

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.6. Joint Meeting of the Business and Finance and Audit Committees

Thursday, June 6, 2019
7:45 a.m. – 8:55 a.m.
UW-Milwaukee
2200 East Kenwood Boulevard
UWM Union, 1st Floor, Fireside Lounge
Milwaukee, Wisconsin

- a. Briefing on FY2019 External Audit Engagement by Plante Moran
- b. UW System Update on Completed and Ongoing Work Regarding Primary Fundraising Foundations and Other Affiliated Organizations
- c. UW System Response to Legislative Audit Bureau's Report 19-5 on the University of Wisconsin System Fiscal Year 2017-18 Financial Audit
- d. Approval of Changes to Appendix A of Regent Policy Document 21-9
[Resolution I.6.d.]
- e. Approval of the Minutes of the Joint Meeting with the Audit Committee on December 6, 2018

I.2. Business and Finance Committee

Thursday, June 6, 2019
9:00 a.m. – 10:30 a.m.
UW-Milwaukee
2200 East Kenwood Boulevard
UWM Union, 1st Floor, Ballroom West
Milwaukee, Wisconsin

- a. Approval of the Minutes of the April 4, 2019 Meeting of the Business and Finance Committee
- b. UW-Milwaukee Presentation – *UWM's Path to Financial and Administrative Excellence*
- c. Trust Funds Quarterly Investment Report(s) from the State of Wisconsin Investment Board (SWIB) – Quarter ended March 31, 2019

- d. UW-La Crosse Bookstore and Textbook Rental Services Contractual Agreement with Follett Higher Education Group, Inc.
[Resolution I.2.d.]
- e. UW-Stevens Point University Store and Text Rental Contractual Agreement with Barnes & Noble College
[Resolution I.2.e.]
- f. UW-Madison Contractual Agreement with ExxonMobil Research and Engineering Company
[Resolution I.2.f.]
- g. UW-Madison Contractual Agreement with Pfizer, Inc.
[Resolution I.2.g.]
- h. UW System Shared Financial System and Human Resource System Preplanning Project
- i. UW System Information Security Update
- j. Report of the Vice President(s)
 - UW Shared Services Update
 - UW System Restructuring Update
 - Software License Savings
 - UW System Nonrenewal Lease Savings
 - UWSA Policy Review
 - Digital Learning Environment Project
- k. UW-Madison Contractual Agreement with GE Precision Healthcare LLC
[Resolution I.2.k.]
- l. UW-Madison Contractual Agreement with Siemens Medical Solutions USA Inc.
[Resolution I.2.l.]

**UW SYSTEM
BRIEFING ON FY2019 EXTERNAL AUDIT ENGAGEMENT BY PLANTE MORAN
EXECUTIVE SUMMARY**

BACKGROUND

As required by 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act, the UW System must hire an independent audit firm to conduct its financial statement audit for fiscal year (FY) 2017-18 and FY2018-19. The UW System has contracted with Plante Moran PLLC to perform these audits. In December 2018, the Board of Regents received the UW System's 2018 annual financial report, including the FY 2017-18 financial statements and UW System's Plante Moran's unmodified or "clean" audit opinion.

REQUESTED ACTION

This presentation is submitted for information only.

DISCUSSION AND RECOMMENDATIONS

Plante Moran is beginning its planning and some interim fieldwork for the UW System's FY 2018-19 financial audit.

As required by audit standards, independent auditors must communicate with those charged with governance significant matters related to the financial statement audit. Audit standards specifically state that auditors should communicate:

- the auditor's responsibilities under generally accepted auditing standards;
- an overview of the planned scope and timing of the audit; and
- significant findings from the audit.

While the first two of these items will be addressed at the June meeting, Plante Moran will return after completion of the audit to discuss any significant audit findings.

RELATED REGENT POLICIES

None.

FOUNDATIONS AND OTHER AFFILIATED ORGANIZATIONS WITHIN THE UW SYSTEM

EXECUTIVE SUMMARY

BACKGROUND

In March 2017, the Legislative Audit Bureau (LAB) initiated its inquiry of the relationships between UW System institutions and primary fundraising foundations, real estate foundations, and other affiliated organizations. Since then, the LAB issued two reports, and the UW System issued multiple formal responses, which include:

- March 2018 LAB Report: *Relationships between the University of Wisconsin and Certain Affiliated Organizations Report 18-4*
- June 21, 2018: UW System Audit 18-4 Response
- June 21, 2018: UW System Appearance before the Joint Legislative Audit Committee
- October 10, 2018: UW System Audit 18-4 Additional Follow-Up Response
- May 2019 LAB Report: University of Wisconsin System Fiscal Year 2017-18 Report 19-5
- May 2, 2019: UW System Response to Fiscal Year 2017-18 Report 19-5

Improving the management and transparency of the relationships with primary foundations, real estate foundations, and other affiliated organizations is an ongoing effort that the UW System and Board of Regents take seriously. Each type of organization is unique in its purpose, its relationship with the university, and how that relationship should be managed.

REQUESTED ACTION

This item is for information only.

DISCUSSION

In this presentation, we provide an update to the Board of Regents' Business and Finance and Audit Committees on: (1) communications and trainings by the University of Wisconsin System (UW System) and Board of Regents to improve the management and transparency of its relationships with primary fundraising foundations, real estate foundations, and other affiliated organizations, (2) updates to the UW governing policies for these organizations, and (3) the designated oversight responsibilities of UW System, Board of Regents, and institutions.

Each type of organization provides tangible and intangible value to the UW System and the institutions with which they are affiliated. While these organizations remain legally distinct from

the university, their activities advance the university's mission. They promote the UW System and UW institutions to varied audiences including alumni, community members, prospective students, current students, faculty, and staff. They sponsor activities that enhance the reputation and standing of the institutions and build relationships with external stakeholders. They may also provide financial assistance in the form of scholarships, research funding, capital investments, and other general support for the operations of our universities. This funding complements the investments made by the state and helps to diversify funding, thereby reducing reliance on the taxpayer and students.

1) Communications and Training

The UW System continues to make progress on implementing recommendations by the LAB as well as to create and update policies and management practices to ensure appropriate oversight of the relationships with each type of organization. In LAB report 18-4, LAB made 12 recommendations to improve UWSA and Board policies related to primary fundraising foundations, real estate foundations, and other affiliated organizations. UW System and the Board of Regents completed nine of the 12 recommendations, are in process of completing one, and consider the remaining two to be ongoing (see attached Action Steps Update Table from Report 19-5).

The UW System has communicated with the primary stakeholders that take a lead role in working with primary fundraising foundations, real estate foundations, and other affiliated organizations, including UW Chancellors, Chief Business Officers, and the UW Board of Regents.

The following list of 22 interactions is a partial summary of the collective touchpoints with those respective stakeholder groups since LAB's inquiry began:

- **Board of Regents (committee and agenda topic noted):**
 - December 2017: Business and Finance Committee, Approval of New Policy on Relationships with Foundations
 - April 2018: Business and Finance Committee, Update on LAB Report 18-4
 - August 2018: Audit Committee, UW System's Management Response to LAB's Report 18-4
 - February 2019: Business and Finance Committee, Approval of Changes to RPD 21-9 (Institutional Relationships with Foundations)
 - June 2019: Joint Meeting of Business and Finance and Audit committees, Summary and Presentation on all the activity related to UW System's response to LAB recommendations from reports 18-4 and 19-5 and additional detail on other UW System-led initiatives related to primary fundraising foundations, real estate foundations and other affiliated organizations.
- **Chief Business Officer and Controller Meetings (agenda topic noted):**

- June 2017: Update on LAB Information Request (Information and Discussion)
- July 2017: Foundation Relationships – Foundation Audit Update (Discussion)
- August 2017: Legislative Audit Bureau – Foundation Audit Update (Discussion)
- February 2018: Teleconference with Controllers – Foundation Audit Update and Discussion of Foundation Policies
- April 2018: LAB Foundation Audit Report – Follow-up items – List of Affiliated Organizations
- July 2018: Follow-up of LAB Foundation Review (Information)
- October 2018: Controllers’ In-person meeting – Foundation Audit Update and Discussion of Foundation Policies
- November 2018: Affiliated Organizations – Financial Reporting Update
- February 2019: Affiliated organizations Policy and Cost-Benefit Worksheet
- March 2019: Guidance Related to Affiliated organizations (Discussion); RPD 21-9 Appendix A Guidance for Real Estate Transactions; General Guidance on Capturing the Level of Effort of University Employees Working for Foundations
- May 2019: Update on Board of Regents Presentation and Follow-up on Cost-Benefit Worksheet
- **University of Wisconsin Chancellor Meetings (agenda topic noted):**
 - February 2018: LAB Audit – UW Foundation
 - July 2018: Audit on Relationships with Affiliated Organizations
 - September 2018: Affiliated Organizations Policy
 - October 2018: Affiliated Organizations Policy
 - January 2019: Regent Policy Documents – Revisions to RPD 21-9
 - February 2019: RPD 21-9; Institutional Relationships with Foundations

In addition to the communications and trainings above, the following trainings are scheduled for foundation directors and advancement officers:

- June 14, 2019: Annual Alumni Association Directors Meeting at UW-Oshkosh
- Fall of 2019: Association of Governing Boards Training on Best Practices for Managing Relationships with Foundations

2) Governing Policies

The University of Wisconsin System is actively engaged in managing the relationships between the universities and their primary fundraising foundations, real estate foundations, and other affiliated organizations. Maintaining transparency and accountability with these organizations has led to the development of Board of Regents and UW System policies to govern the relationships and associated activities. These policies are intended to ensure that effective and responsible operations are in place with these organizations to address governance, oversight, personnel, real estate, compliance, and finance, including:

- Regent Policy Document 21-9: CREATED December 7, 2017
- Regent Policy Document 21-9: UPDATED February 8, 2019
- Regent Policy Document 21-9 Appendix A: PROPOSED UPDATE, June 7, 2019 to clarify UW System responsibilities for review of various financial submittals by foundations to institutions and clarify Board and UW System oversight and responsibilities for foundation real estate projects.
- UW System Administrative Policy 362, University Administrative Support of Affiliated Organizations, which requires a cost-benefit analysis for certain foundations and other affiliated organizations that receive administrative support from a UW institution: CREATED January 25, 2019
- UW System Administrative Policy 362: UPDATED May 28, 2019 to more clearly differentiate between primary fundraising foundations and other affiliated organizations and to clearly identify the intent to present the cost-benefit analysis in summary form to the Board of Regents.
- Administrative Guideline for Institutional Relationships with Foundations for Capital and Real Estate Projects: CREATED May 23, 2019

3) **Designated Oversight Responsibilities**

With new and updated policies, UW System Administration (UWSA) identified a single point of contact within UWSA to coordinate responsibilities for the management of relationships with primary fundraising foundations, real estate foundations, and other affiliated organizations moving forward. We included a copy of the UWSA “Foundation and Other Affiliated Organization” responsibility matrix (see attached), that identifies for the Board of Regents where various responsibilities rest for oversight, compliance and management of UW System’s and each institution’s relationships with primary fundraising foundations, real estate foundations, and other affiliated organization. This document provides clear lines of accountability for various aspects of the relevant policies and relationships.

To ensure compliance and the fulfillment of these responsibilities, UW System’s Office of Internal Audit will continue to address this issue as part of its annual audit plans. Internal Audit is planning its fiscal 2019 audit of primary fundraising and real estate foundations to evaluate compliance with Regent Policy Document 21-9. It is expected that the issuance of this report will happen prior to the October 2019 Audit Committee meeting.

Internal Audit will also audit other affiliated organizations’ compliance with UWSA Policy 362. The planning for this audit will begin this summer once management implements the required procedures and processes required.

Attached documents:

- *Attachment A:* UW System’s 19-5 Response with Action Steps Update Table
- *Attachment B:* Responsibility Matrix

- *Attachment C: Administrative Guideline for Institutional Relationships with Foundations for Capital and Real Estate Projects*
- *Attachment D: UW System Administrative Policy 362, University of Administrative Support of Affiliated Organizations, which requires a cost-benefit analysis for certain foundations and other affiliated organizations that receive administrative support from a UW institution*

RELATED BOARD OF REGENTS POLICIES

- Regent Policy Document 21-9, Institutional Relationships with Foundations

Attachment A



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May 2, 2019

Joe Chrisman, Auditor
Legislative Audit Bureau
22 East Mifflin Street, Suite 500
Madison, WI 53703

Dear Auditor Chrisman,

Thank you for the opportunity to respond to the Legislative Audit Bureau's (LAB) review of the University of Wisconsin (UW) System. Please see UW System's response attached.

One area of particular note included in this audit is the ongoing review of how the UW System is managing the relationships between our institutions, their primary fundraising foundations, real estate organizations, and other affiliated organizations. As we have stated in the past, these organizations provide significant support for students through scholarships, academic opportunities, and professional development. They are critical to the success of students and in many cases play a major role in supporting and enhancing the work of our institutions.

We also recognize the importance of ensuring maximum transparency and accountability when these organizations receive administrative support as part of their ongoing partnership with an institution. As your audit reflects, there are many considerations when creating the processes and policies necessary to ensure a responsible relationship exists. To ensure effective management and transparency, it is necessary to clearly delineate the difference between a primary fundraising foundation, real estate foundation, and other affiliated organization. Each are unique in their purpose, the type of relationship with the university, and how they should be managed. We are pleased with the progress the UW System has made and acknowledge that more work is yet to be done.

The UW System remains committed to working with LAB, the legislature, and all our stakeholders to continue to ensure transparency and accountability. Thank you for LAB's work on this audit. I value the knowledge gained from our ongoing internal process, as well as the recommendations included in your audit. As LAB requested, we are happy to report to the Joint Legislative Audit Committee by August 30, 2019 on the recommendations contained in this audit.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ray Cross", written in a cursive style.

Ray Cross
President

Introduction

We appreciate LAB's recommendations as we continue to improve the management, transparency, and effectiveness of our policies. We want to take this opportunity to provide updates on the progress made by the University of Wisconsin System Administration (UWSA) on several areas, including:

- Information Technology
- Tuition policy
- Program Revenue (PR) Balances Reporting
- Personnel Systems
- Policies governing relationships with primary fundraising foundations, real estate foundations, and other affiliated organizations.

In addition to LAB's audit, this year for the first time, UW System was required by 2017 Wisconsin Act 59, the 2017-19 Biennial Budget Act, to hire an external auditor to conduct our financial statement audit. UW System hired Plante Moran to conduct the audit, which was transmitted to the Board of Regents in December 2018. Plante Moran's report highlights areas where, with Plante Moran's guidance and expertise in higher education, the UW System fully implemented a new accounting standard for post-employment benefits other than pensions, revised its reporting of component units, and revised its accounting for library holdings, Pell grants, and the Perkins Loan program. We appreciate Plante Moran's collaborative approach and guidance and look forward to working with them on the audit for next fiscal year.

UWSA and the Board of Regents take both audits seriously as evidenced by the steps taken outlined above, in the following response, and the table that outlines progress made on Report 18-4's recommendations. In the following response, we will provide updates in each area audited by LAB, the steps taken by the UW System, and our ongoing efforts related to each of the LAB's recommendations.

Information Technology (IT)

LAB made no recommendations regarding IT security in this report; however, IT security continues to be a priority for the UW System.

UWSA developed a 24-month workplan and continues to make progress on these steps. Within the work plan, UWSA anticipates updates to all existing policies this year, as well as publishing three to five new policies scheduled throughout the remainder of the calendar year. Additional ongoing work to improve UW System's IT security, includes:

- Enterprise deployment of a suite of security tools throughout UW System
- Multi-factor authentication for all employees this year and to students next calendar year
- Implementation of an enterprise-wide incident response plan
- Playbooks for institutions and system-wide tabletop exercise this summer (2019)
- A new round of external security assessments and penetration tests for select institutions

Tuition

LAB made no recommendations regarding tuition policy; however, the UW System remains committed to offering a world-class, affordable education to develop the future workforce of the state of Wisconsin. We do this by balancing the need to serve Wisconsin residents and attract talent to increase wages, address

workforce issues, and help Wisconsin prosper. This is especially important given the challenging demographics in the state. Wisconsin high school graduates peaked at 71,000 in 2009 and then steadily declined through 2017, yet the state has a severe workforce shortage and needs to attract young people to the state. UW System is the state's engine to develop and attract this talent.

The UW System has increased enrollment of out-of-state students to attract new talent, while enrolling essentially the same percentage of Wisconsin high school graduates in 2017 (31.8%) as it did in 2009 (31.9%). Our flagship institution, UW-Madison, reports an increase of 2% in their enrollment of first-year Wisconsin residents from Fall 2016 to Fall 2017 (3,671 up to 3,746). UW-Madison also reports that it admitted 60.6% of Wisconsin applicants in 2008 but admitted 72.3% of Wisconsin applicants in 2017.

Further, per Board of Regent Policy on Freshman Admissions (RPD 7-3), non-resident undergraduate enrollment shall not exceed 27.5% of the total undergraduate enrollment at any UW institution based on a three-year average. This limitation does not include Minnesota reciprocity students. The Board of Regents also took action in October 2015 by waiving this 27.5% enrollment limit for UW Madison for 2016-2017 through 2019-2020, but instead required UW-Madison to maintain a minimum of 3,600 Wisconsin resident in each new freshman class during the waiver period. This waiver was approved by the Board of Regents in consultation with legislative leadership.

Program Revenue (PR) Balances Reporting

LAB made three recommendations regarding the reporting of Program Revenue Balances. UWSA accepts these recommendations and took proactive steps to complete one prior to this audit.

UWSA appreciates the LAB's assistance in developing the PR balances reporting structure and continued recommendations to improve the PR Balances report to improve transparency. This tool helps UWSA and our institutions better manage balances at appropriate levels but still meet their obligations and unexpected emergencies. To best manage these funds and understand changes over time, it is necessary to do so at the institutional level rather than the System level.

Recommendation: Provide guidance to University of Wisconsin institutions to ensure expenditures that are budgeted to be paid out of current-year revenues are not also reported as being funded from existing program revenue balances in the spending plans in the program revenue balances report and do so before preparing the program revenue balances report for fiscal year 2018-19.

UWSA provided guidance to UW institutions to ensure expenditures that are budgeted to be paid out of current-year revenues are not also reported as being funded from PR balances. This was completed during the Office of Finance's spring 2019 semester check-in with each campus.

Recommendation: Provide guidance to University of Wisconsin institutions on performing a review of balances reported in the FY2018-19 program revenue balances report to ensure amounts are appropriately reported in the spending plans, and on considering available balances when establishing auxiliary services rates.

UWSA has a policy on auxiliary management. As LAB acknowledges in the report, UWSA indicated in February 2019 that this is currently under revision since the policy is dated as it relates to the maximum balances allowed. UWSA also provides annual budget instructions to all institutions, indicating that balances should be used to mitigate or phase in necessary rate increases.

Recommendation: Direct University of Wisconsin institutions to ensure appropriate department-level or centralized controls are in place to monitor department-level program revenue balances and their use.

As noted during our discussion on April 25, 2019, UWSA leadership is committed to working with the LAB to seek further refinements on how PR balances are reflected including monitoring department-level program revenue balances through the UWSA's newly implemented budget planning and forecasting tool, PlanUW.

