research will be conducted at the University under the direction of various clinical investigators.

Boehringer Ingelheim is a pharmaceutical company headquartered in Germany that develops therapies for human and animal diseases. The company focuses primarily on the therapeutic areas of cardiovascular disease, respiratory diseases, diseases of the central nervous system, metabolic diseases, virological diseases, and oncology.

**Presenter(s):**

- Rob Cramer, Vice President for Administration, UW System Administration
- Laurent Heller, Vice Chancellor for Finance and Administration, UW-Madison

## **BACKGROUND**

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

### **Related Policies**

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

**UW-MADISON CONTRACTUAL AGREEMENT WITH  
COLDQUANTA LLC.**

**REQUESTED ACTION**

Adoption of Resolution K., to approve the contractual agreement between the Board of Regents and ColdQuanta, LLC.

**Resolution K.** 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 ColdQuanta, LLC for an amended term through November 30, 2020.

**SUMMARY**

The College of Letters and Sciences, with assistance from the Office of Research and Sponsored Programs at the University of Wisconsin-Madison, has negotiated a fixed price contract with ColdQuanta, LLC. In consideration for providing the requested research, ColdQuanta shall pay the University \$1,426,000. The research project is anticipated to be conducted during the period from November 29, 2018 through November 30, 2020. The research will be conducted in the department of Physics under the direction of Dr. Mark Saffman. This agreement was initially a one-year agreement starting November 29, 2018, for a total funding amount under \$1 million. After the initial one-year term, ColdQuanta desired to amend the agreement to add additional scope and money. The amendment also extended the agreement through November 30, 2020. With the amendment, the agreement is now at \$1,426,000, triggering Board of Regent review.

The study is titled, "Development of a High-Performance Neutral Atom Qubit Array for Quantum Computing". This project will support development and demonstration of a neutral atom qubit array with substantially improved performance. The work will be performed in the Saffman QPAL (Quantum Physics with Atoms and Light) research group using facilities available in Chamberlin Hall in the Physics Department. Funds from the grant will be used for personnel costs, as well as development and fabrication of subsystems incorporating lasers, optics, optomechanics, electro-optics, and electronics.



Grant funds will additionally be used for consumables, operating costs, and project related travel costs.

The project will also support theoretical analysis of system performance and imperfections. The analysis will result in a comprehensive model of gate fidelity that can be compared with experimental results and used as a tool for identifying and mitigating experimental imperfections.

In addition to direct support provided by this grant, ColdQuanta intends to support this research project through loan of capital equipment and through collaboration between Saffman's research group and ColdQuanta employees who will work on software development, design and testing of electronic hardware, and design and testing of optomechanical subsystems. It is envisioned that some ColdQuanta employees will spend part-time on site in Chamberlin Hall to facilitate collaboration with the University researchers.

**Presenter(s):**

- Rob Cramer, Vice President for Administration, UW System Administration
- Laurent Heller, Vice Chancellor for Finance and Administration, UW-Madison

**BACKGROUND**

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

**Related Policies**

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

**UW-MADISON CONTRACTUAL AGREEMENT WITH  
GLAXOSMITHKLINE LLC (DREAMM4)**

**REQUESTED ACTION**

Adoption of Resolution L., to approve the contractual agreement between the Board of Regents and GlaxoSmithKline LLC (DREAMM4).

**Resolution L.** 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 PPD Investigator Services, LLC, on behalf of GlaxoSmithKline LLC for DREAMM4 through the completion of the study.

**SUMMARY**

The School of Medicine and Public Health, with assistance from the Office of Research and Sponsored Programs at the University of Wisconsin-Madison, has negotiated a Sponsored Research Agreement with PPD Investigator Services, LLC on behalf of GlaxoSmithKline LLC. In consideration for providing the requested research, GlaxoSmithKline shall pay the University \$3,796,392. The research project is anticipated to be conducted during the period from December 15, 2019 through completion of the study. All patients are expected to be enrolled before April 20, 2020, and patient visits are expected to be completed no later than May 31, 2023, with resulting data submitted within two weeks after that. The research will be conducted in the UW Carbone Cancer Center under the direction of Dr. Natalie Callander.

The study is titled, "DREAMM4: A Phase I/II Single Arm Open-Label Study to Explore Safety and Clinical Activity of GSK2857916 Administered in Combination with Pembrolizumab in Subjects with Relapsed/Refractory Multiple Myeloma". The research will be an early-stage evaluation of a new drug treatment for multiple myeloma, an incurable cancer of plasma cells which causes bone pain, bleeding, frequent infections, and anemia.

PPD Investigator Services, LLC is a contract research organization hired by GlaxoSmithKline to perform the contract management for this study.

GlaxoSmithKline is a science-led global healthcare company with three divisions devoted to pharmaceuticals (cancer, respiratory diseases), vaccines (malaria, TB, COPD, shingles) and consumer healthcare (oral health, pain relief, nutrition, skin health).

This study, DREAMM4, is one of two parallel studies, the other study being DREAMM5. Both are testing the same drug, with the only difference being DREAMM5 is testing the drug by itself, and DREAMM4 is testing the drug in combination with another test drug.

**Presenter(s):**

- Rob Cramer, Vice President for Administration, UW System Administration
- Laurent Heller, Vice Chancellor for Finance and Administration, UW-Madison

**BACKGROUND**

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

**Related Policies**

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

**UW-MADISON CONTRACTUAL AGREEMENT WITH  
GLAXOSMITHKLINE LLC (DREAMM5)**

**REQUESTED ACTION**

Adoption of Resolution M., to approve the contractual agreement between the Board of Regents and GlaxoSmithKline LLC (DREAMM5).

**Resolution M.** 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 PPD Investigator Services, LLC, on behalf of GlaxoSmithKline LLC for DREAMM5 through completion of the study.