UW-Oshkosh PR Balance Transfer

In addition to the recommendations made in this section, LAB specifically highlighted the \$5.0 million transfer from the program revenue balances in UW-Oshkosh's Residence Life Department to UW-Oshkosh's GPR and tuition-funded student services. UWSA agrees with LAB's concerns with how the balance was reported under the previous administration of UW-Oshkosh. We wish to provide additional context to this situation and how UW-Oshkosh's current leadership is improving its budgeting process.

The transfer is an essential part of UW-Oshkosh's Financial Recovery Plan to enable the university to meet its projected budget shortfall. UW-Oshkosh engaged the Vice Chancellors, Cabinet, and students in a detailed review of the transfer, and all groups concurred that it was a necessary and essential action to achieve the Financial Recovery Plan. At the February 2019 Board of Regents meeting, UW-Oshkosh presented the transfer request, and it was approved by the Board.

Close monitoring of PR balances is essential and taken seriously by UWSA and the Board of Regents. To achieve this, the current UW-Oshkosh Chancellor and Chief Business Officer made many changes to the previous structure of UW-Oshkosh's Finance and Administration, which was decentralized within the university. The current administration centralized all the Finance and Administration functions to enable improved visibility of key financial elements, a clear focus on its balances, and an improved budgeting process. This ensures that balances are given proper focus when rates are set, and that balances are properly reported and do not "double count" items that are funded from operating revenues. UW-Oshkosh is committed to continually improving their budgeting and reporting process.

Personnel Systems

LAB made several recommendations regarding UW System Human Resources (UWSHR) policies and some specific to UW-Madison. UWSHR and UW-Madison accepts these recommendations.

Recommendation: Ensure University of Wisconsin institutions have a systematic performance evaluation program established for awarding pay plan increases.

UPS Policy TC4: Pay Plan Distribution Guidelines for University Workforce provides guidance for pay plan administration for all UW Institutions. UWSHR will develop a consistent process across all institutions to include the following: performance review cycle (calendar year with mid-cycle touch points); implementation of a systemwide ePerformance tool and training on the tool; administrative procedures for a performance management program, which includes feedback from governance groups; and UWSHR will review institution-level published administrative procedures and guidelines to ensure compliance and consistency.

Recommendation: Ensure all University of Wisconsin institutions develop published guidelines for granting merit-based adjustments, including the level of documentation required to support the adjustments.

UWSHR will review institution-level published administrative procedures and guidelines for compliance, and it will develop and publish administrative procedures on granting merit-based adjustments to include criteria for eligibility for merit-based adjustments, such as: meritorious performance (with an agreed upon definition); internal equity (at the institution-level); market, focusing on external market data; completed mandatory training on sexual harassment and information security awareness; eligibility based on cut-off date; consideration given to whether or not salary adjustments received within last 12 months; and a Summary Justification Statement – in a standardized format to ensure consistency.

Recommendation: Evaluate published guidelines of University of Wisconsin institutions to ensure compliance with University of Wisconsin System Administration policy.

UWSHR will evaluate published guidelines and administrative procedures for merit-based adjustments to ensure compliance with UWSA policy.

Recommendation: University of Wisconsin System Administration revise the merit-based salary adjustment policy to include guidance for University of Wisconsin institutions on which specific Human Resource System codes should be used to record merit-based adjustments.

UWSHR will include information on specific HRS codes to use for processing merit-based adjustments. Institutions will receive training on proper usage and entry of codes.

Recommendation: Provide guidance to University of Wisconsin institutions on extraordinary salary ranges by revising its policy to include the criteria to be considered and the documentation required to support an extraordinary salary range.

UWSHR will develop criteria and documentation requirements for establishing extraordinary salary ranges (ESR), provide oversight and review institutional ESR requests for compliance with guidelines.

Recommendation: Require University of Wisconsin institutions to develop guidelines for administering extraordinary salary ranges.

UWSHR will develop criteria and documentation requirements for establishing extraordinary salary ranges (ESR), provide oversight and review institutional ESR requests for compliance with guidelines.

Recommendation: Evaluate whether University of Wisconsin institutions have developed guidelines and have consistently complied with those guidelines when administering extraordinary salary ranges.

UWSHR will develop criteria and documentation requirements for establishing extraordinary salary ranges (ESR), provide oversight and review institutional ESR requests for compliance with guidelines.

Recommendation: The University of Wisconsin-Madison ensure its staff are trained in the policy and extraordinary salary ranges are approved only in compliance with its established policy.

UW-Madison will provide additional training to staff involved with creating and maintaining the Extraordinary Salary Range (ESR) structure. The Office of Human Resources will ensure all elements required by policy are present when establishing or adjusting any ESRs.

Recommendation: The University of Wisconsin-Madison revise its grievance policy to ensure it meets statutory requirements.

UW-Madison will review grievance procedures relative to statutory requirements and ensure that such procedures are in compliance. Specifically, the review will focus on the grievance procedures related to the impartial hearing officer and BOR final appeal requirements. For any procedural adjustments based on the review, UW-Madison will seek input from shared governance groups to help inform the changes.

Recommendation: Review the grievance procedures of all UW institutions to ensure the procedures meet statutory requirements.

UWSHR will review grievance procedures of all UW institutions to ensure procedures meet statutory requirements for all employee categories and that the policy specifically indicates the concept of an impartial hearing officer and designates the Board of Regents as the highest level of appeal. Shared governance groups will have input into the establishment of a procedure.

Grievance policy shall indicate that faculty are subject to administrative code chapters UWS 4 (Faculty Procedures for Dismissal), UWS 6 (Faculty Complaints and Grievances), and UWS 7 (Dismissal of Faculty in Special Cases). Academic staff are subject to administrative code chapter UWS 11 (Dismissal of Academic Staff for Cause).

Relationships with Primary Fundraising Foundations, Real Estate Foundations, and Other Affiliated Organizations

Improving the management and transparency of the relationships with primary foundations, real estate foundations, and other affiliated organizations is an ongoing effort the UW System and Board of Regents take seriously. To ensure effective management and transparency, it is necessary to clearly delineate the difference between a primary fundraising foundation, real estate foundation, and other affiliated organization. Each are unique in their purpose, the type of relationship with the university, and how they should be managed.

Here we provide an update on the UW System's progress since LAB's original recommendations in Report 18-4 (please see the table below). In 18-4, LAB made 12 recommendations to improve UWSA and Board policies related to Primary Fundraising Foundations, Real Estate Foundations, and other affiliated organizations. Since the October 2018 follow-up to 18-4, UWSA and the Board of Regents completed four additional recommendations. In total, UWSA and the Board of Regents completed nine of the 12 recommendations, are in process of completing one, and consider the remaining two to be ongoing.

In this report, LAB included new recommendations or expanded upon the original 18-4 recommendations. Below, please see follow-up to each of LAB's recommendations in this report:

Recommendation: Require University of Wisconsin institutions to finish amending the operational agreements to correct the issues of noncompliance with the Board of Regents policy and to submit these amended agreements to the University of Wisconsin System Administration for review.

UWSA is on track to complete this by end of FY 2019, as UWSA committed in the June 2018 response to the Joint Legislative Audit Committee (JLAC).

Recommendation: Revise the spreadsheet used by the Office of General Counsel to review memoranda of understanding and operational agreements to ensure it includes clear criteria related to all requirements of the Board of Regents policy.

The UWSA Office of General Counsel (OGC) is continuously improving the checklist. LAB noted the checklist did not include a check on rent or in-kind payments for office space at a fair-market rate. OGC will update the checklist to include this, and review the checklist in comparison to Regent Policy 21-9 and Appendix A. In addition to this check, UWSA already included this as part of the calculation in the cost-benefit analysis required by UWSA Policy 362. As part of that analysis, UWSA states, “facilities support should be calculated as a product of square footage and fair market value for similar space.”

Recommendation: Complete its review of the amended operational agreements by June 30, 2019, to ensure compliance with the Board of Regents policy.

UWSA is on track to complete this by end of FY 2019, as UWSA committed in the June 2018 response to the JLAC. Please see the table below.

Recommendation: Advise chancellors to certify compliance with the Board of Regents policy only if the operational agreements are in place

The certifications completed were done with the understanding that new operational agreements are still being finalized, as we stated in the October 2018 response. However, we acknowledge that this qualification should have been written on the certification form. This will be done moving forward.

Recommendation: Ensure all University of Wisconsin institutions are in compliance with the Board of Regents policy that prohibits University of Wisconsin employees from serving as voting members of the boards of directors of primary fundraising foundations and real estate foundations

This prohibition is included in Regent Policy 21-9. The instance identified by LAB was for a UW-Milwaukee 0.18 FTE employee serving on the foundation board as a voting member that should have requested an exemption under the new policy. This issue is now resolved, and the employee was granted an exception by the UW System President.

Recommendation: Work with the Board of Regents to create a Board policy to govern the relationships between University of Wisconsin institutions and other affiliated organizations that are not primary fundraising foundations or real estate foundations.

LAB’s original recommendation from 18-4 stated UWSA should “work with the Board of Regents to establish a policy governing the relationships between University of Wisconsin institutions and affiliated organizations that are not primary fundraising foundations or real estate foundations,” which UWSA completed with the issuance of UWSA Policy 362 on January 25, 2019.

In this report, LAB amended this recommendation to create a “Board Policy.” Board leadership, including the Chair of the Audit Committee, were consulted during the creation of the UWSA policy. UWSA chose to accomplish LAB’s original recommendation through UWSA policy to allow the policy to be amended more efficiently. LAB made additional recommendations in this report to strengthen the UWSA policy, and UWSA will consider those recommendations as well as putting it into Board policy.

Recommendation: Ensure this policy addresses University of Wisconsin employees serving on the boards of directors of other affiliated organizations that are not primary fundraising foundations or real estate foundations, University of Wisconsin employees working for these other affiliated organizations, and the terms under which University of Wisconsin institutions can provide support for these other affiliated organizations.

Currently, Regent Policy 21-9 prohibits employees from serving as voting members on the boards of primary fundraising and real estate foundations. Board membership may vary significantly for other affiliated organizations depending on the nature of each relationship. As UWSA Policy 362, which covers all affiliated organizations, is implemented, UWSA will evaluate the best way to ensure board membership of other affiliated organizations as it relates to UW employees is appropriately managed.

Recommendation: Revise its cost-benefit report to provide a full accounting of all costs, time, and benefits of each relationship with an affiliated organization, including tracking employee time and adding a calculation of the net cost or net benefit, or a return on investment calculation.

UWSA elected to not report net cost/benefit amount because intangible benefits are substantial in nature and cannot be captured in a “snapshot-in-time” calculation. As a result, UWSA believes a calculated bottom line would have little to no value. In addition, UWSA stated in the June 2018 response that tracking time is not feasible because a university employee's work at the university and affiliated organization simultaneously serves the purposes of both organizations and therefore cannot be decoupled. Therefore, to accomplish the spirit of LAB's recommendation, UWSA included a calculation of each employee's direct salary support, including fringe benefits, as part of the calculation of administrative support provided to affiliated organizations.

Recommendation: Amend the administrative policy to include guidance to University of Wisconsin institutions on the items required to be included in any written agreement with an affiliated organization that is not a primary fundraising foundation or real estate foundation.

Written agreements may vary significantly depending on nature of each relationship. As UWSA Policy 362 is implemented and trainings occur, UWSA will evaluate the best way to ensure institutions have appropriate written agreements with other affiliated organizations.

Recommendation: Amend the administrative policy to explain how the cost-benefit report will be evaluated by University of Wisconsin System Administration and to specify the reporting that will be made to the Board of Regents.

UWSA elected to give campus administrators the authority to make initial decisions on the relative importance and benefit of any specific affiliated organization, including taking into account the intangible or prospective benefits that an affiliated organization may provide to the institution. The UW System Office of Finance will also receive each of the cost-benefit worksheets from each campus for review. The Office of Finance will share the reports with the Board of Regents.

Recommendation: Revise its administrative policy to require University of Wisconsin institutions to provide an accounting of the costs and benefits of the relationships with each affiliated organization to the University of Wisconsin institution.

UWSA believes that a materiality threshold is reasonable. Currently, the established threshold is at \$100,000 of administrative support. This amount was chosen after considering the size of UW system, each institution, materiality thresholds used for other evaluations, and the level of risk, both financially and reputationally, that these relationships present.

For example, LAB highlights UW-Oshkosh's Business Success Center as an entity that posed risk to the institution. The new policy, UWSA 362, had it existed at the time would have flagged the Business Success Center. It was a 501(c)(3), which means it would have met UWSA 362's definition of an affiliated organization, and as LAB identified in Report 18-4, the Center received \$324,900 and \$226,200 in 2013-2014 and 2014-2015

respectively, in what would qualify as administrative support. We believe this example raised by LAB is a good example of an organization that would fall under the new policy.

Recommendation: Provide guidance and training to University of Wisconsin employees who also work for an affiliated organization.

UWSA provided policy guidance to several campus stakeholder groups that interact with their campus foundations, including chancellors and chief business officers. Additional training efforts are underway – including with Foundation leaders – to provide guidance on current policy and to aid in sharing best practices from across the country. UWSA also has a dedicated time slot with the Annual Alumni Directors Meeting at UW-Oshkosh in June 2019, in which Foundation personnel from across UW System will be present.

Recommendation: Continue to work with the University of Wisconsin-Madison to establish a timeline to begin using the centralized vendor file for all financial transactions.

UWSA and UW-Madison put into place an alternative method to meet LAB's intent of being able to easily compile payment information to all affiliated organizations. UWSA will continue to work with UW-Madison as the UW System evaluates other system changes (cloud ERP, procurement automation) that affect the ability to move UW-Madison to a centralized vendor file.

Recommendation: Design and implement a procedure for independent and regular monitoring to ensure consistent use of the unique vendor identification numbers by all University of Wisconsin institutions.

As noted above, the UW System has taken steps to ensure all payments to affiliated organizations can be identified. Through past and upcoming audits by the UW System Office of Internal Audit, Plante Moran, and LAB, further assurance will be provided that vendor identification numbers are being used.

Recommendation: Direct the Office of Internal Audit to annually review a sample of payments from University of Wisconsin institutions to other affiliated organizations and determine the appropriateness of these payments.

The Fiscal 2018 Audit Plan approved by the Board of Regents in June 2017 included an objective to audit compliance with *Foundation Principles, Best Practices and Requirements*, which was the guidance (Guidance) in place at that time. Its scope covered primary fundraising foundations and real estate foundations; Regent Policy 21-9 was adopted on December 7, 2017, with the same scope.

Recommendation: Direct the Office of Internal Audit to determine whether University of Wisconsin institutions are complying with the Board of Regents policy.

Internal Audit's fiscal 2018 audit was of compliance with the Guidance. Internal Audit did not audit other affiliated organizations as there was no regent or administrative policy in place to audit against at that time. The fiscal 2019 Audit Plan was approved by the Board of Regents in June 2018. Internal Audit will shortly begin its planning process and audit whether institutions are complying with Regent Policy 21-9 and UWSA Policy 362, which was issued in January 2019.

Action Steps Update from 18-4 Report		
LAB 18-4 Recommendation	UW Action	Status Compared to 18-4
Assign unique vendor ID to affiliated organizations	UWSA can use an alternative method to meet LAB's intent as ongoing system upgrades continue.	Moved to Complete
Amend Operational Agreements to comply with the Board of Regents Policy	On track to complete by end of FY 2019, as UWSA committed in June 2018 response to the JLAC.	On Track to Complete
Require Chancellors to certify compliance	Certification is required, and caveat for this year was communicated in October 2018 response to JLAC.	Remains Complete
Assess MOUs for compliance	MOUs reviewed prior to issuance of 18-4; compliance assessed in FY 19 audit.	Remains Complete
Establish policy governing relationship between UW institutions and affiliated organizations that are not primary or real estate foundations	UWSA Policy 362 issued on January 25, 2019 in consultation with Board, campus stakeholders, and best practices across the country	Moved to Complete
Resolve inconsistency between policy statement and policy regarding UW employees serving on boards of primary fundraising and real estate foundations	Appendix A of Regent Policy 21-9 was modified to reflect the Board of Regent's policy in February of 2019.	Remains Complete
Prohibit all UW employees from serving as voting members of Board of Directors of primary fundraising and real estate foundations	Regent Policy 21-9 prohibits. UW-Milwaukee member identified by UWSA and LAB has been granted an exception.	Remains Complete
Require UW employees to track the time they work for affiliated organizations, and provide guidance and training	UWSA Policy 362 requires calculation of percentage of UW employees' salary and fringe assigned to any Affiliated Orgs activities paid by the UW and not directly and fully reimbursed by the Affiliated Orgs.	Moved to Complete
Provide UW institutions guidance on identifying affiliated organizations	UWSA provided guidance to UW institutions and will send additional guidance and have trainings.	Remains Complete
Require UW institutions to annually report information about their relationships with affiliated organizations and determine whether the reported information complies with Board of Regent policy	Required in Regent Policy 21-9 and in UWSA Policy 362. First review cycle is coming up this year.	Moved to Complete
Annually review payments to affiliated organizations	Internal Audits' Fiscal 2018 Audit reviewed compliance with Guidance. Fiscal 2019 Audit Plan will audit compliance with Regent Policy 21-9 and UWSA Policy 362	Remains Ongoing
Annually assess relationships with affiliated organizations and determine whether any changes are necessary	Evaluated through annual audits and disclosures of Affiliated Orgs and analysis of Affiliated Orgs per UWSA Policy 362.	Remains Ongoing

Task	Policy/Guidance Reference	Responsible Office-UWSA	Responsible Office-Institution	Frequency	Due Date
Audit compliance with MOUs, policies, and procedures	RPD21-9 and SYS 362	Audit	Chancellor/Chancellor's Designee	Annually	TBD
Review financial audits/reports submitted by campuses	RPD 21-9, App A (Periodic Reports and Accounting Requirements)	Finance	Chancellor/Chancellor's Designee	Annually	December 31 (Ongoing)
Review cost-benefit analyses submitted by campuses	SYS 362, section 6	Finance	Chancellor/Chancellor's Designee	Annually	July 31 (Ongoing), Oct 31 (FY19)
Report summary CBA information to the BOR	SYS 362, section 6	Finance	Chancellor/Chancellor's Designee	Annually	July 31 (Ongoing), Oct 31 (FY19)
Verify agreement in place with foundations/aff orgs that receive >\$100k admin support	SYS 362, section 6	Finance/Office of General Counsel	Chancellor/Chancellor's Designee	Annually	July 31 (Ongoing), Oct 31 (FY19)
Review Chancellor's certifications	LAB Report 18-4, page 46	Finance	Chancellor/Chancellor's Designee	Annually	December 31 (Ongoing)
Notify Board of Regents of relevant projects	Guidance for Institutional Relationships with Foundations for Real Estate Projects, section 4	Capital Planning and Budget	Chancellor/Chancellor's Designee	Ongoing basis	--
Provide campuses guidance on how to use state funds for real estate projects	Guidance for Institutional Relationships with Foundations for Real Estate Projects, section 4	Capital Planning and Budget	Chancellor/Chancellor's Designee	Ongoing basis	--
Monitor use of state funds for real estate projects	Guidance for Institutional Relationships with Foundations for Real Estate Projects, section 4	Capital Planning and Budget	Chancellor/Chancellor's Designee	Ongoing basis	--
Oversee foundation compliance with MOUs, policies, and procedures	N/A	VP Finance/Administration	Chancellor/Chancellor's Designee	Annually	--
Review ethics reports		Board of Regents Office/Office of General Counsel	Chancellor/Chancellor's Designee	Annually	Prior to April 30 (Ongoing)

last updated: 5/22/19



Administrative Guideline for Institutional Relationships with Primary Fundraising Foundations and Other Affiliated Organizations for Capital and Real Estate Projects

Associated Policy:

SYS 362, University Administrative Support of Primary Fundraising Foundations and Other Affiliated Organizations

Original Issuance Date: May 23, 2019

Last Revision Date: May 23, 2019

1. Publishing Office

The UW System Office of Capital Planning and Budget (CPB) is charged with the maintenance and communication of this guideline. Institutions involved in any legal or financial agreements related to real estate with a Primary Fundraising Foundation or Other Affiliated Organization (as defined in UW System Administrative Policy 362) shall consult this guideline prior to entering into any agreements or commitments.

2. Affected Stakeholders on Campus

The primary offices required to actively participate in this guideline include business affairs, financial offices, advancement or development offices, and the facility or campus planning offices of any UW institution. When a real estate project is first considered, the lead campus partner will contact CPB to describe the scope of work and confirm the review and approval process. This guideline shall be distributed to:

- Chancellors
- Chief Business Officers
- University Advancement Officers and staff
- Alumni Relations Officers and staff
- University Relations Officers and staff
- Facilities directors, physical plant directors, and campus planner staff

3. Primary Responsibility

The UW System Office of Capital Planning and Budget has the primary responsibility for developing, disseminating and addressing questions related to this guideline. Each chancellor has the primary responsibility for implementation and maintaining compliance at each UW institution. During the planning or development stage and prior to the execution of an agreement related to any real estate project, the UW Institution shall provide CPB with

project details. CPB is responsible for distribution of the project information to the appropriate offices within UW System Administration for review and approval. The offices include but are not limited to the Office of General Counsel, Finance, Administration, and Risk Management. No UW institution may move forward with the project until CPB provides feedback on the proposed project.

4. Guidelines

The University of Wisconsin System recognizes the important and valuable role that Primary Fundraising Foundations and Other Affiliated Organizations provide by supporting UW institutions. This support may take the form of several different types of partnerships. These partnerships can encompass all real estate development projects undertaken by a Primary Fundraising Foundation or Other Affiliated Organization, or an ownership entity where the Primary Fundraising Foundations and Other Affiliated Organizations is a partner; where the intent is for a UW institution to enter into any type of agreement for space and/or contribute financially to the project. This guidance specifies protocols for UW institutions as they contemplate partnerships for the development of real estate projects, as permitted in Regent Policy Document (RPD) 21-9, *Institutional Relationships with Foundations*, including Appendix A.

A. Planning for Development

Each UW institution in the initial stage of planning a project must provide to CPB as soon as feasible, the following:

- a. A description of the Primary Fundraising Foundation or Other Affiliated Organization including all possible partners.
- b. A projected timeline of the planning and development.
- c. A completed space needs form identifying the type of space required. Net new square footage requirements as delineated in the UWSA Criteria for Capital Budgeting must be met.
- d. A financing plan including a list of possible sources and uses of funds including segregated fees, program revenue, general operations, gifts, or grants. Uses of funds must include all applicable costs, including but not limited to rent, special equipment, tenant improvements, and operating expenses.

B. Legal Documentation and Review

CPB and the UW institution will develop a list of all related legal documents necessary to affect the project plan. CPB will coordinate legal review and compliance with the UW System Office of General Counsel.

C. Required Approval for Financial and Development Structure

- a. Any real estate development or investment undertaken by a Primary Fundraising Foundation or Other Affiliated Organization that involves state or university funding requires the notification of and approval by the appropriate UW chancellor, the System President, and the Board of Regents within the limits contained in Regent

Policy Documents 2-1, 13-1, 13-2, 13-5, or 21-9. Other required approvals are summarized in table below.

- b. A Primary Fundraising Foundation or Other Affiliated Organization cannot legally obligate a UW institution or the UW System to secure the financing of a capital project for the benefit of the UW institution or UW System. Conversely, a UW institution cannot lease real property as a means to guarantee a Primary Fundraising Foundation or Other Affiliated Organization debt obligation related to investment in the real estate.
- c. As a state agency, the UW System and its institutions cannot secure or guarantee the debt or obligations of private entities, such as Primary Fundraising Foundations or Other Affiliated Organizations.
- d. Approval of a Financial Plan
 - i. If the development of the real estate will rely upon the use of program revenue funds or segregated fees to fund the development or operation of the project, the use of such fees must comply with all applicable Board of Regents, UW System, and UW institution policies and procedures.
 - ii. If the development of the real estate will rely upon the use of general purpose revenue to fund the development, the use must comply with all applicable Board of Regent and System policies and procedures as well as any applicable state or building commission requirements.
 - iii. The UW institution must demonstrate that the Primary Fundraising Foundation or Other Affiliated Organization or other partners do not require state of Wisconsin capital financing to proceed with the real estate development.
 - iv. The UW institution must provide confirmation of funding from their existing budget to cover the associated capital expenses including furniture, equipment, and tenant improvements.
 - v. The UW institution must demonstrate funding from their existing budget is sufficient to cover any and all lease costs including increased operational costs such as utilities, cleaning, and maintenance.

D. Reporting

On a quarterly basis, the UW institution shall report the status of the project and confirm or amend the project plan and associated timeline in a format acceptable to CPB. CPB will distribute the project information to the appropriate UW System office, System President, or Board of Regents as necessary depending upon the project parameters. CPB provides a biannual report to the Board of Regents regarding all real estate activities in process, completed, or developed on behalf of a UW institution where the UW institution is a partner.

E. Standardized Legal Documents

All leases, agreements or memoranda of understanding covered by this document, regardless of the delegation of signature authority or whether the institution is the lessee or lessor, shall utilize standard templates developed by CPB. Any amendments to these templates requires the review and approval of the UW System Office of General Counsel.

Required Approvals for Real Estate Development

	Chancellor or VC Chancellor of Finance	VC of Administration	Office of General Counsel	Board of Regents	State Building Commission
RPD 12-1. Competition with the Private Sector <i>Criteria for Judging the Appropriateness of Competitive Activities</i> In addition to Chancellor, there is a committee from other university representatives, plus private sector and public at-large people.	X				
RPD 13-1 General Contract Approval, Signature Authority, and Reporting <i>Grants from and contracts with for-profit entities with a value between \$500,000 and \$1,000,000</i>			X		
<i>Grants from and contracts with for-profit entities with a value more than \$1,000,000</i>				X	
RPD 13-2 Real Property Contracts: Signature Authority and Approval <i>Sale of Real Property</i>					
• outside of or if the project alters campus boundaries				X	
• involves agricultural land				X	
• is a state-owned residence hall sold to another state agency or non-profit for an alternate use				X	X
<i>Acquisition of Real Property</i>					
• is outside of or would alter campus boundaries				X	X
• Agricultural land under s. 36.33, Wis. Stats.				X	X
<i>Leasing of Real Property</i>					
• initial terms are equal to or less than \$1.0 m and 5 years in length		X			
• initial terms are greater than \$1.0 m and 5 years in length				X	
• all student housing leases				X	X
RPD 13-5 Capital Projects Solely Managed by UW System <i>Capital project that the UW System solely manages costing more than \$1.0 million</i>	X			X	
• a project exceeds the estimate budget previously authorized by the Board by 10 percent or more	X			X	
• the scope of a project is materially altered from when the authorization was initially provided by the Board	X			X	
System Policy 820: Segregated University Fees					

<ul style="list-style-type: none"> • Allocable SUF are allocated by students, in consultation with the Chancellor and subject to final approval by the Board. 	X			X	
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5. Contact

The UW System Office of Capital Planning and Budget is responsible for managing the development process. Institutions must contact the Office of Capital Planning and Budget when first considering a real estate project in partnership with a foundation.

6. Guideline History

Original Issuance: May 23, 2019

7. Scheduled Review

May 2022

PUBLISHING OFFICER:



Alexandria Roe
Associate Vice President for Capital Planning and Budget
University of Wisconsin System

May 23, 2019

Date

APPROVED BY:



Sean P. Nelson
Vice President for Finance
University of Wisconsin System

May 23, 2019

Date

The University of Wisconsin System Administrative Policy 362



Title: University Administrative Support of Primary Fundraising Foundations and Other Affiliated Organizations

Original Issuance Date: January 25, 2019

Last Revision Date: May 29, 2019

1. Policy Purpose

The purpose of this policy is to establish standards that help ensure relationships between System, UW institutions and Primary Fundraising Foundations and Other Affiliated Organizations, including primary and real estate foundations, are productive, efficient, and beneficial to the UW System or a UW institution.

2. Responsible UW System Officer

Vice President for Finance

3. Scope

This policy applies to all Primary Fundraising and Affiliated Organizations that receive administrative support from the UW System or a UW institution.

4. Background

Primary Fundraising Foundations and Affiliated Organizations provide tangible and intangible value to the UW System and UW institutions, such as financial support and external relationships. They promote the UW System and UW institutions to varied audiences including alumni, community members, prospective students, current students, faculty, and staff, and sponsor activities that enhance the reputation and standing of the institutions.

However, UW System and UW institutions shall ensure that Primary Fundraising Foundations and Other Affiliated Organizations that receive administrative support do so in a manner consistent with the UW System's or a UW institution's mission and policies.

5. Definitions

Administrative Support: The personnel, facilities, or other monetary or material resources of UW System or a UW institution provided to a Primary Fundraising Foundations or Other Affiliated Organizations without direct and full reimbursement.

Other Affiliated Organization: An entity that is legally distinct from the University but is organized and operated for the benefit and in support of the University and/or conducts activities that advance the mission of the University. Unless otherwise expressly authorized by the Board of Regents, affiliated organizations must hold a valid tax-exempt organization and corporate status under federal and applicable state law. The definition of affiliated organizations for this exercise excludes the following:

- University-recognized student, faculty, or staff groups or organizations
- Advisory councils established under the auspices and direction of an academic or administrative official for the benefit of the unit
- Other state agencies or statutorily-created entities, such as the UW Hospitals and Clinics Authority
- Research sponsors
- Donors
- Licensees that do not otherwise have affiliate status
- University auxiliary enterprises
- Commercial contractors and vendors
- Consultants
- Lessors and lessees
- Labor unions
- Individuals, such as University retirees and alumni
- Institutions with which the University has programmatic affiliation agreements designed principally for student clinical program placements or scholar exchanges
- Subsidiaries of primary University foundations (covered under the 501(c)3 status of that primary foundation)

Primary Fundraising Foundations: Any entity subject to Regent Policy 21-9, Institutional Relationships with Foundations.

6. Policy Statement

On an annual basis, the UW System or institution shall provide an accounting of administrative support when the total administrative support provided to the Primary Fundraising Foundations or Other Affiliated Organization is valued at \$100,000 or greater. This accounting shall include a comparison of administrative support provided and benefits received from the Primary Fundraising Foundation or Other Affiliated Organization, in a format developed by and submitted to the Vice President for Finance by March 31st following the end of a fiscal year. UW System Administration

will annually provide a summary of reported administrative support and benefits received to the Board of Regents.

For Primary Fundraising Foundation, the UW System or institution shall enter into a memorandum of understanding (MOU) with the Primary Fundraising Foundation, in accordance with Regent Policy Document 21-9. For Other Affiliated Organizations, if the Other Affiliated Organization receives annual administrative support valued at \$100,000 or greater in a calendar year, the System or UW institution must also have a written agreement with that entity within 6 months of that entity being identified by the UW System or UW institution as an Other Affiliated Organization that must report under this policy.

7. Related Documents

Regent Policy Document 21-9, *Institutional Relationships with Foundations*
Foundation and Other Affiliated Organization Cost-Benefit Report

8. Policy History

Revision 1: May 29, 2019

First Approved: January 25, 2019

9. Scheduled Review

May 2024

APPROVED BY:



Raymond W. Cross

President

University of Wisconsin System

Amendment to Appendix A of Regent
Policy Document 21-9, “Institutional
Relationships with Foundations”

JOINT AUDIT AND BUSINESS AND FINANCE COMMITTEES

Resolution I.6.d.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves amendments to Appendix A of Regent Policy Document 21-9, “Institutional Relationships with Foundations.”

**APPENDIX A TO REGENT POLICY DOCUMENT 21-9:
INSTITUTIONAL RELATIONSHIPS WITH FOUNDATIONS**

EXECUTIVE SUMMARY

BACKGROUND

The UW System Board of Regents' policies are codified in Regent Policy Documents (RPDs) that have been adopted over time, some dating back to the creation of the UW System. The Board has adopted these policies under the authority granted in Chapter 36, Wis. Stats. The RPDs address a wide array of subjects, including academic policies and programs, contracts, student activities, and trust and investment policies. A number of these RPDs have associated Appendices related to and incorporated by reference into them.

In early 2017, President Cross developed a set of principles, best practices, and requirements for UW institutions to implement with regard to their primary fundraising foundations and any real estate foundations. All UW institutions were expected to be in compliance with the requirements by November 1, 2017.

At its December 2017 meeting, the Board approved a new Regent Policy Document, "Institutional Relationships with Foundations," along with Appendix A, "Principles, Best Practices and Requirements Relating to the Relationship Between a UW University or UW College and its Primary Fundraising Foundation and any Real Estate Foundation," to memorialize and codify these expectations and requirements. As codified, RPD 21-9 "establishes standards to ensure that the relationships between UW institutions and their supporting foundations are stable and long-term, productive and efficient, and foster the maximum support possible for the UW System and its institutions."

REQUESTED ACTION

Adoption of Resolution I.6.d, which amends Appendix A of Regent Policy Document 21-9, "Institutional Relationships with Foundations."

DISCUSSION

Subsequent to the Board's approval of RPD 21-9 in December 2017, Appendix A to RPD 21-9 was edited to expand to all employees the requirement that university officials who are a member of the university's respective foundation board be ex-officio and non-voting members, consistent with the language of RPD 21-9.

The proposed changes to Appendix A (attached) clarify UW System responsibilities for review of various financial submittals by foundations to institutions and clarifies Board and UW System oversight and responsibilities for foundation real estate projects.

President Cross is recommending that the Board of Regents approve the changes to Appendix A of the Regent Policy Document included in the attached document.

RELATED REGENT POLICY

Regent Policy Document 22-4, “Fundraising Principles and Guidelines”

REGENT POLICY DOCUMENT 21-9

INSTITUTIONAL RELATIONSHIPS WITH FOUNDATIONS

Scope

This policy applies to all University of Wisconsin (UW) System institutions as they manage their relationship and transactions with and their primary fundraising foundation and any real estate foundation.

Purpose

The purpose of this policy is to ensure that UW institutions and their primary fundraising foundation and any real estate foundation operate effectively and responsibly, consistent with the reasonable expectations of both public and private interests, on behalf of UW System and its institutions.

Policy Statement

The Board of Regents recognizes the important and valuable role that private foundations play in supporting the UW System and its institutions. This policy establishes standards to ensure that the relationships between UW institutions and their supporting foundations are stable and long-term, productive and efficient, and foster the maximum support possible for the UW System and its institutions.

A foundation that exists to provide fundraising or real estate development support to a UW institution must exist as separate and legally incorporated non-profit organization, with its own articles of incorporation, bylaws, board of directors and officers, and maintain a legal distance between itself and the UW institution it supports. If the foundation board of directors includes any employees of the UW System or UW institutions, the employees shall not constitute a majority of the board. In addition, any university employee that is a member of the foundation board of directors shall serve as an ex-officio and nonvoting member of the foundation board; exceptions to this provision may be granted with the approval of the System President in consultation with the General Counsel.

Any real estate projects undertaken by a foundation that involves state or university funding or property, require the approval of the appropriate UW chancellor, the System President, and the Board of Regents. A foundation cannot legally obligate a UW institution or the UW System to secure the financing of a capital project for the benefit of the institution or the system. As a state agency, the UW System and its institutions cannot secure or guarantee the debt or obligations of private entities such as foundations.

Wisconsin Statutes, Section 36.29(4) prohibits reassignment of donations from a UW institution to a foundation. Thus, if a check is made payable to the University, or a gift instrument names the University, the funds presumptively belong to the University, and must be deposited accordingly in University accounts. However, for any donation, it is necessary to establish donor intent. If a check or gift instrument names the University, but there is documented extrinsic evidence establishing donor intent to direct the check or gift to the Foundation, then the check or gift are Foundation funds and must be deposited with the Foundation. If a check or gift instrument names the University, and there is no documented extrinsic evidence establishing donor intent to direct the check or gift to the Foundation, then the check or gift are University funds and must be deposited in University accounts. Once funds are received by the University, they are state funds and are fully subject to all state law requirements and restrictions. Such funds must not be deposited with the Foundation or transferred to the Foundation as a means of avoiding state law requirements and restrictions on the use of state funds.

Each UW institution shall develop and maintain a memorandum of understanding (MOU) with its primary fundraising foundation and its real estate foundation that describes the respective responsibilities

of the institution and the foundation as well as other necessary provisions consistent with the principles, best practices and requirements described in Appendix A.

The executive director of a university's primary fundraising foundation or real estate foundation who is a university employee shall annually on or before April 30, file a statement of economic interest with the Office of the Board of Regents. The statement shall be filed on a form provided by the Office of the Board of Regents and shall be considered a matter of public record. The statement shall contain the information required by s. 19.44, Wis. Stats.

Each executive director is responsible for identifying and disclosing any potential conflict of interest and managing any conflicts in accordance with Chapter UWS 8, Wis. Admin. Code and Chapter 19, Wis. Stats., whichever is applicable.

An executive director may request an opinion on a conflict from the applicable UW institution ethics committee established under Chapter UWS 8, Wis. Admin. Code or the UW System Office of General Counsel. Executive directors who are public officials under Chapter 19, Wis. Stats., may request an opinion from the Wisconsin Ethics Commission.

Oversight, Roles, and Responsibilities

The UW System President is responsible for developing policies and procedures implementing this Regent Policy Document.

UW chancellors are responsible for complying with the provisions of this Regent Policy Document, all subsequent policies and procedures developed by System Administration, and the principles, best practices and requirements described in [Appendix A](#). In particular, UW chancellors are responsible for ensuring that a university's MOU with its foundation requires the annual submission of financial statements and audits, to the university, consistent with the requirements of [Appendix A](#), page 11, Periodic Reports and Accounting Requirements, and for ensuring that any university employee who is also the executive director of a university foundation complies with the requirements of this policy, Chapter UWS 8, Wis. Admin. Code and Chapter 19, Wis. Stats.