**SUMMARY**

The School of Medicine and Public Health, with assistance from the Office of Research and Sponsored Programs at the University of Wisconsin-Madison, has negotiated a Sponsored Research Agreement with PPD Investigator Services, LLC on behalf of GlaxoSmithKline LLC. In consideration for providing the requested research, GlaxoSmithKline shall pay the University \$3,796,392. The research project is anticipated to be conducted during the period from December 15, 2019, through completion of the study. Per the agreement, all patients should be enrolled before December 8, 2022, and visits are expected to be completed no later than December 11, 2024, with resulting data submitted within two weeks after that date. The research will be conducted in the UW Carbone Cancer Center under the direction of Dr. Natalie Callander.

The study is titled, "DREAMM5: A Phase I/II, Randomized, Open-label Platform Study Utilizing a Master Protocol to Study GSK2857916 as monotherapy and in Combination with Anti-Cancer Treatments in Participants with Relapsed/Refractory Multiple Myeloma (RRMM)". The research will be an early-stage evaluation of a new drug treatment for multiple myeloma, an incurable cancer of plasma cells which causes bone pain, bleeding, frequent infections, and anemia.

PPD Investigator Services, LLC is a contract research organization hired by GlaxoSmithKline to perform the contract management for this study.

GlaxoSmithKline is a science-led global healthcare company with three divisions devoted to pharmaceuticals (cancer, respiratory diseases), vaccines (malaria, TB, COPD, shingles), and consumer healthcare (oral health, pain relief, nutrition, skin health).

This study, DREAMM5, is one of two parallel studies, the other study being DREAMM4. Both are testing the same drug, with the only difference being DREAMM5 is testing the drug by itself, and DREAMM4 is testing the drug in combination with another test drug.

**Presenter(s):**

- Rob Cramer, Vice President for Administration, UW System Administration
- Laurent Heller, Vice Chancellor for Finance and Administration, UW-Madison

**BACKGROUND**

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

**Related Policies**

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

**UW-MADISON CONTRACTUAL AGREEMENT WITH  
PAREXEL INTERNATIONAL LLC.**

**REQUESTED ACTION**

Adoption of Resolution N., to approve the contractual agreement between the Board of Regents and Parexel International, LLC.

**Resolution N.** 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 Parexel International, LLC for a three-year term.

**SUMMARY**

The School of Medicine and Public Health, Fundus Photograph Reading Center, and Department of Radiology with assistance from the Office of Research and Sponsored Programs at the University of Wisconsin-Madison, has negotiated a Master Service Agreement with Parexel International, LLC. In consideration for providing the requested services, Parexel International, LLC expects to pay the University in excess of \$1 million over the lifetime of the agreement. The agreement will be effective for three (3) years from the date of execution of the agreement. The services research will be conducted by the Fundus Photograph Reading Center and the Radius Medical Image Analysis Laboratory at the Department of Radiology.

The services of the Fundus Photograph Reading Center and Radius Laboratory will provide Parexel with clinical trial support, including protocol review and development of procedures for image acquisition and evaluation. Work done by the Fundus Photograph Reading Center will be in the ophthalmology therapeutic area, with data helping to determine the safety and efficacy of drugs in treating various ophthalmological diseases, specifically around age-related macular degeneration. Work done by the Radius Laboratory will be in the field of medical imaging, including proton fat fraction (PDFF) and MR Elastography (MRE) data set analysis and the provision of documentation to support the use of PDFF and MRE data sets in multi-center clinical trials.

**Presenter(s):**

- Rob Cramer, Vice President for Administration, UW System Administration
- Laurent Heller, Vice Chancellor for Finance and Administration, UW-Madison

**BACKGROUND**

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

**Related Policies**

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

**UW-MADISON CONTRACTUAL AGREEMENT WITH  
REGENERON PHARMACEUTICALS, INC.**

**REQUESTED ACTION**

Adoption of Resolution O., to approve the contractual agreement between the Board of Regents and Regeneron Pharmaceuticals, Inc.

**Resolution O.** 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 Regeneron Pharmaceuticals, Inc. for a three-year term.

**SUMMARY**

The School of Medicine and Public Health, Fundus Photograph Reading Center, with assistance from the Office of Research and Sponsored Programs at the University of Wisconsin-Madison, has negotiated a Master Service Agreement with Regeneron Pharmaceuticals, Inc. In consideration for providing the requested services, Regeneron Pharmaceuticals, Inc. expects to pay the University in excess of \$1 million over the lifetime of the agreement. The agreement will remain in effect for three (3) years from the date of execution of the agreement. The services research will be conducted by the Fundus Photograph Reading Center.

The services will provide Regeneron with clinical trial support, including protocol review and development of procedures for image acquisition and evaluation. Work done will be in the ophthalmology therapeutic area, with data helping to determine the safety and efficacy of drugs in treating various ophthalmological diseases, specifically around age-related macular degeneration.

This agreement replaces an existing Master Service Agreement with Regeneron that was previously approved by the Board. That existing Master Service Agreement is set to expire in the next few months, resulting in this new Master Services Agreement.



**Presenter(s):**

- Rob Cramer, Vice President for Administration, UW System Administration
- Laurent Heller, Vice Chancellor for Finance and Administration, UW-Madison

**BACKGROUND**

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

**Related Policies**

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

**REGENT POLICY DOCUMENT REVIEW:  
UW SYSTEM BROADCASTING POLICIES****REQUESTED ACTION**

Adoption of Resolution P., which rescinds and removes Regent Policy Document 11-1, "Non-Duplication Broadcast Protection Agreement"; Regent Policy Document 11-2, "Broadcast Stations: Procedures for Handling Complaints"; Regent Policy Document 11-3, "Access for Expression of Varying Viewpoints"; and Regent Policy Document 11-4, "Radio Broadcast Stations: Position Statement."

**Resolution P.** That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the rescission and removal from the Regent Policy Documents (RPDs) of RPD 11-1, "Non-Duplication Broadcast Protection Agreement;" RPD 11-2, "Broadcast Stations: Procedures for Handling Complaints;" RPD 11-3, "Access for Expression of Varying Viewpoints;" and RPD 11-4, "Radio Broadcast Stations: Position Statement," because the policies are obsolete.