Related Regent Policies and Applicable Laws

- Regent Policy Document 22-4, Fundraising Principles and Guidelines
- Chapter UWS 8, Wisconsin Administrative Code
- Chapter 19, Wisconsin State Statutes

History: Res. 10969, adopted 12/07/2017, created Regent Policy Document 21-9. Technical corrections to Appendix A made on 12/20/2018, as authorized by Res. 10835 (adopted 3/9/2017). Res. 11181, adopted 02/08/2019, amended RPD 21-9.

Appendix A

PRINCIPLES, BEST PRACTICES AND REQUIREMENTS RELATING TO THE RELATIONSHIP BETWEEN A UW UNIVERSITY OR UW COLLEGE AND ITS PRIMARY FUNDRAISING FOUNDATION AND ANY REAL ESTATE FOUNDATION***

Memorandum of Understanding

Each UW University and UW College (hereinafter referred to as “University”) must have a memorandum of understanding (MOU) with its primary fundraising Foundation, and with any Real Estate Foundation, that lays out the respective responsibilities of the University and the Foundation as well as other necessary provisions. A list of operational practices follows, as does a general checklist for necessary provisions that must be included in each MOU.

Operational Practices:

1. Ensure that both parties (University and Foundation) understand the separate and legally independent nature of the Foundation and the core competencies the Foundation needs to operate (i.e. legal, audit, governance, etc.).
2. Ensure that both parties understand, in light of the highly visible and critical role of the Foundation, and the strong association that alumni, friends, and the public make between the University and the Foundation, that the University has an important and legitimate interest in the Foundation’s policies and actions.
3. Ensure that there is a conflict of interest policy for the Foundation.
4. Ensure the Foundation has appropriate articles of incorporation, bylaws, and board member criteria, including term limits, expectations, and minimum qualifications.
5. Ensure that Foundation Board members understand their fiduciary duty to the Foundation.
6. Ensure that Foundation Board members understand that the Foundation’s purpose is to support the University’s mission.

General Checklist:

Maintain a MOU between the University and Foundation that:

1. Clearly establishes the working relationship between the University and Foundation.

2. Assures the preservation of mission alignment over time.
3. Is periodically reviewed, assessed, and adapted in keeping with changing circumstances and the passage of time.
4. Ensures that the Foundation has policies, resolutions, and/or controls that define the circumstances, if any, in which University employees can approve transactions and enter into obligations on behalf of the Foundation. These policies, resolutions, and/or controls must define circumstances (e.g., dollar limits, long-term contracts) for which formal pre-approval and/or post-transaction review by the Foundation's Board is required.
5. Ensures that the Foundation and the University define the services and support to be provided by the Foundation, including any fundraising activities, and the services and support to be provided by the University. Specific details regarding the services and support provided respectively by the Foundation and the University may be contained in a separate, operational agreement between the University and the Foundation that is reviewed and renewed annually.
6. Outlines methodology for any additional compensation or benefits to be paid to University leaders (compensation, housing, car, etc.) and that it be evaluated by both the University and Foundation to be appropriate, at market value, and defensible. The methodology chosen should express the clear understanding that the additional compensation or benefits is intended as remuneration for activities, such as fundraising, undertaken on behalf of the Foundation. (Note: This methodology needs to be included in MOU's only if applicable, i.e. if university chancellors or other leaders are paid (or are contemplated to be paid) any additional compensation or benefits.)
7. Establishes guidelines and conditions under which the MOU may be terminated and outlines a process for an orderly separation as well as the distribution of Foundation assets consistent with its articles of incorporation and bylaws.
8. Defines reciprocal responsibilities and mutual expectations regarding the frequency, content, and method of reporting between the University and Foundation, including a requirement for an annual independent audit of the Foundation be provided to the University for review if the Foundation receives annual contributions of \$500,000 or more. MOUs with Foundations that have annual contributions over \$300,000 and less than \$500,000 must require the Foundation to provide to the University for review a financial statement reviewed by an independent CPA. MOUs with Foundations that have annual contributions less than \$300,000 must state that the Foundation will provide an annual financial report to the University for review. The above-named documents must also be submitted to the Vice President for Finance of the University of Wisconsin System for review.

9. Describes generally the terms and processes by which Foundation funds and gifts, including gifts-in-kind, will be provided to and accepted by the University. Specific details regarding these terms and processes may be contained in a separate, operational agreement between the University and the Foundation that is reviewed and renewed annually.
10. Defines terms for the Foundation's use of the University's name, branding, and other University intellectual property.
11. Requires Foundation books and records be maintained in a professional manner and be available for review by the University.

Governance

Legal Separation of the University and its related Foundation: A public University Foundation provides fundraising and development operations as a separate non-profit organization. As a separately incorporated entity, the Foundation's primary purpose is to support the University it serves through receiving, investing, and guaranteeing good stewardship of gifts. Having its own articles of incorporation, bylaws, board of directors, and officers, the Foundation must maintain a legal distance between itself and the public University it supports.

A Foundation has no formal or legal role in the governance of the University, the setting of academic priorities, or other matters that are part of the University's responsibilities. As with any other citizen board, the Foundation Board is free to express its opinions and, in some cases, the University may ask for the Foundation Board's thoughts about certain issues. Likewise, the University does not have a formal or legal role in the governance of the Foundation but may have representation on its board of directors, or otherwise provide input and advice on Foundation matters.

It is important to establish and maintain independence between the University and its related Foundation. Blurring of these lines could lead to the conclusion that the Foundation is insufficiently separate from the University and is, therefore, subject to statutes and rules governing the University.

University Employees on Foundation Board: It is common and reasonable for University employees to be members of the Foundation Board because of their official connection to the University, which the Foundation is formed to support. However, these employees must be ex-officio and non-voting members of the Foundation Board. This arrangement helps to demonstrate independence by ensuring that University employees have no voting control over governance of the Foundation. Under this approach, if the ex-officio member of the Board is paid by the University, then he/she must not have voting power.

As with any other non-voting, ex-officio member of the Foundation Board, the University Chancellor can nominate individuals for Board membership, but the final decision on new members (and officers) is the prerogative of the voting members of the Board. Foundations

should have membership or nomination committees, or similar processes, for nominating Board members. To further demonstrate Foundation independence from the University, the number of University employees on the Board must be kept to a minimum and preferably should not exceed two or three members depending on the size of the Board. In no circumstance may University employees constitute a majority of the Foundation Board.

Oversight by the Board of Regents, System President, and Chancellors of Foundation Real Estate Projects: The Board of Regents, System President, and Chancellors must have oversight responsibility over real estate projects undertaken by Foundations, particularly where state resources such as real property or funding are involved in the projects. Any real estate projects undertaken by a foundation that involve state or university funding or property, require the approval of the appropriate UW chancellor, the System President, and the Board of Regents.

Since Foundations exist solely to support the University with whom they are affiliated, such real estate projects require the involvement and support of the University Chancellor. Real estate projects for which the Chancellor would have otherwise needed to seek Board of Regents or System President approval had they been University projects must be brought to the attention of the Board and System President by the Chancellor before the planning process begins and before commitments are made by the University or Foundation.

Projects that are planned to occur on state land, with state bonding, or with other state resources requiring approval of the Department of Administration or Governor, and legislative support, must also be brought to the attention of the Board of Regents and System President by the Chancellor before the planning process begins and before commitments are made by the University or Foundation. Such projects likely will require involvement by DOA, the Governor's Office, and/or legislators as they are being developed.

Ethical Obligations of University Employees Serving on a Foundation Board: University personnel serving on a Foundation Board are covered by conflict of interest laws applicable to directors of non-profit organizations (Section 181.0831, Wisconsin Statutes) and any requirements imposed by the Foundation Board's bylaws, articles of incorporation, or resolutions. These ethical obligations are in addition to those contained in UWS Chapter 8, Wisconsin Administrative Code (Unclassified Staff Code of Ethics), and for University employees who are public officials, those contained in Subchapter III of Chapter 19 of the Wisconsin Statutes (Code of Ethics for Public Officials).

Personnel

Hiring of a New Chancellor: The hiring of a new Chancellor is a responsibility of the Board of Regents and the UW System President. Foundation Board members may be asked by the System President to serve as community members on the University search and screen committee. Additionally, during the University interview process, a courtesy meeting between candidates and Foundation representatives would be appropriate. The Foundation cannot have controlling involvement in hiring a new Chancellor.

Provision of Additional Chancellor Compensation: Upon approval of the Foundation Board, it is acceptable for the Foundation to provide income supplements to fund a portion of the Chancellor's salary.

Any supplement or compensation provided to a Chancellor by a Foundation must be approved by the Board of Regents and the System President to ensure that the Chancellor is not in violation of University policies and state law. The Board of Regents and System President hire Chancellors and set their compensation levels, and they must approve in advance any compensation provided to a Chancellor from the Foundation. Total compensation, including that provided by the Foundation, must be within the Board approved compensation ranges and will depend on those factors used by the Board and President to set and adjust Chancellor compensation. Foundation payments must be deposited with the University. The University then uses the funds to payroll the Chancellor. Direct payment of compensation by a Foundation to a Chancellor is not permitted.

Provision of Additional Compensation for Other University Employees: Upon approval of the Foundation Board, it is acceptable for the Foundation to fund a portion of a University employee's salary. This includes such practices as endowing chairs and faculty positions, or augmenting the compensation provided to coaches. Again, any supplement or compensation provided to a University employee must be approved by the University hiring authority to ensure compliance with University policies and state law. In those situations, Foundation payments are deposited with the University. The University then uses the funds to payroll the individual. Direct payment of compensation by a Foundation to a University employee is not permitted.

Hiring and Evaluating the Executive Director of the Foundation: The Foundation Board is typically responsible for hiring and evaluating the Executive Director of the Foundation. When the Executive Director position is completely separate from the University, Foundations are encouraged to obtain input from the University in the hiring and evaluation process in order to preserve or build the close relationship that needs to exist between both entities.

It is preferred that the Executive Director of the Foundation be hired and paid for by the Foundation. However, the expense required to do this for modest and growing Foundations may render this option difficult. Thus, the dual-role title is a common practice, in Wisconsin and elsewhere, but must be managed to minimize potential conflicts.

At times, a University employee (e.g., the Vice Chancellor for Advancement/Chief Advancement Officer) is given the title of Executive Director of the Foundation. This dual title means that a state employee is hired (and paid) as the executive leader of a separate nonprofit organization in order to perform necessary administrative functions. It might be possible to designate a University employee as an official liaison to the Foundation to assist with the logistics involved in managing and operating the Foundation without naming that employee Executive Director, but appropriate care should be taken in accounting for the services provided to the Foundation. A Foundation may fund the portion of the University employee's time that is spent undertaking activities directly tied to the role as Executive Director of the Foundation. Any funding arrangement must be documented and may be done via a direct transfer of Foundation funds to the University or through an in-kind arrangement spelled out in the MOU or in the separate, related annual operational agreement that is in place between the University and the Foundation.

The University Chancellor holds full and sole authority to hire and evaluate the Vice Chancellor for Advancement/Chief Advancement Officer when that person is employed by the University and also serves as the Foundation Executive Director. The University is the employer and therefore has this responsibility. The Foundation does have an interest in who fills the Executive Director position and how well they perform the Foundation-related administrative duties assigned to them. As such, it is desirable that the Foundation Board have a non-decision-making role in the hiring and evaluation when the individual holds both titles.

Hiring and Evaluating Other University Personnel Whose Positions Are Funded from Foundation Resources: Resources provided through the Foundation commonly fund, in whole or in part, a number of University positions (e.g. endowed chairs, coaches, and administrative positions that support development and development related activities such as accounting). The University is the employer and therefore has sole hiring, supervision, and evaluation responsibilities. In most cases, the University employee will have no direct relationship with the Foundation outside of funding for the position, and the Foundation will not have a role in the hiring or evaluation of the employee. Where the employee does have a direct role in assisting with Foundation-related activities, the University may request that the Foundation communicate with the Chancellor or Chief Advancement Officer regarding the employee's performance.

University Employees Must Not Directly Receive Any Payments from the Foundation for Services or Honoraria: For accounting and tax reasons, payments to University employees for services, including any awards or honoraria, must be made through the University's payroll system. If the Foundation in a separate transaction has provided funds to the University to cover such payments, the Foundation should be acknowledged as the source of funds.

Reimbursements to University Employees from the Foundation: University employee business expenses that are allowable under University rules and guidelines should preferably be reimbursed through the University's business expense systems rather than through direct reimbursement from the Foundation. The Foundation, in a separate transaction, may provide funds to the University that cover such expenses generally. If a University employee seeks direct reimbursement from a Foundation for a business expense, in accordance with University or state rules and requirements, the Foundation should ensure proper accounting for reimbursements in accordance with IRS rules.

Universities and Foundations are required to adopt guidelines that assist in determining which reimbursements will be acceptable.

Finances

Funds Donated to a Foundation: If a check is made payable to the Foundation, the funds belong to the Foundation. If a gift instrument names the Foundation, or the gift instrument or other documented extrinsic evidence otherwise indicate the donor's intent to gift to the Foundation, the gift must be deposited with the Foundation. When funds are donated to the Foundation, it is important to understand that the intent of the donor is to give to projects of the University. Thus, these funds are managed by the Foundation but for support of the University.

However, only the Foundation Board can approve a transfer of Foundation funds to the University, and the University has no authority to direct the Foundation to transfer funds to the University. It is also important to recognize that once Foundation funds are deposited in University accounts, they are state funds and are fully subject to all state law requirements and restrictions.

Funds Donated to a University: Wisconsin Statutes, Section 36.29(4) prohibits reassignment of donations from the University to the Foundation. Thus, if a check is made payable to the University, or a gift instrument names the University, the funds presumptively belong to the University, and must be deposited accordingly in University accounts. However, for any donation, it is necessary to establish donor intent. If a check or gift instrument names the University, but there is documented extrinsic evidence establishing donor intent to direct the check or gift to the Foundation, then the check or gift are Foundation funds and must be deposited with the Foundation. If a check or gift instrument names the University, and there is no documented extrinsic evidence establishing donor intent to direct the check or gift to the Foundation, then the check or gift are University funds and must be deposited in University accounts. It is very important to recognize that once funds are received by the University, they are state funds and are fully subject to all state law requirements and restrictions. Such funds must not be deposited with the Foundation or transferred to the Foundation, as a means of avoiding state law requirements and restrictions on the use of state funds.

Funds Derived from University Revenue Producing Activities: Funds derived from University revenue producing activities, such as fees for services or use of university facilities, revenues from ticket sales, registration fees, and similar activities, or from grants, contracts or business arrangements, belong to the University and all such funds must be deposited directly with the University into appropriate accounts. Such funds must not be deposited with the Foundation or transferred to the Foundation, as a means of avoiding state law requirements and restrictions on the use of state funds.

University funds cannot be transferred, gifted or loaned to the Foundation: The University cannot transfer, gift, or loan state funds to the Foundation. University funds are “state” funds regardless of the funding source (e.g., General Purpose Revenue, Program Revenue, gifts and grants, tuition, etc.) This includes Foundation funds that have passed through the University. State funds include funding generated by the University, funding provided by the state, and also funding given to the University by the Foundation. As stated above, all University funds, regardless of source, are subject to the same restrictions that govern use of “state” funds. The University only may make such funding available to the Foundation in exchange for specific related services or other forms of consideration that the Foundation might provide.

Use of State Funds for the Hiring of University Personnel to Raise Funds for the University through the Foundation: Personnel hired and paid by the University in order to raise funds for the University are in the employ of the University, not the Foundation. If successful, these employees are a good investment for the University’s future. It is common practice for Universities to pay for these individuals from University budgets. The total state resources used to support fundraising personnel and activities need to be weighed against the benefits to the University derived from the investment, as well as alternative demands on those resources.

Direct Purchases by a Foundation for Equipment, Services or Other Purposes on the University's Behalf: Nearly all the funds raised and deposited in Foundation accounts will eventually be transferred to the University's gift fund budget and spent strictly according to state requirements and donor intent. In unusual circumstances, funds may be spent directly by the Foundation for equipment, services, or other purposes on the University's behalf. When this is done, it is important that the University and Foundation are aware of UW policies and guidance that may govern or affect such expenditures and that appropriate accounting measures are in place. Adequate justification must be provided for why University funds could not be used to make the expenditure, and documentation must be provided supporting the expenditure. The request for payment of the expenditure must be approved by the Chancellor or designee. Foundations also must have clearly defined internal policies and procedures guiding this type of direct payment using donor funds. If applicable, internal Foundation legal, finance, and fund administration departments should be consulted and should provide approval.

The University Cannot Allow Direct Payments to Student Recipients of Scholarships, Fellowships or Similar Awards: The University cannot allow direct payments to students for scholarships, fellowships, prizes, and similar awards. Federal financial aid reporting rules require accounting for financial aid payments by the University and its affiliates. Foundations are unlikely to have the processes in place necessary to assure compliance.

Use of Foundation Funds Obviously Must Comply Strictly with Donor Intent: Funds that are deposited in restricted accounts at the Foundation to be used for specified purposes such as scholarships must not be used, even temporarily, for any purpose other than that which the donor intended. The Foundation must not borrow, loan, or transfer monies from restricted accounts for any purpose.

Use of University Space and Assets

University Allocation of Space at the University for a Foundation's Business Activities: Ideally, a Foundation would have its own office space, showing a physical separation from the University. If the Foundation is allocated space at the University, which is common across the country, the MOU between the University and Foundation, or the related operational agreement between the University and Foundation, must include the rent the Foundation will pay for use of the space, or that the Foundation may use such space rent-free as an "in-kind" payment by the University for specified services rendered by the Foundation. Rent or in-kind payments must be documented by the University at the fair market rate for the space.

University Assets Cannot be Gifted or Loaned to the Foundation: The University cannot "gift" or loan equipment, personnel time, or other assets to a Foundation. The University may make such assets available to the Foundation in exchange for specific related services, payments, and other forms of remuneration that the Foundation might provide as described in the MOU or related operational agreement. University assets (equipment, etc.) are "state" assets regardless of the funding source (General Purpose Revenue, Program Revenue, Foundation gifts, etc.) used to secure the asset.

Public Records

Maintenance of a Foundation in accordance with these principles and practices should mean that a UW Foundation is not subject to the Wisconsin Public Records Law. While a Wisconsin appellate court has not ruled on this issue, some courts in other states have found their public university foundations to be entities subject to their public records laws. Even if the Wisconsin Public Records Law were found to apply, the law contains protection for specific records where the public interest in confidentiality outweighs the public interest in release of the record.

Requests for records of the Foundation should be reviewed with both Foundation and University legal counsel so that the appropriate decisions can be made regarding records release. To place the Foundation in the best possible position, requests for donor confidentiality should be well-documented.

Capital Projects and Related Debt

A University Must Not Secure or Guarantee a Foundation's Debt: A Foundation cannot legally obligate the University to secure the financing of a capital project for the benefit of the University. As a state agency, the University cannot secure or guarantee the debt or obligations of a private entity like the Foundation. Any such guarantee violates the state constitution and state statute.

Foundation Undertaking and Paying for a Capital Project: If the project will require commitment of state funding or income streams for maintaining the project or otherwise obligate the University in the future, a discussion between the Foundation and the University must occur as the project is being planned. If it appears that the University will not be able to maintain the facility, then the project must not continue unless maintenance will be paid for through other Foundation resources. **Foundation's Role in Capital Projects That Include Gift Funding:** Gift funds provided by a Foundation may be a source of revenue for cash deposits into a state capital project. The gift funds can cover the full cost of the project or any portion. The UW System Gift Funding Policy for capital projects is available at:

<https://www.wisconsin.edu/regents/policies/funding-of-university-facilities-capital-costs/>

A Foundation May Hold and Develop Property for the Benefit of the University:

Foundations may acquire property for the benefit of the University, either directly or through the creation of a subsidiary real estate Foundation. Such property may subsequently be given to the University or made available for University use through a use or management agreement or other appropriate arrangement. If a Foundation funds a development on private land that will be of benefit to the University (e.g., a private residence hall adjacent to the University) that involves state or university funding or property, competitive bidding procedures must be used in constructing the project. Foundations and subsidiaries may construct, own, and operate such facilities without Board of Regents or State Building Commission approval if the facility is financed and operated independently of the University. If the facility has financial or operational ties to the University, the University advancement and planning offices must consult with the

UW System Office of Capital Planning and Budget (and with the UW System Office of General Counsel) to determine an appropriate arrangement.

Dummy Building Corporation Concerns with Respect to Foundation Building Projects:

Prior to the amendment of Article VIII, Section 7(2)(d) of the Wisconsin Constitution in 1969, the state was prohibited from incurring debt except in very limited circumstances. This created significant problems with respect to financing large construction projects and led to the use of "dummy building corporations." Dummy building corporations were non-profit shell corporations, where state officials acted as the corporate officers. Both the Regents of the University of Wisconsin (the predecessor to the current Board of Regents) and the Regents of the 10 State Colleges (the former governing board of the comprehensive campuses) created dummy corporations in order to finance construction projects for the campuses. The dummy corporations would enter into a lease for a facility with the University and use the lease to secure financing from banks and other financial institutions. The state would be neither a guarantor nor cosigner of the debt, but would, in effect, pay off the corporation's debt.

In 1969, the Constitution was amended to permit the state to contract public debt, while prohibiting the use of dummy building corporations. Section 7(2)(d) of the Constitution, as amended, reads as follows:

(d) No money shall be paid out of the treasury, with respect to any lease, sublease or other agreement entered into after January 1, 1971, to the Wisconsin State Agencies Building Corporation, Wisconsin State Colleges Building Corporation, Wisconsin State Public Building Corporation, Wisconsin University Building Corporation or any Similar entity existing or operating for similar purposes pursuant to which such nonprofit corporation or such other entity undertakes to finance or provide a facility for use or occupancy by the state or an agency, department or instrumentality thereof.

Interpreting this amended provision of the constitution in *State ex. rel. Warren v. Nusbaum*, 59 Wis.2d 391, 208 N.W.2d 780 (1973); the Wisconsin Supreme Court held:

The purpose of this section [Art. VIII, Sec. 7(2)(d)] was to prevent the utilization of state money to liquidate the construction debts of nonprofit corporations established to provide facilities for the use or occupancy of the state. * * *

Sec. 7(2)(d), art. VIII, Wis. Const., does not prevent all nonprofit organizations or corporations established for a public purpose, from carrying on that purpose. It prohibits the type of indirect financing [used by dummy building agreements]. Where no state money is appropriated out of the state treasury for the purpose of meeting the state's obligations under such an agreement, sec. 7(2)(d), art. VIII is not violated.

Nusbaum, 59 Wis.2d at 427, 208 N.W.2d at 802.

Over the past few years, as demand for facilities has increased faster than available state funds,

additional emphasis has been placed upon the use of external monies to fund University facilities. Various arrangements have been proposed, but in general, any attempt to utilize the state's credit or state funds as collateral and any attempt to guarantee or otherwise secure a loan based upon the state purchasing or otherwise acquiring a facility has been rejected as inconsistent with the constitution and cannot be allowed.

Additionally, it is quite clear that any lease-purchase arrangement with a non-profit would violate the Constitution and cannot be allowed. Any attempt to have a non-profit build a building and have the University buy the building for the amount of the indebtedness would be constitutionally impermissible.

In general, it appears that the only viable way to accept the financial assistance of a private nonprofit foundation is if the assistance is provided with no strings attached, thereby ensuring that no money is paid out of the state treasury to the foundation to directly or indirectly fund a capital project. The transaction as a whole has to be examined and a number of questions would have to be answered.

Periodic Reports and Accounting Requirements

Periodic Reports to the University: The Foundation must provide to the University periodic information regarding funds raised by the Foundation. Language must be included in the MOU between the Foundation and the University stating that the Foundation will submit an annual financial statement and annual independent audit to the University. Except that, as provided for in Wis. Stats., Section 202.11, the MOU with a Foundation that receives annual contributions of less than \$500,000 and over \$300,000 must state that the Foundation will submit to the University a financial statement reviewed by an independent CPA. Foundations that receive annual contributions equal to or less than \$300,000 must submit an annual financial report to the University for informational purposes and potential review.

Applicability of GASB Standards: The authority of the Governmental Accounting Standards Board (GASB) to establish standards for determining when affiliated organizations must be included within the financial statements of a public university or other governmental entity must be recognized by the Foundation in the MOU between the Foundation and the University. Accordingly, the Foundation must agree in the MOU to provide the University, upon request, all information required to be in compliance with pronouncements from GASB or with any applicable state law.

Data/Public Records Law

Data Sharing Agreement: It is a best practice for a University and related Foundation to agree in writing (preferably in the MOU) regarding location, ownership and sharing of student, alumni, and donor data and records. These types of information routinely are shared among Foundation and University employees. Without a clear understanding regarding data location, ownership and sharing, risks increase for liability and/or compliance issues under the state public records law

and the federal Family Educational Rights and Privacy Act (FERPA). It should be understood that records held by the University are generally subject to the state public records law.

Tax Law Compliance

Federal and state tax law create complexities with gift acceptance, payments to both UW and foundation employees (even if indirect), and tax-exempt status. Both UW institutions and Foundations should seek help from legal counsel and controllers regarding any transactions that could have tax implications.

NOTE This document is substantially based on a draft document entitled “General Considerations and Discussion of Commonly-asked Questions Concerning Advancement, Fundraising, Development, and Foundations,” dated October 9, 2013, and prepared by Don Gray, former Senior Special Assistant, UW System and Chris Ashley, former Deputy General Counsel, UW System.

| Last edited: ~~February 2~~June 5, 2019

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS QUARTERLY INVESTMENT REVIEW AS OF MARCH 31, 2019 EXECUTIVE SUMMARY

BACKGROUND

The attached UW System Trust Funds Quarterly Investment Review as of March 31, 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.

REQUESTED ACTION

This item is for informational purposes only.

DISCUSSION

As of March 31, 2019, UW System Trust Funds assets totaled \$582 million, comprised of \$449.16 million in the Long Term (endowment) Fund and \$132.88 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 \$625,755 contribution into the Long Term Fund in January, which was invested in the public markets investments, and a reallocation of \$1,477,272 from the public markets investments to the private markets investments in March, to cover actual and expected capital calls in excess of distributions for the legacy private markets funds. An additional \$34,684 was contributed to the SWIB managed funds for payment of fees.

The first quarter of 2019 saw a recovery in both the stock and bond markets after weak performance in the final quarter of 2018. More accommodative language from the Federal Reserve, signaling no rate increases in 2019, was one of the biggest factors behind the strong first quarter performance. The Fund’s public equity investments increased 12.1% during the quarter, while the bond investments returned 3.3% and the inflation sensitive investments gained 4.7%. The private markets portfolio was essentially flat with a slight gain of 0.14%.

For the quarter ending March 31, the well-diversified Long Term Fund increased in value 7.13% (before fees), while the UW Fund Custom Benchmark gained 7.09%. The Income Cash Fund gained 0.61% for the period.

RELATED REGENT POLICIES

None.



University of Wisconsin System Trust Funds



Quarterly Investment Review March 31, 2019

UW System Trust Funds: Overview and Investment Summary

Quarter Ended March 31, 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 3/31/2019

Total Public Market Assets ¹	\$380,682,108
Total Legacy Private Market Assets ¹	\$68,415,864
Other Cash and Accruals ²	\$65,837
Total UW System Long Term Fund ³	\$449,163,809

Income Cash Fund (State Investment Fund 'SIF') ⁴ \$132,882,000

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

² 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.

³ 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.

⁴ 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 3/31/2019

	Jan-19	Feb-19	Mar-19	3 Months
UW System Long Term Fund (Gross of Fees)	4.38%	1.33%	1.29%	7.13%
UW System Long Term Fund (Net of All Fees) ⁵	4.37%	1.32%	1.29%	7.11%
UW Fund Custom Benchmark	4.36%	1.31%	1.29%	7.09%

⁵ 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 3/31/2019

UW System Long Term Fund - Public Markets ⁶	\$ (851,517)
UW System Long Term Fund - Private Markets ⁷	\$ 1,477,272
UW System Long Term Fund Contributions for Fees ⁸	\$ 34,684
UW System Long Term Fund Fees Paid ⁹	\$ (99,428)

⁶ 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.

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

⁸ The Fund has pre-paid fees that can cause Contributions for Fees to not equal Fees Paid.

⁹ Fees paid can include external and internal management fees, custody & middle office fees, and other pass through fees accrued from both the public and private market accounts.

UW System Trust Funds: Market Discussion & Commentary

Quarter Ended March 31, 2019

UW Q1 2019 Performance and Market Discussion

In the first quarter, the UW's investment portfolio returned 7.13% compared to the fund's benchmark return of 7.09%.

Both the stock and bond markets rebounded significantly during the quarter after less than stellar returns in 2018. The Federal Reserve's shift to a more accommodative tone gets much of the credit for the first quarter market bounce, along with a continuation of mostly solid company fundamentals. In their January announcement, the Fed indicated it would refrain from interest rate hikes for the foreseeable future and provided a dovish assessment of U.S. economic conditions. This reduced market-based expectations of interest rates, serving as a boon for both equities and bonds.

However, the possible end of the current rate hiking cycle has been precipitated by decelerating economic data. Non-farm payroll expansions have been significantly below expectations, partly due to the unusually cold February. During the first quarter, there was a significant downward revision to fourth-quarter GDP, which was amended to 2.2%, down from the previous estimate of 2.6% and compared to 3.4% in the quarter before. The revision reflected downgrades to consumer and business spending, and to government outlays and homebuilding investment. Manufacturing PMI has also edged lower. Even with these signs of weakness, the U.S. economy continued to exhibit a tight labor market, low inflation, and slowing but stable economic growth. Unemployment remained at 3.8% in February, the lowest level since 1969.

Despite accelerating wage growth and broad-based tax cuts in 2018, consumer caution and higher short-term interest rates have led to declining housing starts and weaker auto sales. Retail sales also fell unexpectedly as households cut back on purchases of furniture, clothing, food and electronics and appliances. As a result, consumer price inflation has slowed.

Equity Performance

Global equities as measured by the MSCI ACWI Index experienced an increase of 12.33% in the first quarter of 2019.

After their December announcement drove a rotation out of equities, the Federal Reserve's shift to a gentler tone contributed to a meaningful rebound in equity prices. Stock market strength was also supported by relatively strong corporate earnings growth.

US Equities rose 14.04% as measured by the broad market Russell 3000 index. Positive sector returns in the U.S. came from information technology (+20.75%), real estate (+17.30%), and industrials (+16.74%). All other sectors' returns were also positive, with health care (8.18%), financials (+8.85%), and utilities (+11.40%) as the lowest sector returns.

The MSCI World ex-U.S. Index returned 10.45% during the first quarter of 2019. Eurozone equity markets all advanced but to varying degrees as there was slowing economic activity across the region. Partially contributing to the bullish sentiment was the ECB's reaffirmation of accommodative monetary policy. Within the eurozone, Germany's return of 6.7% lagged the index amid continued weakness in the

manufacturing and export sectors. Elsewhere in the eurozone, Italy gained 16% despite two consecutive quarters of real GDP contraction and political uncertainty as macro trends were relatively constructive. The U.K. equity component gained 12.5% and contributed the most to EAFE's total return despite ongoing Brexit uncertainty. In Asia/Pacific, Japan returned 6.7%, underperforming as uncertainty around U.S. trade protectionism, an upcoming sales-tax hike, and low levels of growth weighed on sentiment. Still, continued monetary support by the Bank of Japan and a weaker yen provided some support to the country's equity market.

Emerging markets, as represented by the MSCI EM Index, increased 9.92% in Q1. From a country standpoint, the China component rose 19% in the first quarter, a welcome reprieve from the bear market the country sustained in 2018. China contributed 51% of the MSCI EM Index's total return. An extended pause in tariff hikes between the U.S. and China helped mitigate headline risk and supported investor sentiment. In addition, the country's pivot toward stimulus after 2018's aggressive deleveraging campaign to clamp down on the country's excessive credit expansion also helped increase investor sentiment.

Elsewhere in Asia, Taiwan (+8.3%) and South Korea (+4%) underperformed EM equities as exports in both countries declined year over year.

Russian equities outperformed with a 12% increase as energy names rallied on the back of OPEC production cuts that led to a 27% increase in crude oil prices.

In Latin America, Colombian equities outperformed and gained 25% in the quarter. Though the country led EM country performance in Q1, the MSCI Colombia Index remains 40% below 2012 highs. Elsewhere in Latin America, Brazilian equities gained 8.4% in the quarter as President Jair Bolsonaro assumed office at the start of the year.

UW System's combined equity portfolio returned 12.12% during the quarter, vs the combined equity benchmark return of 12.06%.

Fixed Income Performance

US System's Government/Credit index fund returned 3.32% in the first quarter. The benchmark Bloomberg Barclays Government/Credit Index posted a return of 3.26% in the quarter.

Government bonds returned 2.1% for the quarter, as 10-year yields fell sharply across major sovereign markets over the quarter, including in the U.S. The Federal Reserve turned dovish late last year but in March went further than expected in realigning policy to tackle global risks weighing on the domestic economy. Policymakers reiterated that the Fed would continue to be patient with respect to monetary policy, as they downgraded their estimate of growth this year to 2.1%, from 2.3% projected in December. Fed Chair Jerome Powell guided that interest rates could be on hold for "some time" as the committee slashed its projections of rate hikes this year from two to zero. The pause in interest rate hiking by the Fed coupled with lowered forecasts for growth drove investors into longer-duration government bonds. The yield on the 10-year U.S. Treasury dropped from a quarterly high of 2.78% in mid-January to 2.40% at quarter end. The increased demand for long-term debt coupled with high short-term rates (Fed funds target rate remained at 2.50% at the quarter's end) created an inversion of the three-month/ten-year Treasury spread. This spread is the Fed's preferred measure for calculating recession probabilities, and its inversion has preceded every U.S. recession since the 1950s.

Corporate bonds returned 4.87% in the first quarter, as the Fed's more stimulative tone, along with the rebound in global equities, healthy corporate earnings, and a de-escalation of U.S.-China trade tensions all contributed to the strong credit results during the quarter.

Inflation Sensitive Performance

The Bloomberg Barclays US TIPS Index returned 3.19% in the first quarter of 2019. The UW System's TIPS portfolio outperformed slightly, returning 3.26%.

Inflation is trending around the Fed's 2% target while market expectations remain lower. The year-to-date pickup in inflation expectations was driven mostly by a rebound in energy prices; however higher wages are not yet showing up in inflation data and technology efficiencies have also kept goods inflation contained. Both the soft inflation prints and low inflation expectations support the Fed's patient stance. Following the March Federal Open Market Committee (FOMC) meeting, the Fed signaled zero hikes for 2019 and one hike for 2020 as their economic projections reflected lowered growth and inflation forecasts. Additionally, inflation volatility has remained incredibly low.

The BlackRock Developed Real Estate Index Fund returned 14.92% in Q1 as REITs experienced a very good quarter. A more tempered Fed was a positive contributor to the strong performance of REITs. With the expectation that interest rates are on pause for now, strong demand for income producing assets is likely to persist. This expectation of a continued "low for longer" environment and stable economic growth has created a goldilocks environment for the U.S. REITs market. More broadly, after six months of Brexit headlines, U.K. REITs recovered nicely in January and February. Despite being late into an economic cycle, the global economy has been able to support job growth and demand for real estate.

Legacy Private Markets Performance

The legacy private markets funds, consisting of Adams Street Partners, JP Morgan, and TRG funds, were essentially flat during the quarter, returning .14% in Q1.

Asset Allocation

Public Markets allocations ended the quarter with 56.7% in Equities, versus a target of 57%; 20.2% in Fixed Income, versus a target of 20%; and 23.1% in Inflation Sensitive assets, versus a target of 23%. The UW System allocated an additional \$625,755.04 into the investment funds in January, which was invested into the BlackRock funds. In March, \$1,477,272 was withdrawn from the BlackRock funds and sent to StepStone to bring their cash balance back to the \$2 million target. StepStone's cash balance had declined during the quarter as the capital calls from the legacy private markets funds exceeded the distributions from those funds.

UW System Trust Funds: Market Overview

Quarter Ended March 31, 2019

Economic Indicators

	Quarter Ending	YTD	1 Year	3 Year	5 Year	10 Year
GDP Growth Rate (current dollars) ¹	0.95%	0.95%	5.10%	4.59%	4.25%	3.88%
CPI Growth Rate	0.74%	0.74%	1.42%	2.05%	1.38%	1.75%

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

¹ The GDP growth rate is not adjusted for inflation.