**SUMMARY**

Between 1973 and 1981, the Board of Regents adopted four Regent Policy Documents related to broadcasting stations within the UW System. RPD 11-1 prohibits the UW System from opposing the importation of any other television signal to an area served by WHA-TV or its affiliates. RPD 11-2 establishes procedures for handling complaints at UW System broadcasting stations. RPD 11-3 addresses access for varying viewpoints on UW System broadcasting stations. The Board adopted both RPD 11-2 and 11-3 in response to a specific complaint received because a political candidate was denied access to a debate carried on UW stations but sponsored by an external organization. The Board adopted RPD 11-4 as a planning document to improve public radio in Wisconsin throughout the 1980s.

In general, the policies were adopted to address issues specific to their time. Broadcasting rules and practices have changed. At its December 2019 meeting, the UW System Board of Regents will consider rescinding and removing RPDs 11-1 to 11-4 related to UW System broadcasting because the policies are obsolete.

## **BACKGROUND**

The University of Wisconsin's non-commercial educational broadcast stations provide a valuable forum for sharing the University of Wisconsin's educational resources and information with communities throughout the state, in support of the Wisconsin Idea and the philosophy that "the boundaries of the university are the boundaries of the state." The UW System Board of Regents recognized the importance of this role when it issued the following statement in January 1960:

"The broadcast facilities and resources of the University.... shall be so utilized as to advance the educational purposes of the University and serve to the fullest extent the interests and needs of the people of the state."

### **UW System Broadcasting Stations**

The UW System Board of Regents holds non-commercial educational broadcast licenses for 14 radio stations, one translator station, and one television station. Unlike commercial stations, which generally derive their support from the sale of advertising, funding for noncommercial educational stations generally comes from contributions from listeners or viewers or from governmental funding. The Federal Communications Commission (FCC) is responsible for regulating broadcast stations, including non-commercial educational broadcast stations, under the provisions of the Communications Act of 1934, as amended (47 U.S.C. § 151 et seq.), and FCC rules.

Each UW Chancellor is responsible for the operational administration of any UW System broadcasting station located at his or her institution. In some cases, institutional administration and supervision of individual stations are delegated to an academic department with a faculty member serving as a general manager or director. In other cases, station directors are qualified academic staff or university staff appointees who report to a department head, dean, or vice-chancellor.

In the mid-1980s, the Wisconsin Educational Communications Board (ECB) and the former UW-Extension first entered into a joint agreement to establish a partnership creating "Wisconsin Public Broadcasting." This agreement, which was developed under the authority of ss. 36.25(5)(a) and 39.14 (4), Wis. Stats., establishes a framework for the joint operation of Wisconsin Public Television (WPT) and Wisconsin Public Radio (WPR). The Board of Regents recently transferred UW-Extension's responsibilities for this partnership to the Division of Extension and Public Media at UW-Madison.

Wisconsin Public Television provides statewide public television service through six television transmitters and six translators. Of these, the UW Board of Regents licenses one transmitter, WHA-TV, with the remaining stations licensed by the ECB. WHA-TV is also a Corporation of Public Broadcasting (CPB)-qualified station. "CPB-qualified" stations are

required to meet or exceed standards established by the Corporation for Public Broadcasting and are allowed to derive a portion of their annual operating budgets from Community Service Grants administered by CPB.

Of the 14 radio stations licensed by the UW System Board of Regents, ten transmit WPR programming. WPR is a network of 37 transmitting stations programmed by seven regional studios and includes the Ideas Network, NPR News and Classical Network, and a 24-hour All Classical Network.<sup>1</sup> In addition to providing WPR programming, WHA-AM (Madison), WLSU-FM (La Crosse), and WUWM-FM, (Milwaukee) are also CPB-qualified stations. Seven radio stations licensed by the Board are affiliated with WPR but are not CPB-qualified. The remaining four stations are university stations only. Stations that are not CPB-qualified have smaller operating budgets, less extensive production facilities, and few, if any, full-time professional employees. These stations receive their primary support from institutional allocations and segregated student fees. Students are primarily responsible for operating these stations. The following table lists the radio and television stations licensed by the UW Board of Regents and includes the type of programming for each.

**UW System Television and Radio Stations<sup>2</sup>**

<b>Call letters</b>	<b>Location</b>	<b>Frequency</b>	<b>Watts of Power</b>	<b>Programming*</b>
WUWS-FM	Ashland	90.9	24,500	WPR, Ideas
WUEC-FM	Eau Claire	89.7	5,200	WPR, News
WHID-FM	Green Bay	88.1	17,000	WPR, Ideas
WLSU-FM	La Crosse	88.9	8,200	CPB-Q, News
WHA-AM	Madison	970	4,340	CPB-Q, Ideas
WHA-TV	Madison	509	140,000	CPB-Q, Television
WSUM-FM	Madison	91.7	5,500	University station
W300BM	Madison	107.9	38	WPR, Ideas
WVSS-FM	Menomonie	90.7	590	WPR, News
WUWM-FM	Milwaukee	89.7	13,500	CPB-Q, NPR
WRST-FM	Oshkosh	90.3	960	WPR, Ideas
WSUP-FM	Platteville	90.5	1,000	University station
WRFW-FM	River Falls	88.7	3,000	WPR, Ideas
WWSP-FM	Stevens Point	89.9	30,000	University station
KUWS-FM	Superior	91.3	91.3	WPR, Ideas
WSUW-FM	Whitewater	91.7	91.7	University station

<sup>1</sup> Wisconsin Public Radio. (2019, June). *Stations, Schedules and Regions*. Retrieved from Wisconsin Public Radio: Wisconsin and the World.: <https://www.wpr.org/regions>

<sup>2</sup> Source: 2015-16 UW System Non-commercial Broadcast Stations' Report and Wisconsin Public Radio (<https://www.wpr.org/regions>).

\* Programming types are as follows: CPB-Q are CPB-Qualified stations, WPR are stations affiliated with WPR but are not CPB-Qualified, University stations are not affiliated with WPR. UW licensed CPB-Q radio stations either provide programming through the Ideas Network or News and Classical Network.

## **Regent Policy Documents Related to Broadcasting**

This proposal recommends rescinding the following four Regent Policy Documents related to the operation of UW System's non-commercial broadcasting stations. The policies were adopted between 1973 and 1981 and are obsolete.

### *RPD 11-1, "Non-Duplication Broadcast Protection Agreement"*

In the early 1970s, a Monona cable company petitioned the FCC for permission to import the signal and programming from WMVS-TV, which is a Milwaukee educational television station licensed by Milwaukee Area Technical College. In response, WHA-TV requested that the FCC interpret what were then recently adopted regulations and determine whether it was in the public interest to allow the cable company to import a channel largely duplicating the programming of WHA-TV.

Network duplication refers to when a cable station broadcasts the same network programming in the same market as a local station. The FCC first promulgated network non-duplication rules to protect the exclusive contractual rights of local broadcasters in order to ensure that cable companies were not given an unfair advantage over local broadcasters.<sup>3</sup>

Some members of the Board of Regents interpreted WHA-TV's request as an effort by the station to restrict competition, which they believed ran contrary to efforts to encourage broad access to educational TV. In March 1973 the Board adopted Resolution 424, which prohibits the UW System from opposing the importation of any other television signal to an area served by WHA-TV or its affiliates. The policy also mandates that any non-duplication protection agreement on behalf of WHA-TV or its affiliates cannot ask for anything more than a prohibition against simultaneous duplication protection. Simultaneous duplication refers to broadcasting the same program at the same time in the same market. A copy of RPD 11-1 is included in Attachment A.

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<sup>3</sup> Federal Communications Commission. (2014, April 4). *Network Non-Duplication and Syndicated Exclusivity Rules*. Retrieved from Federal Register:  
<https://www.federalregister.gov/documents/2014/04/10/2014-08114/network-non-duplication-and-syndicated-exclusivity-rules>

This proposal recommends rescinding RPD 11-1 as obsolete. The Board established the policy in response to a specific issue that occurred in the early 1970s. The broadcasting industry, as well as federal regulations governing the industry, have changed significantly since 1973. These changes in the broadcasting industry appear to make it unlikely that a non-duplication dispute regarding a UW System licensed public television broadcasting station would occur today.

WPT programming is now widely available throughout the state. According to WPT, all four WPT channels, including WPT, The Wisconsin Channel, Create, and PBS Kids 24/7, are available over the air via antenna, as well as to all cable and satellite providers. Some cable and satellite providers offer all four channels. Three of the four WPT channels are also available to stream live on the Internet.<sup>4</sup>

The subsequent creation of Wisconsin Public Broadcasting improved coordination of public broadcasting programming in Wisconsin. For example, the Wisconsin Public Broadcasting Affiliation Agreement states that it is the “intent and expectation of the partnership that each licensee will broadcast identical programming schedules across the WPR and WPT statewide networks.”

*RPD 11-2, “Broadcast Stations: Procedures for Handling Complaints”*

Regent Policy Document 11-2, “Broadcast Stations: Procedures for Handling Complaints,” was adopted in response to a complaint from a candidate who was denied the opportunity to participate in a debate sponsored by the League of Women Voters and broadcast on UW stations in 1978. At that time, the Board established a committee to review UW System political broadcasting policies. The committee recommended that the Board codify and distribute procedures for responding to complaints against UW System broadcast stations. In October 1980, the Board approved Resolution 2250 adopting a paper which outlined procedures for handling complaints about program standards, practices, policies or procedures of UW System broadcast stations. It also outlined procedures for handling complaints about the conduct of broadcast station staff, which were to be handled through existing Faculty Personnel Rules or Academic Staff Policies and institutional procedures in accordance with Wisconsin Administrative Code. The Board incorporated the procedures as RPD 81-3, which was later renumbered as RPD 11-2. Attachment B includes a copy of RPD 11-2.

This proposal recommends rescinding RPD 11-2 because the policy is unnecessary and duplicates existing complaint procedures. As the policy affirms, UW Chancellors

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<sup>4</sup> Wisconsin Public Television. (2019, June). *Help Guide to Accessing WPT's Four TV Channels*. Retrieved from <https://wpt.org/aboutwpt/pbs-tv-channel-help-wisconsin-local-station>

are ultimately responsible for managing the day-to-day operations of the broadcasting stations at their institution. UW System broadcasting stations have internal procedures for managing complaints about programming and the UW System has robust procedures, promulgated in administrative rule and policies, for responding to complaints about faculty and staff. FCC regulations do not require the Board to adopt a complaint procedure for its broadcasting stations.

*RPD 11-3, "Access for Expression of Varying Viewpoints"*

As with RPD 11-2, the Board adopted RPD 11-3 in response to the complaint regarding the exclusion of a political candidate from a political debate broadcast in 1978. The Board's committee to review political broadcasting policies concluded that the Board did not need to change policies beyond the publication of the complaint procedures in RPD 11-2. Nonetheless, the Board determined it wanted to "go above and beyond" the law and reaffirm its commitment to the expression of varying viewpoints on UW stations. The Board adopted Resolution 2320 on February 6, 1981, directing UW station managers to encourage programming that reflects varying social, economic and political viewpoints. Resolution 2320 was then incorporated as RPD 81-1 and later renumbered as RPD 11-3. Attachment C includes a copy of RPD 11-3.

This proposal recommends rescinding RPD 11-3. Although the Board drafted RPD 11-3 as a broad statement supporting the expression of varying viewpoints on UW-licensed stations, they adopted the resolution as part of its response to a specific complaint regarding access to UW broadcasting by a candidate for public office. However, Sec. 315 (a) of the Communications Act and Sec. 73.1941 of the FCC rules regulates access to broadcasting for political candidate appearances and advertising. Under federal law, if a station allows a legally qualified candidate for any public office to use its facilities, it must provide an equal opportunity to all other legally qualified candidates for that office to also use the station. Federal law defines what constitutes a legally qualified candidate and provides exemptions for equal opportunity appearances on certain news-related programs.