Market Indicators

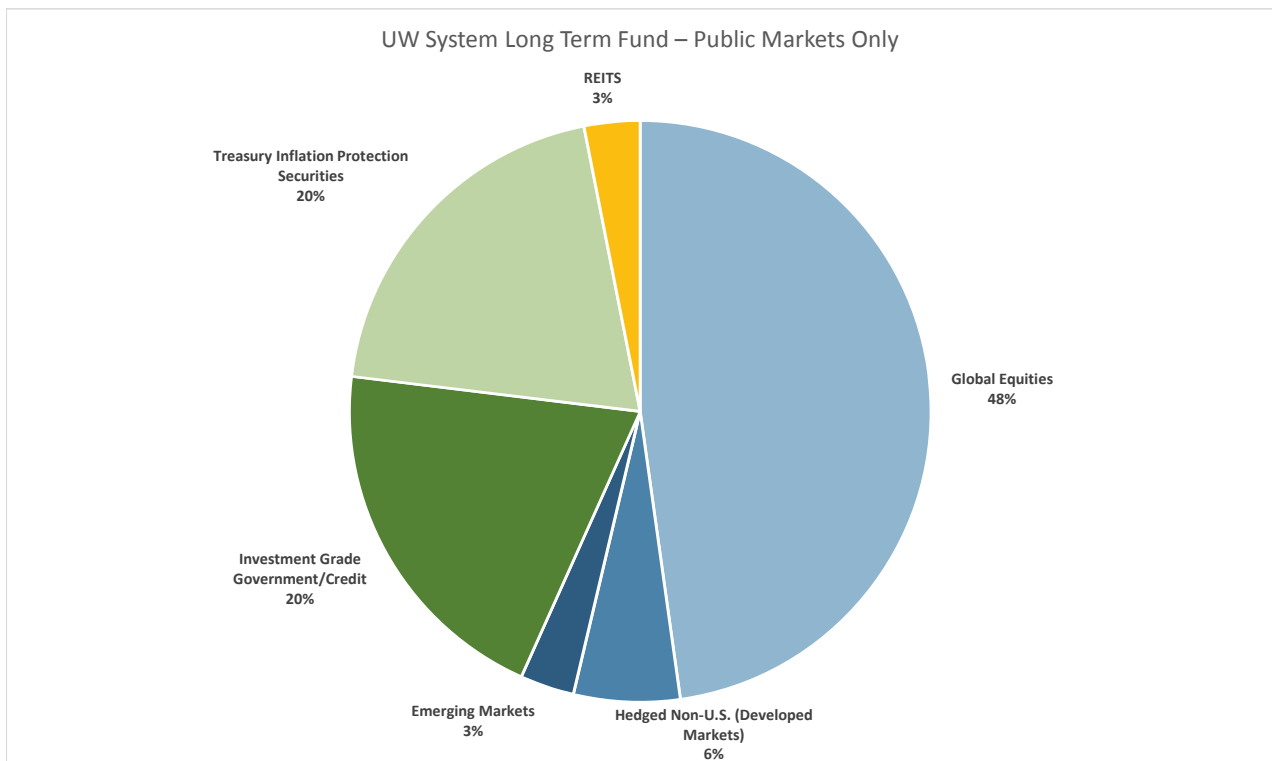
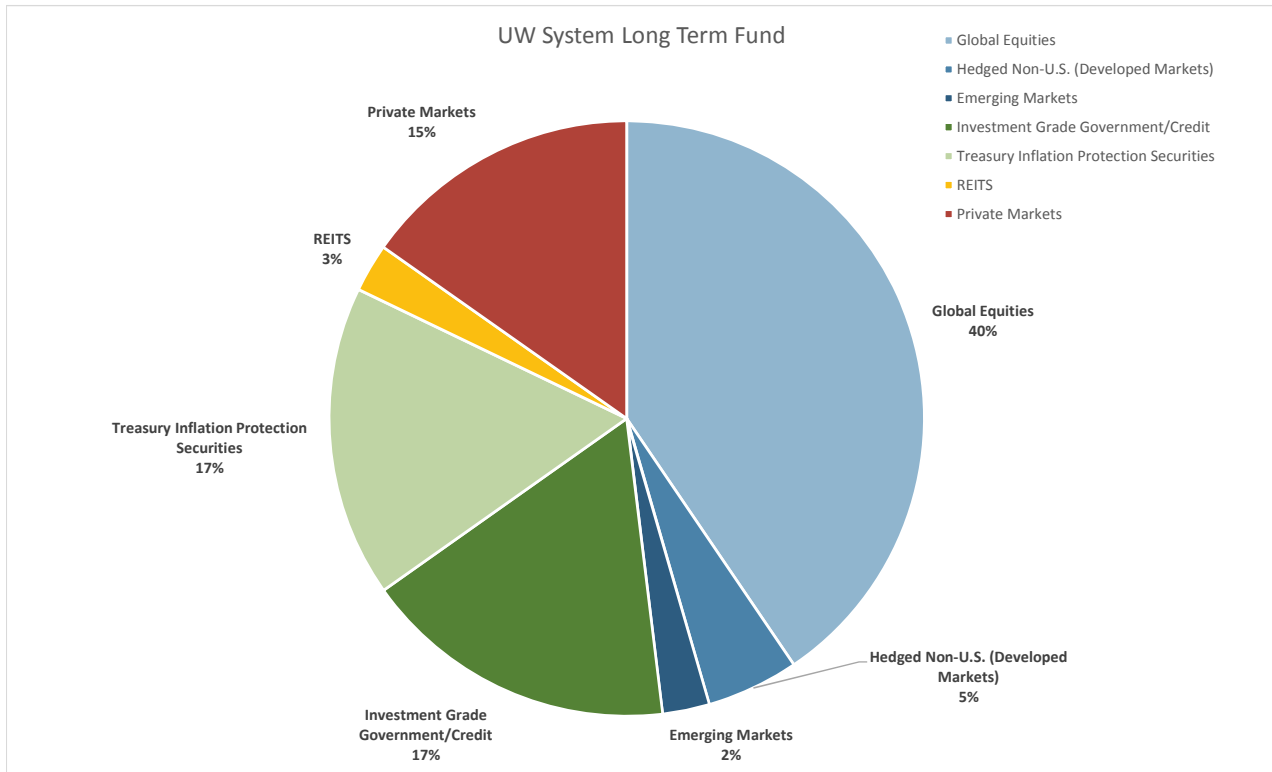
Investment Performance - Periods Ended March 31, 2019

	Quarter Ending	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Large Cap Stocks (S&P 500 Index)	13.65%	13.65%	9.50%	13.51%	10.91%	15.92%
U.S. Small Cap Stocks (Russell 2000 Index)	14.58%	14.58%	2.05%	12.92%	7.05%	15.36%
U.S. Broad Market Stocks (Russell 3000 Index)	14.04%	14.04%	8.77%	13.49%	10.36%	16.00%
International Stocks (MSCI World ex US Index)	10.45%	10.45%	-3.14%	7.29%	2.20%	8.82%
International Stocks - Local Currency (MSCI World ex US Index)	10.79%	10.79%	3.19%	8.54%	5.86%	9.59%
Emerging Markets Stocks (MSCI EM Net Index)	9.92%	9.92%	-7.41%	10.68%	3.68%	8.94%
Global Stocks (MSCI ACWI Gross Index)	12.33%	12.33%	3.16%	11.27%	7.03%	12.58%
Government/Credit (Bloomberg Barclays Capital Gov/Credit)	3.26%	3.26%	4.48%	2.12%	2.78%	3.92%
U.S. TIPS (Bloomberg Barclays U.S TIPS Index)	3.19%	3.19%	2.70%	1.70%	1.94%	3.41%
Real Estate (FTSE EPRA/NAREIT Developed Net Index)	14.59%	14.59%	13.27%	5.68%	6.42%	14.00%

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

UW System Trust Funds: Asset Allocations

Quarter Ended March 31, 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 March 31, 2019

Asset Class/Strategy	Current Allocation (\$MM)	Current Allocation (%)	Target Allocation (%)	Min./Max. Guidelines
Public Equities¹				
Global Equities	\$181,899,682	47.8%	48.0%	44-52%
Hedged Non-U.S. Equities (Developed Markets)	\$22,510,832	5.9%	6.0%	5-7%
Emerging Markets Equities	<u>\$11,470,559</u>	<u>3.0%</u>	<u>3.0%</u>	<u>2-4%</u>
	\$215,881,073	56.7%	57.0%	51-63%
Fixed Income				
Investment Grade Government/Credit	<u>\$76,941,358</u>	<u>20.2%</u>	<u>20.0%</u>	<u>18-22%</u>
	\$76,941,358	20.2%	20.0%	18-22%
Inflation Sensitive				
TIPS (Treasury Inflation Protection Securities)	\$76,042,683	20.0%	20.0%	18-22%
REITS (Real Estate Investment Trusts)	<u>\$11,816,995</u>	<u>3.1%</u>	<u>3.0%</u>	<u>2-4%</u>
	\$87,859,677	23.1%	23.0%	20-26%
Total Public Markets	\$380,682,108	100%	100%	-
Private Markets²	<u>\$68,415,864</u>	-	N/A	N/A
Terrace Holdings II	\$68,415,864	-		
Other Cash and Accruals³	\$65,837			
Long Term Fund Total Assets⁴	\$449,163,809			

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

² 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.

³ 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.

⁴ 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 March 31, 2019

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

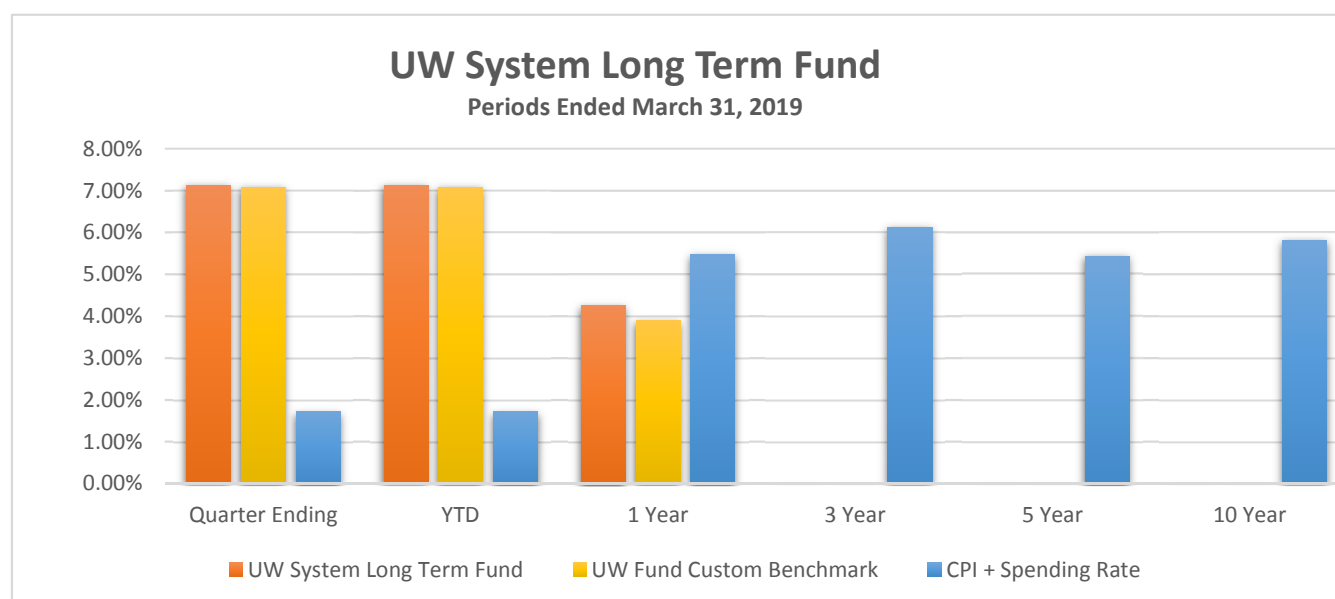
Fund and Benchmark Performance Data						
Investment Performance: Periods Ended March 31, 2019						
	Quarter Ending	YTD	1 Year	3 Year	5 Year	10 Year
UW System Long Term Fund¹	7.13%	7.13%	4.25%	-	-	-
UW Fund Custom Benchmark ²	7.09%	7.09%	3.90%	-	-	-
Consumer Price Index (CPI)	0.74%	0.74%	1.42%	2.05%	1.38%	1.75%
CPI + Spending Rate ³	1.73%	1.73%	5.47%	6.13%	5.43%	5.82%
Income Cash Fund (SIF)⁴	0.61%	0.61%	2.16%	1.23%	0.80%	0.49%

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

² 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.

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

⁴ 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 March 31, 2019

Asset Class/Strategy	Quarter Ending	YTD	1 Year	Since Inception
UW System Long Term Fund				
Gross of Fees	7.13%	7.13%	4.25%	4.25%
<i>Net of Fees</i>	<i>7.12%</i>	<i>7.12%</i>	<i>4.20%</i>	<i>4.20%</i>
<i>Net of All Fees</i>	<i><u>7.11%</u></i>	<i><u>7.11%</u></i>	<i><u>4.13%</u></i>	<i><u>4.13%</u></i>
UW Fund Custom Benchmark ¹	7.09%	7.09%	3.90%	3.90%
Public Equities				
Gross of Fees	12.12%	12.12%	2.22%	2.22%
<i>Net of All Fees</i>	<i><u>12.11%</u></i>	<i><u>12.11%</u></i>	<i><u>2.19%</u></i>	<i><u>2.19%</u></i>
UW Public Equity Benchmark ²	12.06%	12.06%	1.80%	1.80%
BlackRock MSCI ACWI Index Fund B				
Gross of Fees	12.37%	12.37%	2.36%	2.36%
<i>Net of All Fees</i>	<i><u>12.37%</u></i>	<i><u>12.37%</u></i>	<i><u>2.34%</u></i>	<i><u>2.34%</u></i>
MSCI ACW IM Net Index	12.29%	12.29%	1.89%	1.89%
BlackRock EAFE Currency Hedged Equity Index Fund B				
Gross of Fees	11.29%	11.29%	5.55%	5.55%
<i>Net of All Fees</i>	<i><u>11.28%</u></i>	<i><u>11.28%</u></i>	<i><u>5.51%</u></i>	<i><u>5.51%</u></i>
MSCI EAFE Net 100% USD Hedged Index	11.26%	11.26%	5.25%	5.25%
BlackRock Emerging Markets Free Fund B				
Gross of Fees	9.81%	9.81%	-7.44%	-7.44%
<i>Net of All Fees</i>	<i><u>9.80%</u></i>	<i><u>9.80%</u></i>	<i><u>-7.49%</u></i>	<i><u>-7.49%</u></i>
MSCI Emerging Markets Net Dividend Index	9.92%	9.92%	-7.41%	-7.41%
Fixed Income				
BlackRock Government/Credit Bond Index Fund B				
Gross of Fees	3.32%	3.32%	4.64%	4.64%
<i>Net of All Fees</i>	<i><u>3.32%</u></i>	<i><u>3.32%</u></i>	<i><u>4.62%</u></i>	<i><u>4.62%</u></i>
Bloomberg U.S. Gov't/Credit Index	3.26%	3.26%	4.48%	4.48%
Inflation Sensitive				
Gross of Fees	4.72%	4.72%	4.41%	4.41%
<i>Net of All Fees</i>	<i><u>4.72%</u></i>	<i><u>4.72%</u></i>	<i><u>4.39%</u></i>	<i><u>4.39%</u></i>
Inflation Sensitive Benchmark ³	4.66%	4.66%	4.11%	4.11%
BlackRock U.S. Treasury Inflation Protected Securities Fund B				
Gross of Fees	3.26%	3.26%	2.94%	2.94%
<i>Net of All Fees</i>	<i><u>3.26%</u></i>	<i><u>3.26%</u></i>	<i><u>2.93%</u></i>	<i><u>2.93%</u></i>
Bloomberg Barclays U.S. TIPS Index, Series L	3.19%	3.19%	2.70%	2.70%
BlackRock Developed Real Estate Index Fund B				
Gross of Fees	14.92%	14.92%	14.51%	14.51%
<i>Net of All Fees</i>	<i><u>14.90%</u></i>	<i><u>14.90%</u></i>	<i><u>14.42%</u></i>	<i><u>14.42%</u></i>
FTSE EPRA/NAREIT Developed Net Index	14.59%	14.59%	13.27%	13.27%
Private Markets				
Terrace Holdings II ⁴				
Gross of Fees	0.14%	0.14%	10.13%	10.13%
<i>Net of All Fees</i>	<i><u>0.11%</u></i>	<i><u>0.11%</u></i>	<i><u>9.89%</u></i>	<i><u>9.89%</u></i>
UW Private Equity Benchmark ⁵	0.11%	0.11%	9.89%	9.89%

* 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.

¹ 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).

² 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.

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

⁴ Returns reflect 9/30/2018 values due to valuation timing lag. The net of fees and net of all returns are net of StepStone manager fees.

⁵ 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 03/31/2019 (return percentages are annualized as of period end)

	Q1*	YTD*	1 Year*	3 Year	5 Year	Since Inception
Fund return %	12.37	12.37	2.30	10.96	6.70	8.47
Benchmark return %	12.29	12.29	1.89	10.58	6.33	8.09
Difference	0.08	0.08	0.41	0.38	0.37	0.38

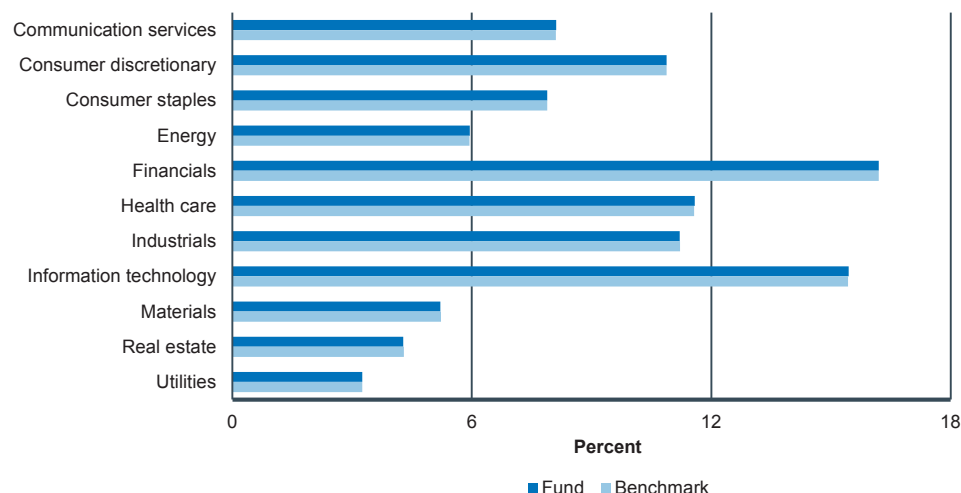
Performance disclosure:

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 03/31/2019



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 03/31/2019)

Benchmark	MSCI ACWI IMI Net Dividend Return Index
Total fund assets	\$2.94 billion
Fund inception date	03/23/2010

Characteristics (as of 03/31/2019)

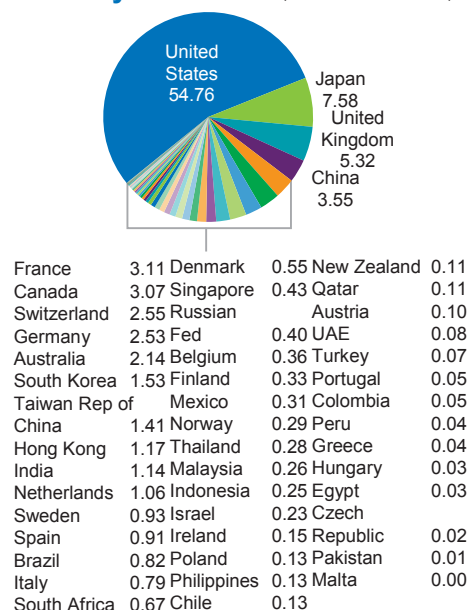
	Fund	Benchmark
Number of securities	8,658	8,670
Dividend yield	2.40	2.40

Top 10 holdings (as of 03/31/2019)

	Country	Fund (% assets)
Apple Inc	United States	1.74
Microsoft Corp	United States	1.66
Amazon Com Inc	United States	1.43
Facebook Class A Inc	United States	0.78
Johnson & Johnson	United States	0.73
Alphabet Inc Class C	United States	0.71
Alphabet Inc Class A	United States	0.68
Exxon Mobil Corp	United States	0.66
JPMorgan Chase & Co	United States	0.65
Nestle Sa	Switzerland	0.57

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

Country allocation (% as of 03/31/2019)



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 03/31/2019 (return percentages are annualized as of period end)