Public broadcasting stations are also subject to journalistic ethical standards that require election coverage and news and editorial broadcasts to represent a variety of viewpoints. For example, the Wisconsin Public Broadcasting Affiliation Agreement states that both the ECB and the UW System have adopted the "Public Media Code of Integrity," into programming policies of Wisconsin Public Broadcasting stations. The Public Media Code includes several standards related to ensuring trust, accuracy, integrity, and transparency in media practices. One standard requires

fairness and responsiveness, “with particular attention to reflecting diversity of demography, culture, and beliefs.”<sup>5</sup>

Finally, it is not clear that the Board intended to adopt Resolution 2320 as a formal Regent Policy Document. The resolution was one component of a broader response to a specific complaint received in 1978. Board minutes suggest that Resolution 2320 was a one-time action to reaffirm the Board’s general commitment to freedom of speech and expression and support the presentation of a variety of viewpoints on UW-licensed stations. The Board most recently affirmed its ongoing commitment to freedom of expression when it adopted RPD 4-21 in 2015. RPD 4-21 provides a more comprehensive discussion, consistent with the standards for a Regent Policy Document, of the Board’s commitment to freedom of expression.

#### *RPD 11-4, “Radio Broadcast Stations: Position Statement”*

This proposal recommends rescinding and removing RPD 11-4, “Radio Broadcast Stations: Position Statement,” from the Regent Policy Documents because the position statement is obsolete. The position statement was developed in 1981 by the Wisconsin Joint (UW System and ECB) Radio Study Committee to improve public radio in Wisconsin throughout the 1980s. Among other topics, the statement addresses the extension of “Radio One-Radio Two” dual programming service to areas other than Madison and authorizes the UW System to provide statewide public radio programming through a contract with the ECB. RPD 11-4, “Radio Broadcast Stations: Position Statement,” was adopted as Resolution 2389 on May 8, 1981, included in the Regent Policy Documents as RPD 81-3, and later renumbered as RPD 11-4. Attachment D includes a copy of RPD 11-4.

### **Related Regent Policy Documents and Applicable Laws**

- s. 36.25 (5), Wis. Stats., “Broadcasting Station WHA and WHA-TV, Experimental Television.”
- s. 39.14 (4), Wis. Stats., “Affiliation.”
- The Communications Act of 1934, 47 U.S. Code § 151 et seq.
- 47 CFR Part 73, Radio Broadcast Services.
- 47 CFR Part 74, Experimental Radio, Auxiliary, Special Broadcast and Other Program Distributional Services.
- Regent Policy Document 4-21, “Commitment to Academic Freedom and Freedom of Expression”

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<sup>5</sup> Editorial Integrity for Public Media. (2013, September ). *Code of Integrity*. Retrieved from <https://publicmediaintegrity.org/code-of-integrity/>



## **ATTACHMENTS**

- A) RPD 11-1, "Non-Duplication Broadcast Protection Agreement" (Formerly 73-4)
- B) RPD 11-2, "Broadcast Stations: Procedures for Handling Complaints" (Formerly 80-7)
- C) RPD 11-3, "Access for Expression of Varying Viewpoints" (Formerly 81-1)
- D) RPD 11-4, "Radio Broadcast Stations: Position Statement" (Formerly 81-3)

**11-1 NON-DUPLICATION BROADCAST PROTECTION AGREEMENT (Formerly 73-4)**

The Board of Regents of the University of Wisconsin System shall not oppose, formally or informally, the importation of any other television signal to an area served or to be served by WHA-TV, or its affiliates. Any non-duplication protection agreement request on behalf of WHA-TV or its affiliates shall ask for no more than simultaneous duplication protection.

History: Res. 424 adopted 3/9/73.

**11-2 BROADCAST STATIONS: PROCEDURES FOR HANDLING COMPLAINTS (Formerly 80-7)****I. Introduction**

Broadcast stations of the University of Wisconsin System are committed to providing service in the public interest, and access to broad-ranging opinions and ideas. As disseminators of information, cultural, and public affairs programs, these stations operate under provisions of the Communications Act of 1934 as amended, and rules of the Federal Communications Commission, in consonance with policy parameters established by the Board of Regents, which holds license for the stations.

In further recognition of their obligation to assure critical examination of ideas and issues, broadcast stations of the University of Wisconsin System welcome comments from their audiences. Some comments may take the form of complaints. This statement provides guidance for the procedures to be followed in processing complaints directed to a station or its personnel.

Any person who wishes to file a complaint about program standards, practices, policies, or procedures at a University of Wisconsin System broadcast station; or about the conduct of a member of the staff that the person believes violates University rules or policies, or is not in keeping with proper discharge of the staff member's professional duties, should send a written complaint to the general manager of the station in question.

Depending on the nature of the complaint, the general manager will handle the complaint as follows.

**II. Complaints about Program Standards, Practices, Policies, or Procedures**

If a broadcast station licensed to the University of Wisconsin System Board of Regents receives a complaint that involves program standards, practices, policies, or procedures, the general manager or his/her designee will investigate the complaint and respond in writing within five working days of receipt of the complaint.

If the complainant is not satisfied with the response, he or she may appeal in writing to the chancellor of the institution where the station is located.

In responding to the complaint, the chancellor shall seek the advice and counsel of appropriate standing faculty committee. The chancellor shall subsequently communicate in writing with the complainant within three weeks, to report a response to the complaint or the status of investigation into the matter, with a completed response to be provided in writing as soon as possible thereafter. In those instances where the complaint is found to be valid, the chancellor's response shall indicate corrective action to be taken.

The decision of the chancellor shall be final, except that the Board of Regents of the University of Wisconsin System, at its option, may grant a review on the record.

In a matter of exigency, where time is of the essence and the complaint is of a substantive nature, the chancellor, on sufficient showing by the complainant, may grant immediate review and temporary relief. Subsequent ultimate resolution of such a complaint, on merit and in principle, will be pursued under ordinary procedures of this section.

### **III. Complaints about the conduct of a staff member--faculty or academic staff**

If the general manager receives a complaint containing allegations concerning conduct by a faculty member or an academic staff member that the person believes violates University rules or policies, or is not in keeping with proper discharge of the staff member's professional duties, the general manager shall refer the complaint immediately for review by the chancellor or his/her designee.

Upon review of the allegations, the chancellor or his/her designee may direct that the complaint be processed under appropriate Faculty Personnel Rules or Academic Staff Policies and Procedures of the institution in accordance with Wisconsin Administrative Code section 6.01 or 13.01, "Complaints." The chancellor shall notify the complainant within five days of the settlement or referral action taken and shall indicate that a completed response in writing will be made as soon as possible. The decision of the chancellor under procedures of this section shall be final, except that the Board of Regents, at its option, may grant a review on the record.

History: Res. 2250 adopted 10/10/80.

**11-3 ACCESS FOR EXPRESSION OF VARYING VIEWPOINTS (Formerly 81-1)**

The Board of Regents of the University of Wisconsin System, in reaffirmation of the obligation to serve diverse public interests through the operation of the 12 noncommercial educational broadcast stations for which it is the licensee, directs the operators and managers of those stations to encourage and provide access for expression of varying social, economic, and political viewpoints on an equal opportunity basis.

History: Res. 2320 adopted 2/6/81.

**11-4 RADIO BROADCAST STATIONS: POSITION STATEMENT (Formerly 81-3)**

In response to a specific recommendation contained in the Interim Report of the Wisconsin Joint (UWS-ECB) Radio Study Committee, the Board of Regents adopts the University of Wisconsin System Position Statement on Radio Broadcast Stations, dated May 7, 1981, and authorizes the System President to transmit the Position Statement to the Wisconsin Educational Communications Board.

"The broadcast facilities and resources of the University. . . shall be so utilized as to advance the educational purposes of the University and serve to the fullest extent the interests and needs of the people of the state. "

- *University of Wisconsin Board of Regents, January 1960*

It is the premise of this paper that a University of Wisconsin System position statement on radio broadcasting, with regard to use of and plans for University of Wisconsin System stations, would be helpful to discussions of long-range planning, deliberations of study committees, and coordination of internal and external relationships.

In formulating a position statement, the first issue might be whether the University of Wisconsin System intends to continue operating radio stations. If the answer were negative, it would then become necessary to develop mechanisms for divestiture. If the position were positive, it would then be useful to develop a statement relating to administration, categories of stations, programming/operations, and oversight/coordination.

This paper assumes continued operation of University of Wisconsin System radio stations.

**STATEMENT OF PURPOSE**

The purpose of the following statement is to provide information regarding future plans of and prospects for the radio stations licensed to the Board of Regents and operated by University of Wisconsin System Institutions. These stations are integrally associated with their sponsoring institutions and with the communities they serve. Students, institutional administrators, and professional staff who direct these activities, combine efforts in pursuit of service, training, and outreach. The University of Wisconsin System Administration will continue to coordinate and assist the stations' endeavors in these areas.

**Improved Services:** University of Wisconsin System radio stations, with the concurrence of institutional administrators, and in keeping with Federal Communication Commission rules and regulations, are encouraged to propose and implement plans and procedures designed to enhance their service responsibilities to communities and institutions in which they are located.

**Radio One-Radio Two:** Extension of the Radio One-Radio Two dual programming service (Radio One: News and Information; Radio Two: Music and Arts) to areas other than Madison, is a desirable means of providing optimal public radio services to residents of the state. To this end, the feasibility of consolidated Radio One-Radio Two programming services will be explored in Milwaukee and La Crosse. Such arrangements would contemplate joint programming and operation of University of Wisconsin System public radio station WUWM-FM and Educational Communications Board (ECB) public radio station WHAD-FM in the Milwaukee area; and University of Wisconsin System public radio station WLSU-FM and ECB public radio station WHLA-FM in La Crosse. Other University of Wisconsin System stations wishing to modify or expand their present services in accord with public radio criteria (CPB-qualified) or the Radio One-Radio Two concept, or both, should be encouraged to do so.

**Statewide Program Service:** The University System, recognizing the need for statewide public radio service, will provide programming and promotion for such service through contract between University Extension, operating WHA-AM in Madison, and the ECB. Concurrently, the ECB and the University System should explore the extent to which the feasibility of University stations could provide locally oriented program service to various regions of Wisconsin via ECB transmitters.

The appendix to this document may be obtained from the Office of the Secretary of the Board of Regents.

History: Res. 2389 adopted 5/8/81.

**REGENT POLICY DOCUMENT REVIEW:  
RPD 20-7, "OUTSIDE ACTIVITY REPORTING"**

**REQUESTED ACTION**

Adoption of Resolution Q., which rescinds and removes RPD 20-7, "Outside Activity Reporting," from the Regent Policy Documents.

**Resolution Q.** That, upon the recommendation of the President of the University of Wisconsin System, the UW System Board of Regents rescinds and authorizes the Executive Director and Corporate Secretary to remove Regent Policy Document 20-7, "Outside Activity Reporting," from the Regent Policy Documents because the policy is obsolete and does not meet the standards for a Regent Policy Document.

**SUMMARY**

At its December 2019 meeting, the Board's Business and Finance Committee will consider a resolution to rescind RPD 20-7, "*Outside Activity Reporting*," because the policy is obsolete and does not meet the standards of a Regent Policy Document. RPD 20-7 adopts the text of a UW System Board of Regents Resolution 5785, which the Board approved in May 1991 to approve the use of the 1991 version of the UW System Administration's outside reporting form and guidelines.

UW System outside activity reporting requirements are found under UWS 8.025, Wis. Admin. Code, "Outside activities and interests; reports." Procedures for reporting outside activities are currently addressed in UW System Administration and institutional policies.