	Q1*	YTD*	1 Year*	Since Inception
Fund return %	11.29	11.29	5.54	10.14
Benchmark return %	11.26	11.26	5.25	10.07
Difference	0.03	0.03	0.29	0.07

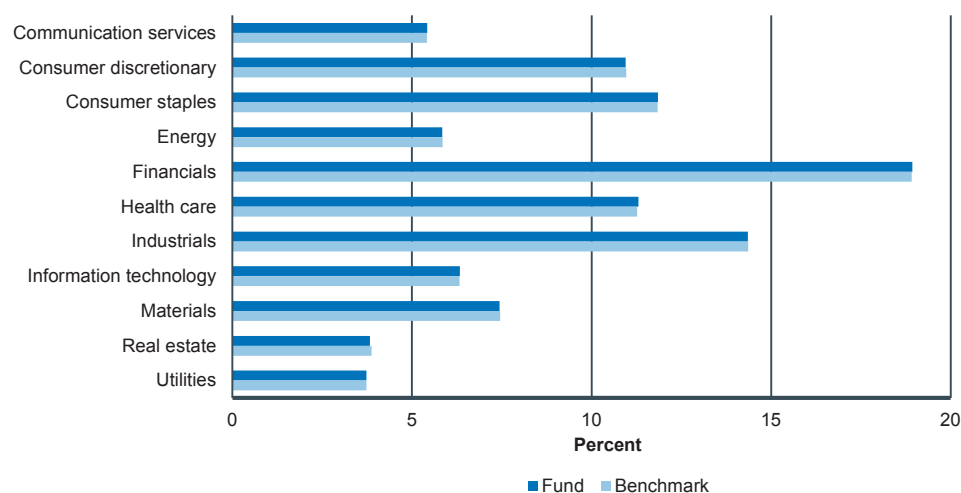
Performance disclosure:

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 03/31/2019



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 03/31/2019)

Benchmark	MSCI EAFE 100% Hedged to USD Net Dividend Return Index
Total fund assets	\$0.31 billion
Fund inception date	04/29/2016

Characteristics (as of 03/31/2019)

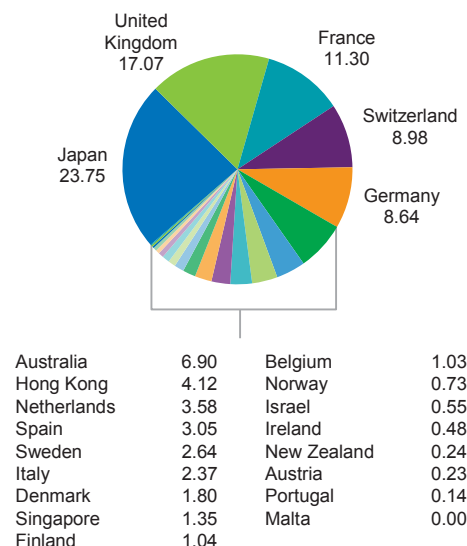
	Fund	Benchmark
Number of securities	925	920
Dividend yield	3.41	3.40

Top 10 holdings (as of 03/31/2019)

	Country	Fund (% assets)
Nestle Sa	Switzerland	2.16
Novartis Ag	Switzerland	1.54
Roche Holding Par Ag	Switzerland	1.43
HSBC Holdings Plc	United Kingdom	1.19
BP Plc	United Kingdom	1.07
Royal Dutch Shell Plc	United Kingdom	1.04
Total Sa	France	0.99
Toyota Motor Corp	Japan	0.97
AIA Group Ltd	Hong Kong	0.88
Royal Dutch Shell Plc Class B	United Kingdom	0.87

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

Country allocation (% as of 03/31/2019)



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 03/31/2019 (return percentages are annualized as of period end)

	Q1*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception
Fund return %	9.87	9.87	-7.34	10.59	3.61	8.81	7.60
Benchmark return %	9.92	9.92	-7.41	10.68	3.68	8.94	7.68
Difference	-0.05	-0.05	0.07	-0.09	-0.07	-0.13	-0.08

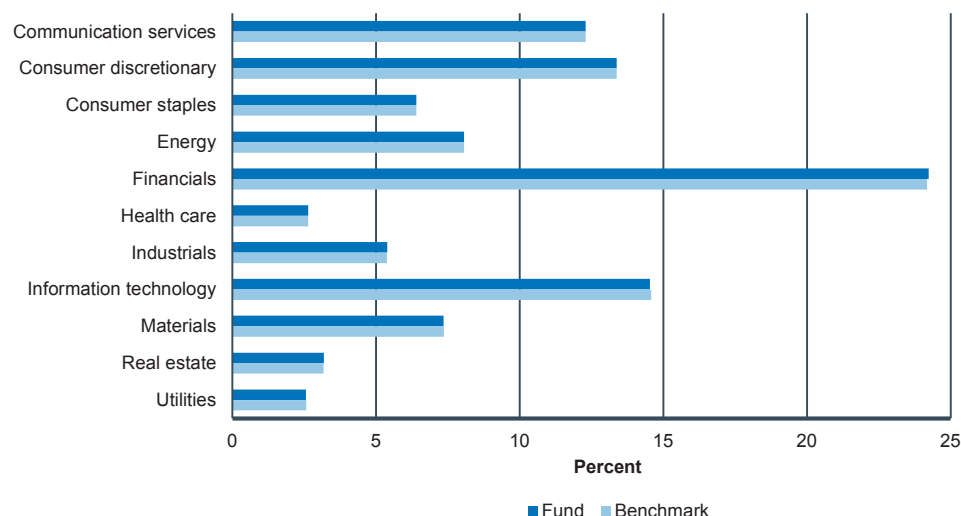
Performance disclosure:

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 03/31/2019



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 03/31/2019)

Benchmark	MSCI Emerging Markets Net Dividend Return Index
Total fund assets	\$8.90 billion
Fund inception date	07/31/2000

Characteristics (as of 03/31/2019)

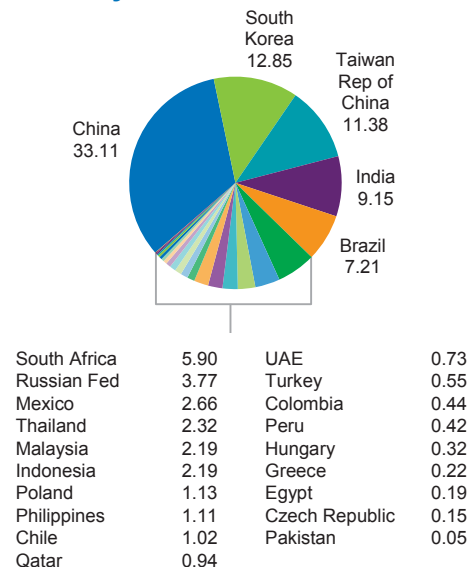
	Fund	Benchmark
Number of securities	1,083	1,137
Dividend yield	2.58	2.57

Top 10 holdings (as of 03/31/2019)

	Country	Fund (% assets)
Tencent Holdings Ltd	China	4.97
Alibaba Group Holding ADR Represen	China	4.47
Taiwan Semiconductor Manufacturing	Taiwan Rep of China	3.71
Samsung Electronics Ltd	South Korea	3.50
Naspers Ltd	South Africa	1.92
China Construction Bank Corp H	China	1.56
China Mobile Ltd	China	1.18
Ping An Insurance (Group) Co of Ch	China	1.10
Reliance Industries Ltd	India	1.06
Industrial and Commercial Bank of	China	0.96

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

Country allocation (% as of 03/31/2019)



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 03/31/2019 (Return percentages are annualized as of period end. Returns for periods less than one year are cumulative.)

	Month*	Q1*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception
Fund return %	2.14	3.31	3.31	4.59	2.24	2.89	4.03	5.82
Benchmark return %	2.12	3.26	3.26	4.48	2.12	2.78	3.92	5.78
Difference	0.02	0.05	0.05	0.11	0.12	0.11	0.11	0.04

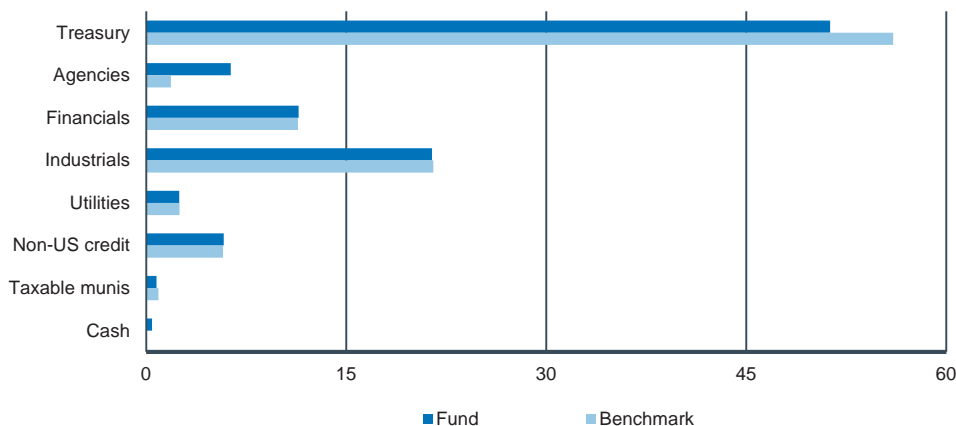
Performance disclosure:

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 03/31/2019



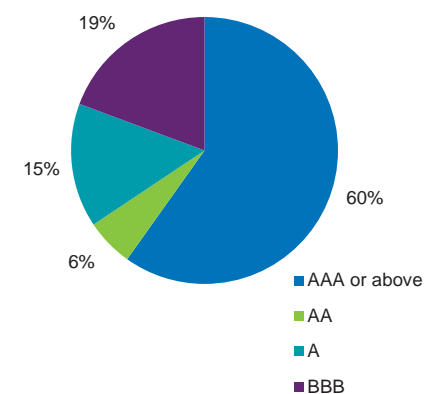
Investment details (as of 03/31/2019)

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

Characteristics (as of 03/31/2019)

	Fund	Benchmark
Number of securities	5,643	7,123
Market value (B)	\$0.25	\$15,082.03
Coupon (%)	3.17	3.06
Yield to maturity (YTM) (%)	2.88	2.88
Weighted avg life (yrs)	8.85	8.90
Effective duration (yrs)	6.43	6.46
Spread duration (yrs)	3.21	3.12
Option adjusted spread (bps)	47	46
Convexity (yrs)	0.88	0.88

Quality breakdown (as of 03/31/2019)



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 03/31/2019 (Return percentages are annualized as of period end. Returns for periods less than one year are cumulative.)

	Month*	Q1*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception
Fund return %	1.85	3.24	3.24	2.85	1.88	2.09	3.52	4.92
Benchmark return %	1.84	3.19	3.19	2.70	1.70	1.94	3.41	4.84
Difference	0.01	0.05	0.05	0.15	0.18	0.15	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 03/31/2019)

Benchmark	Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L)
Total fund assets	\$5.99 billion
Fund inception date	03/05/2002

Characteristics (as of 03/31/2019)

	Fund	Benchmark
Number of securities	40	40
Market value (B)	\$5.99	\$1,224.13
Coupon (%)	0.73	0.76
Yield to maturity (YTM) (%)	2.36	2.36
Weighted avg life (yrs)	8.06	8.08
Effective duration (yrs)	7.41	7.41
Convexity (yrs)	1.05	1.05

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 03/31/2019 (return percentages are annualized as of period end)

	Q1*	YTD*	1 Year*	3 Year	Since Inception
Fund return %	14.92	14.92	14.51	6.57	6.04
Benchmark return %	14.59	14.59	13.27	5.68	5.23
Difference	0.33	0.33	1.24	0.89	0.81

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

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.

Investment details (as of 03/31/2019)

Benchmark	FTSE EPRA/NAREIT Developed Index
Total fund assets	\$0.37 billion
Fund inception date	11/18/2014

Characteristics (as of 03/31/2019)

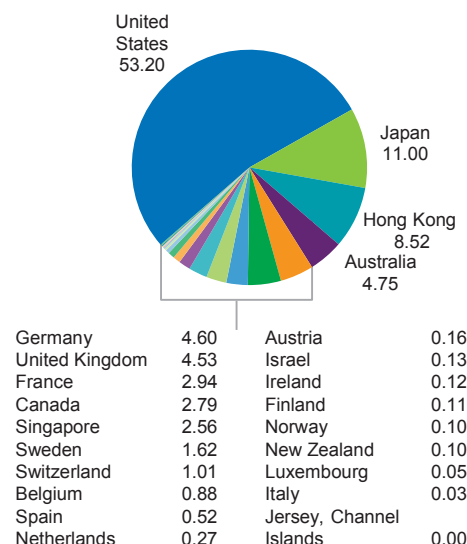
	Fund	Benchmark
Number of securities	317	333
Dividend yield	3.78	3.78

Top 10 holdings (as of 03/31/2019)

	Country	Fund (% assets)
Simon Property Group REIT Inc	United States	3.57
Prologis REIT Inc	United States	2.88
Public Storage REIT	United States	2.06
Welltower Inc	United States	1.84
Avalonbay Communities REIT Inc	United States	1.76
Vonovia Se	Germany	1.73
Equity Residential REIT	United States	1.72
Link Real Estate Investment Trust	Hong Kong	1.59
Digital Realty Trust REIT Inc	United States	1.56
Sun Hung Kai Properties Ltd	Hong Kong	1.55

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

Country allocation (% as of 03/31/2019)



UW-La Crosse Bookstore and Textbook Rental Services Agreement
with Follett Higher Education Group Inc.

BUSINESS AND FINANCE COMMITTEE

RESOLUTION:

That, upon the recommendation of the Chancellor of the University of Wisconsin-La Crosse and the President of the University of Wisconsin System, the Board of Regents approves the Bookstore Services and Textbook Rental Services contractual agreement between the University of Wisconsin System Board of Regents, doing business as the University of Wisconsin-La Crosse, and Follett Higher Education Group Inc. to provide Bookstore and Textbook Rental Services for a period of one (1) year, effective July 1, 2019 with six (6) one-year renewal options.

**UW-LA CROSSE BOOKSTORE AND TEXTBOOK RENTAL SERVICES
AGREEMENT WITH
FOLLETT HIGHER EDUCATION GROUP, INC.**

EXECUTIVE SUMMARY

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 for formal acceptance prior to execution.

The University of Wisconsin-La Crosse ran a competitive Request for Proposal (RFP) process (PS-19-2452) to seek a Bookstore and Textbook Rental Services contractor for the institution and is seeking approval for award.

REQUESTED ACTION

Adoption of resolution I.2.d approving the contractual agreement between the Board of Regents and Follett Higher Education Group Inc. to provide Bookstore and Textbook Rental Services.

DISCUSSION

UW-La Crosse has contracted for Bookstore and Textbook Rental services for many years with the current contract expiring on June 30, 2019. In response to Request for Proposal (PS-19-2452 Bookstore and Textbook Rental Services), two vendors submitted a proposal: Follett Higher Education Group, Inc. and Barnes & Noble College. Follett Higher Education Group, Inc. was selected as the winning provider of these services. A six-member evaluation committee, including one students and five staff members, completed the scoring process which was led by UW System Procurement staff. The Follett Higher Education Group, Inc. proposal meets all of the UW-La Crosse desired outcomes.

Some highlights of the contract are as follows:

- Contractor will assume operation of the Bookstore and Textbook Rental Services under the new contract on July 1, 2019 for one (1) year with six (6) one-year extensions for a potential seven (7) year contract.
- The contractor will operate all Bookstore and Textbook Rental Services business activities.

- Annual net revenue to the Contractor is valued at approximately \$1.75 million per year for Bookstore and Textbook Rental Services.
- Estimated revenue to the vendor for life of the contract (Bookstore and Textbook Rental Services): \$12.25 million.
- UW-La Crosse will receive an estimated annual commission of \$280,506.47 annually or a minimum annual guarantee of \$265,000 annually, whichever is greater.
- Estimated commissions to UW-La Crosse for life of the contract: \$1.96 million.
- The contractor provides a \$300,000 signing bonus and invests \$100,000 in infrastructure refresh as appropriate.

RELATED REGENT POLICIES

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

State of Wisconsin
University of Wisconsin System
Office of Procurement
780 Regent Street

CONTRACT NO. PS-19-2452

COMMODITY CODE: 96219

DATE: May 7, 2019

SERVICE: Bookstore and Textbook Rental Services for the University of Wisconsin-La Crosse

CONTRACT TERM: The contract shall be effective July 1, 2019 through June 30, 2020 with six (6) one (1) year renewal options. This contract shall automatically be extended into the next optional period unless either party notifies the other, in writing, one hundred and eighty (180) calendar days prior to the expiration of the initial or succeeding contract terms. The University may discontinue this contract, in whole or in part, without penalty at any time due to non-appropriation of funds.

REFERENCE: Per the attached Specifications and vendor's response to Request for Proposal # PS-19-2452

VENDOR: Follett Higher Education Group, Inc.
3 Westbrook Corporate Center, Suite 200
Westchester, IL 60154

VENDOR CONTACT: Mr. Bruce Snyder, Vice President of Marketing– Follett Higher Education Group, Inc.
Phone: (630) 301-2524
E-Mail Address: bsnyder@follett.com

FEIN NO: 36-259-3135

COMMISSION AND
GUARANTEE: Per the attached Bid Specifications Page No. 55 Commission: 15.6% \$0-1,000,000 and 16.6% \$1,000,001 and over. Guarantee: \$265,000 or Commission whichever is greater. Signing Bonus: \$300,000.

COMMISSION
PAYMENTS: Due on or before the 20th day of the period for the previous period's receipts.
See Page 52 of bid specifications.

PERFORMANCE BOND: To be held on file at UW System Procurement in the amount of \$250,000 and to be maintained in force by the contractor for the life of the contract.

INSURANCE
CERTIFICATE: To be maintained on file with UW System Procurement at 780 Regent Street, Madison, Wisconsin, 53715, in the amounts specified on Page 26 Section B, Number 9 Insurance Requirements of the specifications.

ESTIMATED CONTRACT
TERMINATION DATE: June 30, 2026

CONTRACT
DISTRIBUTION: Ms. Robin Tuxen, Assistant to the Vice Chancellor Administration and Finance
University of Wisconsin-La Crosse
Phone Number: (608) 785-6494
E-Mail: rtuxen@uwla.edu

For further information contact:
Paul D. Schlough
UW System Procurement
Telephone: (608) 265-0557
E-Mail: pschlough@uwsa.edu

UW-Stevens Point University Store and Text Rental Agreement
with Barnes & Noble College

BUSINESS AND FINANCE COMMITTEE

RESOLUTION:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Stevens Point and the President of the University of Wisconsin System, the Board of Regents approves the University Store and Text Rental contractual agreement between the University of Wisconsin System Board of Regents, doing business as the University of Wisconsin-Stevens Point, and Barnes & Noble College to provide University Store and Text Rental Services for a period of one (1) year, effective July 1, 2019 with six (6) one-year renewal options.