**BACKGROUND**

The UW System Board of Regents is required, under s. 19.45 (11) (b), Wis. Stats., to establish a code of ethics for UW System personnel. To meet this requirement, faculty, academic staff, and limited appointees (other than state public officials) are subject to Chapter UWS 8, Wis. Admin. Code, "Unclassified Staff Code of Ethics," and university staff are subject to the University Staff Code of Ethics set forth in section III of Regent Policy Document 20-22, "Code of Ethics." UW System Administration also established UW System



Administration policy (SYS) 1290, "Code of Ethics," which provides additional guidance identifying methods to prevent conflicts of interest.

RPD 20-7, "Outside Activity Reporting," (Attachment A) applies to outside activity reporting for faculty, academic staff, and limited employees as required under s. UWS 8.025, Wis. Admin. Code, "Outside activities and interests; reports." The rule recognizes the right of UW System faculty, academic staff, and limited employees to engage in activities outside of university responsibilities, as long as the activity does not conflict with his or her public responsibilities to the University of Wisconsin System. To manage potential conflicts of interest, each faculty, academic staff, and limited employee is required to file an annual report with the employee's dean, director, or other appropriate administrator identifying:

- 1) Any association with organizations related to the staff person's field of academic interest or specialization;
- 2) Any remunerative relationship between the staff person and non-governmental sponsors of university research for which the staff member is a principal investigator; and
- 3) Any remunerative outside activity in a staff member's field of academic interest or specialization, including but not limited to consulting, in which the staff member earns \$5,000 or more.

This proposal recommends rescinding RPD 20-7 because the policy is obsolete. RPD 20-7 adopts a systemwide reporting form and guidelines that became effective in 1991 to meet the annual outside reporting requirements. The reporting form is no longer in use. Each UW System institution is responsible for creating a process for filing the annual report to comply with the reporting requirements.

UW System Administration incorporated the outside activity guidelines adopted under RPD 20-7 into UW System Administration policy as Appendix 1 to SYS 1290. UWS 8.025 (3), Wis. Admin. Code, also requires each UW institution to establish policies and procedures related to outside activities, which is to include, among other requirements, guidelines identifying types or categories of outside activities that may result in a material conflict of interest.

This proposal also recommends rescinding RPD 20-7 because the policy does not meet the UW System Board of Regents' standards for a Regent Policy Document. Regent Policy Documents are intended to establish fundamental principles as a basis and guide for later action or to serve as an enduring statement. RPD 20-7 simply incorporates the text of UW System Board of Regent Resolution 5785 approving the use of the 1991 version of the UW System Administration's outside reporting form and guidelines. Procedures for reporting outside activities are most appropriately addressed in UW System Administration and institutional policies rather than in a Regent Policy Document.

Rescinding and removing RPD 20-7 from the Regent Policy Documents will not alter the current process for reporting outside activities. Employees will continue to report outside activities as required under Chapter UWS 8, Wis. Admin. Code, Regent Policy Document 20-22, and UW System Administration and institutional policies.

#### **Related Regent Policy Documents and Applicable Laws**

- Regent Policy Document 13-4, "University of Wisconsin System Policy on Institutional and Employee Relationships with Educational Loan Lenders."
- Regent Policy Document 20-22, "Code of Ethics."
- s. UWS 8.025, Wis. Admin. Code, "Outside activities and interests; reports."
- s. 19.46 (11) (b), Wis. Stats., "Standards of conduct, state public officials."

See also:

- SYS 1290, "Code of Ethics."

#### **ATTACHMENTS**

- A) RPD 20-7, "Outside Activity Reporting"

**20-7 OUTSIDE ACTIVITY REPORTING (Formerly 91-5)**

Whereas, the Board of Regents recognizes the importance of accountability to the people of Wisconsin and believes it is in the interest of both the public and the University of Wisconsin System to assure public confidence in the integrity of the University of Wisconsin System faculty and staff, and

Whereas, the University of Wisconsin System policies regarding public reporting of outside interests and activities required by UWS 8 of the Wisconsin Administrative Code are among the most extensive among universities in the nation, and

Whereas, the Regents wish to continue to support and encourage University of Wisconsin faculty and staff to share their expertise and talents with agriculture, business, industry, and the state's communities,

Therefore, the Board of Regents approves the "University of Wisconsin System Guidelines and Form for Reporting Outside Activities as required by UWS 8.025, Wisconsin Administrative Code," and directs the University of Wisconsin System President to implement these revised procedures at all University of Wisconsin Institutions effective for the reporting period ending April 30, 1992.

(The Guidelines and Reporting form may be obtained from the Office of the Secretary of the Board of Regents.)

History: Res. 5785 adopted 5/10/91; replaces 73-6(a).

**UW SYSTEM VICE PRESIDENT FOR ADMINISTRATION REPORT****REQUESTED ACTION**

This item is for information only.

**SUMMARY**

UW System Administration continues to advance the 2020*FWD* priorities related to Operational Excellence. Some highlights of progress since October 2019 are noted below. Important milestones for several activities are identified.

**Information Security**

The risk environment for universities, private companies, individuals and other organizations continues to present a wide range of challenges. Despite the focus of the past several years, cybersecurity experts project that 2019 will be the worst year yet for data breaches. The number of data breaches from January through June 2019 is up 54 percent compared to the same period in 2018 and the number of exposed data records is up by 52 percent, according to a report from Risk Based Security.

The risk environment is impacted by the rapidly evolving group of adversaries and their strategies. Adversaries that may target UW institutions include nation states, criminal organizations, individuals, employees – current and former, and other organizations or companies. Their strategies continue to change rapidly in response to their priorities, defensive strategies, technology advancements, and the marketplace in cyberspace.

Recent examples from the media demonstrate challenges facing universities and other organizations. For example, the Wall Street Journal (October 25, 2019) reported on the hacking of video surveillance cameras in Washington DC in 2017. The attack reflects a continuing development in cyber, where some criminal groups specialize in developing sophisticated attack tools which are then rented to other criminals for deployment, with profit-sharing agreements in place.

A second example reflects the continued risks of business email compromise (BEC) attacks. In September 2019, an employee of Nikkei was deceived and transferred \$29 million in funds to the attackers. Fraudulent instructions were provided to the employee by the

attackers, posing as legitimate Nikkei executives. The number of such attacks continues to increase, with losses in excess of \$26 billion reported to the FBI between June 2016 and July 2019.

The third example is the continued risk presented by ransomware attacks. Pemex, the Mexican oil firm, was reported to be working to recover from an attack using DoppelPaymer ransomware. This variant was identified in June 2019 after ransomware attacks against a variety of organizations.

In this risk environment, the Board of Regents' information security program is based on RPD 25-5. Responsibility for development of a comprehensive information security program is assigned to UW System Administration. Each institution is responsible for the implementation of the program.

Looking ahead, the UW System institutions must anticipate the continued rapid evolution of threats related to information security across our operations. The risk environment is complex and the attack surface of the UW System is significant. As other organizations improve their defensive postures and reduce their attack surfaces, the UW System and other institutions of higher education may find themselves attacked more frequently as adversaries seek alternatives in pursuit of their diverse strategies.

### **Council of UW Library Highlights from FY19**

The libraries completed UW Colleges and UW-Extension restructuring efforts related to moving collections, patron information, staffing, and operations. The UW libraries' shared systems collaborative completed 120 distinct technical tasks in order to migrate 422,563 items and incorporate 13 collections, staff, and workflows.

The Collection Development Committee overhauled the Shared Electronic Collection selecting 11 resources that contribute to the equitable access of a foundational undergraduate collection. These shared resources provide consistent shared support for teaching and learning, and promote a culture committed to research and innovation across UW System campuses.

A collaborative pilot focused on central ordering and processing of print materials from the system book vendor for three campuses. Over 1,500 books moved through the pilot process and established a base technical process and revealed standardization and automation possibilities for campuses.

A librarian task force on learning analytics initiated a pilot project to demonstrate library usage is a statistically significant factor for first-to-second year retention. This project is based upon a similar study undertaken at University of Minnesota. Over 9,900 students from UW-Madison and UW-Oshkosh are in the study population and used over 63,000

library materials. The task force is currently analyzing the data and will report findings in FY2020.

## **UW-Shared Services**

UW-Shared Services continues to work across five major sets of activities related to operations, development of services, soft launch and tactical services, operational projects, and organizational development

The operational activities include Restructuring closeout support for receiving institutions, aspects of procurement, human resources and information technology support for UW System Administration, UW-Shared Services, and UW Extended Campus. Assigning internal support services for the three organizations is nearly completed.

Service development continues for the first 15 roadmap services, time and leave administration, and sexual harassment reference checks. Four are now in the Operate stage of deployment – mandatory employee training, investigations, student information system support, and procurement training. Travel expense service has been identified to move from UW System Administration to UW-Shared Services in early 2020 and planning is underway for that action.

Soft launch and tactical services are now being provided at all UW institutions, including UW-Milwaukee and UW-Madison. Of the 12 soft launch services, several campuses are using eight or more to address immediate needs and to free resources up for other institutional priorities.

Operational projects continue to move forward. Preparing for Title and Total Compensation standard job titles, implementation of changes in the Fair Labor Standards Act, supporting the January 2020 pay plan, and planning for movement of all UW System employees to the bi-weekly pay schedule are four of the more significant activities under way.

Organizational development is the fifth major activity being undertaken by UW-Shared Services. A new Service Operations unit, designed to support UW System institutions across multiple administrative functions, will replace the legacy organization comprised of the former Human Resources Service Center. This work includes assessing current resource utilization, designing to support multiple services across HR, IT, and Business Services, and leveraging the current competencies of the organization. It also includes embedding UW-Shared Services employees at other UW institutions across the state and establishing the processes needed to standardize, consolidate and streamline services in the future.

## **The UW Colleges and UW-Extension Restructuring Project**

The UW Colleges and UW-Extension restructuring project is in week 23 of Phase 2. The project successfully reached the substantial completion milestone on October 31. As of November 30, nearly all (97%) of the identified systemwide transition milestones for the UW Colleges and UW-Extension Restructuring are complete, with only 7 systemwide transition milestones remaining on the Restructuring Roadmap and only 13 milestones associated with the closeout of UWCX.

The Project Management Office continues to communicate with the Receiving Institutions in the wake of the final transitions of services, and reports are encouraging. No institution is reporting significant issues around these transitions, though several say that planning continues on how best to provide the needed services among multiple campuses. The transition of UW-Extension units to UW-Madison and UW System Administration is also complete, with those units adapting to their new organizational homes.

Given that the Restructuring project is substantially complete and that any issues that arise are being handled through normal operational channels, the cadence is changing as institutions move towards the end of Phase 2 on June 30, 2020. The project Steering Committee has completed its work and will not meet again. The UW System Project Management Office will monitor the remaining Restructuring Roadmap milestones, continuing to update UW System leadership on Restructuring work through standard communication channels in accordance with other projects supported by the office.

### **Presenter:**

- Rob Cramer, Vice President for Administration, UW System Administration

## **BACKGROUND**

In August 2016, the Board of Regents approved resolution 10743 to adopt the proposed UW System Strategic Framework, entitled “UW System 2020*FWD* Moving Wisconsin and the World Forward,” and authorized the System President to make any necessary technical revisions or corrections prior to final publication. This framework included four focal points: the educational pipeline, the university experience, business and community mobilization, and operational excellence.

The operational excellence focal point emphasizes the need to aggressively pursue opportunities to save resources, maximize efficiency, and support excellence. Among these efforts are the CORE Initiative (Commitment to Operational Reform and Excellence), which was initially presented to the Board in June 2016. The goal of CORE is to focus on non-instructional operations, with standardization, consolidation, and streamlining used to reduce administrative cost and improve results through efficiencies and effectiveness.