UW-STEVENSON POINT UNIVERSITY STORE AND TEXT RENTAL AGREEMENT WITH BARNES & NOBLE COLLEGE

EXECUTIVE SUMMARY

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 for formal acceptance prior to execution.

The University of Wisconsin-Stevens Point ran a competitive Request for Proposal (RFP) process (PS-19-2717) to seek a University Store and Text Rental contractor for the institution and is seeking approval for award.

REQUESTED ACTION

Adoption of resolution I.2.e approving the contractual agreement between the Board of Regents and Barnes & Noble College to provide University Store and Text Rental Services.

DISCUSSION

UW-Stevens Point has self-operated University Store and Text Rental Services for many years. In response to a Request for Proposal (PS-19-2717 University Store and Text Rental Services), two vendors submitted a proposal: Barnes & Noble College and Follett Higher Education Group, Inc. Barnes & Noble College was selected as the winning provider of these services. A six-member evaluation committee, including two students and four staff members, completed the scoring process which was led by UW System Procurement staff. The Barnes & Noble College proposal meets all of the UW-Stevens Point desired outcomes.

Some highlights of the contract are as follows:

- Contractor will assume operation of the University Store and Text Rental service under the new contract on July 1, 2019 for one (1) year with six (6) one-year extensions for a potential seven (7) year contract.
- The contractor will operate all University Store and Text Rental activities.
- Annual net revenue to the Contractor is valued at approximately \$1.3 million per year for University Store and Text Rental services.
- Estimated revenue to the vendor for life of the contract: \$9.1 million.

- UW-Stevens Point will receive an annual commission of 15% on the first \$1M net sales and 16% on net sales above \$1M or a \$250,000 annual guarantee whichever is greater.
- Estimated commissions to UW-Stevens Point for life of the contract: \$1.75 million.
- The contractor will invest \$133,000 in UW-Stevens Point (facility refresh and equipment).

RELATED REGENT POLICIES

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

State of Wisconsin
University of Wisconsin System
Office of Procurement
780 Regent Street

CONTRACT NO. PS-19-2717

COMMODITY CODE: 95816

DATE: April 29, 2019

SERVICE: University Store and Text Rental for the University of Wisconsin-Stevens Point

CONTRACT TERM: The contract shall be effective on July 1, 2019 and run through June 30, 2020 with six (6) one (1) year renewal options. This contract shall automatically be extended into the next optional period unless either party notifies the other, in writing, one hundred and eighty (180) calendar days prior to the expiration of the initial or succeeding contract terms. The University may discontinue this contract, in whole or in part, without penalty at any time due to non-appropriation of funds.

REFERENCE: Per the attached Specifications and supplier's response to Request for Proposal # PS-19-2717.

VENDOR: Barnes & Noble College
4067 Woodland Meadow Drive
Spring, TX 77386

VENDOR CONTACT: Mr. Marc Eckhart, Vice President, Campus Relations
Phone: (979) 571-5945
E-Mail Address: meckhart@bncollege.com

FEIN NO: 27-0884085

COMMISSION AND
GUARANTEE: Per the attached Bid Specifications Page No. 59. Commission: 15.0% % \$0-1,000,000 and 16% \$1,000,001-above commission. Guarantee: \$250,000 or Commission whichever is greater.

COMMISSION
PAYMENTS: Due on or before the 20th day of the following accounting period for the previous period's receipts. See Page 56 & 57 of bid specifications.

PERFORMANCE BOND: Currently on file at UW System Procurement in the amount of \$250,000 and to be maintained in force by the contractor for the life of the contract.

INSURANCE
CERTIFICATE: To be maintained on file with UW System Procurement at 780 Regent Street, Madison, Wisconsin, 53715, in the amounts specified on Page 27 Section B, Number 9 Insurance Requirements of the specifications.

ESTIMATED CONTRACT
TERMINATION DATE: June 30th, 2026

CONTRACT
DISTRIBUTION: Ms. Laura Ketchum-Ciftci, Ph.D. Director, University Center
University of Wisconsin-Stevens Point
Phone Number: (715) 346-3202
E-Mail: lketchum@uwsp.edu

For further information contact:
Paul D. Schlough
UW System Procurement
Telephone: (608) 265-0557
E-Mail: pschlough@uwsa.edu

UW-Madison Contractual Agreement
with ExxonMobil Research and Engineering Company

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the contractual agreement between the Board of Regents of the University of Wisconsin System, doing business as UW-Madison, and ExxonMobil Research and Engineering Company for a period from June 1, 2019, through May 31, 2021.

**UW-MADISON CONTRACTUAL AGREEMENT
WITH EXXONMOBIL RESEARCH AND ENGINEERING COMPANY**

EXECUTIVE SUMMARY

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 for formal approval prior to execution.

REQUESTED ACTION

Adoption of Resolution I.2.f., approving the contractual agreement between the Board of Regents and ExxonMobil Research and Engineering Company.

DISCUSSION AND RECOMMENDATIONS

The Office of Vice Chancellor for Research and Graduate Education, with assistance from the Office of Research and Sponsored Programs at the University of Wisconsin-Madison, has negotiated a Sponsored Research Agreement with ExxonMobil Research and Engineering Company. This is the second amendment to a previous agreement originally negotiated for a period between June 1, 2017 and May 31, 2019. In consideration for providing the requested research, ExxonMobil Research and Engineering Company shall pay the University \$1,578,040 which represents the total sponsored research effort over the full duration of the agreement. The amended research project is anticipated to extend the research over the period from June 1, 2019, through May 31, 2021. The research will be conducted in the department of Chemical and Biological Engineering under the direction of Dr. George Huber.

The research contemplated includes the following tasks:

- Single Step Process for Catalytic Conversion of Biomass into Distillate Fuel Precursors;
- Conversion of Ethanol into Distillate Fuels by Guerbet Chemistry;
- Catalytic Conversion of Ethylene to Distillate-Range Olefins; and
- Direct Catalytic Hydropyrolysis of Biomass.

RELATED REGENT POLICIES

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

UW-Madison Contractual Agreement
with Pfizer, Inc.

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the contractual agreement between the Board of Regents of the University of Wisconsin System, doing business as UW-Madison, and Pfizer, Inc. with a required five-year review by the Board of Regents if the contract is still in effect as of June 2024.

UW-MADISON CONTRACTUAL AGREEMENT WITH PFIZER, INC

EXECUTIVE SUMMARY

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 for formal approval prior to execution.

REQUESTED ACTION

Adoption of Resolution I.2.g, approving the contractual agreement between the Board of Regents and Pfizer, Inc.

DISCUSSION AND RECOMMENDATIONS

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 Pfizer, Inc. for the conduct of a clinical trial. In consideration for conducting the clinical trial, Pfizer, Inc. shall pay the University \$1,810,178.41. The clinical trial is anticipated to be conducted during the period from July 1, 2019 through June 30, 2022; however, because the contract does not have a specified contract term and the clinical trial may not be complete by June 30, 2022, the School of Medicine and Public Health is required to re-submit the contract for Board of Regents review in June of 2024 if the clinical trial is still on-going. The research will be conducted in the department of Radiology under the direction of Dr. Scott Reeder.

The clinical trial is titled, “*Supplement to UW-UCSD Longitudinal Study of Advanced MRE in Subjects Undergoing Bariatric Surgery.*” The research will help improve the use of magnetic resonance and ultrasound in the diagnosis and treatment of patients with certain liver diseases.

Pfizer is a world-class pharmaceutical products company headquartered in New York City. The company develops and produces medicine and vaccines for a wide range of medical disciplines, including immunology, cardiology, endocrinology, and neurology. Some of its more well-known current drugs include Lipitor, Lyrica, Diflucan, Zythromax, Viagra and Celebrex.

RELATED REGENT POLICIES

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

UW SYSTEM SHARED FINANCIAL SYSTEM AND HUMAN RESOURCE SYSTEM PREPLANNING PROJECT

EXECUTIVE SUMMARY

BACKGROUND

The current Shared Financial and Human Resource Systems require upgrades to better serve the diverse needs of the UW System institutions. As presented to the Business and Finance Committee in February, UW System Administration and UW-Madison have initiated a preplanning project to address business processes.

The Shared Financial System supports the General Ledger, Accounts Payable, Travel Reimbursement, and other services. There are currently over 21,000 users system wide. The system was first implemented in 1999 and an upgrade was completed in 2018.

The Human Resources System provides personnel, payroll and benefits processing to all UW System institutions and employees. The system was first implemented in 2011 and an upgrade was completed in 2017.

The first phase of the program will focus simultaneously on business process transformation and implementation of the selected cloud-based enterprise resource planning (ERP) software for finance and HR at UW-Madison and UW System Administration, as well as planning for the same activities at the remaining UW System institutions. Systemwide implementation of the selected cloud-based ERP software will follow in later phases of the program.

The project aligns well with the strategic direction set forward in *2020FWD*, the priorities under CORE, the UW-Shared Services initiative, and our information security efforts. It is also intended to enhance the technology of our current environment.

As the preplanning proceeds, UW institutions will begin identifying policy and process changes that may be appropriate to implement before moving to a new cloud-based system.

REQUESTED ACTION

This item is for informational purposes only.

DISCUSSION

A 6-to-12 month preplanning effort is ongoing for this project. It includes detailed project governance, planning, visioning and change planning, business process redesign, quality assurance, and analysis of financial impact. This preplanning effort is crucial to successfully

prepare for the larger cloud implementation project, an update on which will likely be presented to the Board of Regents in July 2019 as a Large/Vital Information Technology Project.

Since the April Board meeting, the following has taken place:

- A second site visit to a university system that recently completed a systemwide administrative transformation project which included moving to a cloud-based platform. Lessons learned from the first two site visits include the importance of an effective and well-planned engagement and change management strategy, ensuring a deliberate approach to planning the entirety of the project up front, the critical role of data reporting and metrics in administrative decision-making, and remaining vigilant to guiding principles designed and agreed upon during the preplanning effort.
- Recruitment of a Program Executive who will direct systemwide work and ensure coordination and execution with UW-Madison, UWSA, and other UW System institutions.
- Business process inventory is nearly completed at UW-Madison and similar “discovery” effort is underway at UW-Milwaukee and the comprehensive institutions.

By the July Board meeting, the following is planned:

- Additional site visit to an institution that recently completed a human resources and payroll project which included moving to a cloud-based platform.
- Finalized vision, mission, and guiding principles, a staffing and hiring plan for the first phase of the system-wide program office, and a preliminary budget which represents total cost of ownership.

INFORMATION SECURITY: JUNE PROGRESS REPORT

EXECUTIVE SUMMARY

BACKGROUND

UW System Administration and the UW campuses are working to improve the information security posture of the UW System. Information Security activities within the UW System are overseen by UW System Vice President for Administration Robert Cramer and Interim Associate Vice President for Information Security Katherine Mayer and executed across the entire UW System.

REQUESTED ACTION

This item is presented for information only.

DISCUSSION

The Vice President and Interim Associate Vice President will provide an update of on-going actions and planned initiatives related to the Information Security program. The update will include:

- Security suite deployment status and resulting reports
- Policy implementation plan for calendar year 2019
- External risk assessment checks for 2019
- Enterprise-wide incident response tabletop exercise – July 2019
- Engagement with other higher education institutions, federal agencies, external entities, Wisconsin Department of Administration and other State agencies

RELATED REGENT POLICIES

Regent Policy Document 25-5, Information Technology: Information Security

UW VICE PRESIDENT FOR ADMINISTRATION: REPORT

EXECUTIVE SUMMARY

BACKGROUND

In August 2016, the Board of Regents approved resolution 10743 to adopt the proposed UW System Strategic Framework, entitled “UW System *2020FWD* 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 is 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.

REQUESTED ACTION

This item is presented for information only.

DISCUSSION

Work continues on the implementation of UW-Shared Services, the UW Colleges and UW-Extension Restructuring, and several CORE activities.

UW-Shared Services

UW-Shared Services has moved the first 15 services selected from the Conceptual Roadmap into the Develop phase of the service lifecycle. These will be assessed individually as they reach the conclusion of the Develop phase, and then will be moved forward to the Deploy phase. In addition, the UW-Shared Services organization has developed its internal structure to support the delivery of services to UW institutions. Services in HR, IT and Procurement are now being provided to select institutions through the soft service launch discussed in April 2019.

UW System Restructuring Update

The UW Colleges and UW-Extension restructuring project, recently completed week 49 (of 52) in Phase 1. Service transitions are continuing as Roadmap milestones are achieved. Memorandum of Understanding updates for human resources, information technology, and procurement have been completed.

Software License Savings

The review of several software licenses identified several unneeded items, based on current planning. Eliminating these items resulted in savings of \$178,000 annually for the next five years. This was a joint undertaking by UW System Administration's Office of Learning and Information Technology Services and Office of Procurement.

UW System Nonrenewal Lease Savings

Continued focus on the effective use of lease space has identified one final lease to not renew, with savings of \$210,288 per year by consolidating into other office space. Two additional sites are being reviewed for consolidation, with the potential to save an additional \$110,000 annually. These steps minimize the expense and disruption of moving larger numbers of employees while making better use of the facilities now available.

UWSA Policy Review

Five separate systemwide policy sets were integrated into a single policy set (UW Administrative Policies and Procedures) in 2015. This refinement of our policy framework continues with the integration of the current University Personnel System Operational (UPS) policies into the UW Administrative Policies and Procedures (SYS) policy set. Now that the process of managing, approving, and communicating those policies has become established, it will further reduce the number of places where day-to-day operational policies are housed, making them more accessible to users, and further standardize the review, management, and communication of systemwide policies. Current UPS policies will become a new series in the SYS policy set as of July 2019. This process will result in no substantive changes to the policies. The new 1200 series policies will continue applying to all UW institutions, other than UW-Madison. To further simplify the policy development process, future changes to the 1200 series policies will go through the regular SYS policy prioritization and review processes.

Digital Learning Environment Project

The Digital Learning Environment (DLE) project continues, implementing Instructure's Canvas platform as the digital hub for the UW System. UW-Madison has implemented Canvas through a separate project. The Canvas platform provides the foundation to evolve the UW System's DLE in support of the UWSA *2020FWD* strategic framework and it aligns with the *2020FWD* priorities related to "Educational Pipeline" and "University Experience" to support student success. The implementation project will be complete by June 30, 2020. The project is on schedule and about \$1 million under budget at this time. Over 7,400 courses across the UW

System (excluding UW-Madison) were supported by Canvas in Spring 2019. For several institutions, the Spring 2019 semester was the last period with courses from the Student Information System running on the prior platform (D2L). UW-River Falls and UW-Platteville had completely transitioned to Canvas for the semester.

Conclusion

Finally, Vice President Cramer recently had the opportunity to speak with chief business officers (CBOs) from several public and private Midwestern universities. Several themes emerged from these discussions, including (1) that many institutions are proceeding with business process standardization via cloud-based finance and human resource projects, (2) capital reinvestment and renewal is a priority across campuses, and (3) shared service centers are being implemented at a number of other systems and institutions. The priorities of these CBOs were very similar to those in the UW System.

RELATED REGENT POLICIES

None.

UW-Madison Contractual Agreement
with GE Precision Healthcare LLC

BUSINESS AND FINANCE COMMITTEE

Resolution:

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

**UW-MADISON CONTRACTUAL AGREEMENT
With GE PRECISION HEALTHCARE LLC**

EXECUTIVE SUMMARY

BACKGROUND

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

REQUESTED ACTION

Adoption of Resolution I.2.k, approving the contractual agreement between the Board of Regents and GE Precision Healthcare LLC.

DISCUSSION AND RECOMMENDATIONS

The Departments of Radiology and Medical Physics, with assistance from the Office of Research and Sponsored Programs at the University of Wisconsin-Madison, have negotiated a Sponsored Research Agreement with GE Precision Healthcare LLC. The research project is anticipated to be conducted during the period from 06/15/2019 through 06/14/2021. The research will be conducted in the department of Medical Physics under the direction of Guang-Hong Chen. The study is titled, "UW-Madison Comprehensive CT Research Program." The research will allow improvements to the capabilities of computed tomography (CT) imaging using artificial intelligence.

Specifically, in this project, a highly innovative deep neural network architecture developed at UW-Madison will be trained to generate spectral-resolved projection data acquired from a single tube potential with a conventional energy integration detector. The deep neural network will be trained by acquired data pairs to optimize the parameters of the network. The trained network will then be used to perform data decomposition and image decomposition for spectral imaging applications.

The research project is pursued under the terms and conditions of the Master Collaborative Research Agreement ("MCRA"), effective July 13, 2012, between the General Electric Company d.b.a. GE Precision Healthcare LLC and UW-Madison. In consideration for providing the requested research, GE Precision Healthcare LLC shall pay the University \$513,514.00, which, in combination with amounts received for previous research projects conducted under the MCRA, exceeds the \$1 million threshold requiring Regents approval under Regents Policy 13-1.

RELATED REGENT POLICIES

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

UW-Madison Contractual Agreement
with Siemens Medical Solutions USA, Inc.

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the contractual agreement between the Board of Regents of the University of Wisconsin System, doing business as UW-Madison, and Siemens Medical Solutions USA, Inc.

**UW-MADISON CONTRACTUAL AGREEMENT
WITH SIEMENS MEDICAL SOLUTIONS USA, INC.**

EXECUTIVE SUMMARY

BACKGROUND

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

REQUESTED ACTION

Adoption of Resolution I.2.1, approving the contractual agreement between the Board of Regents and Siemens Medical Solutions USA, Inc.

DISCUSSION AND RECOMMENDATIONS

The School of Medicine and Public Health Departments of Medical Physics, Radiology, and Medicine, with assistance from the Office of Research and Sponsored Programs at the University of Wisconsin-Madison, has negotiated a Sponsored Research Agreement with Siemens Medical Solutions USA, Inc. There are two pending research projects with a value of \$603,719 (total for both) ready to be executed by UW-Madison upon the Regents' approval. The research projects are anticipated to be conducted during the period from June 15, 2019 through June 14, 2021. The research will be conducted in the departments of Medical Physics, Radiology, and Medicine under the direction of PI Michael Speidel, PhD (Medical Physics) and co-PIs Paul Laeseke, MD, PhD (Radiology) and Amish Raval, MD (Medicine).

The first study is titled "*4D Digital Subtraction Angiography and Flow Quantification in Single and Biplane Geometries*". This research contract is focused on the improvement of the quantitative accuracy of 4D digital subtraction angiography (4D DSA) techniques. 4D DSA methods previously developed at UW have provided a new means of visualizing the passage of contrast agent through vasculature in neuro-interventional radiology procedures. We have also developed several techniques for extracting flow information from 4D DSA data. Going forward, there is a desire to improve the quantitative accuracy of these methods, and also develop analogous techniques for abdominal and thorax imaging where respiratory-motion induced artifacts must be addressed. This research study addresses the development of such techniques for abdominal and thorax imaging. (Total project budget: \$315,087.)

The second study is titled "*Technical Characterization and (Pre-)Clinical Evaluation of Transthoracic Echocardiography and X-Ray Fluoroscopy Fusion*". A growing class of

procedures in interventional cardiology and interventional radiology involve the navigation of catheter-based devices in relatively large 3D anatomic spaces that do not naturally guide the device. Proper device deployment is essential for procedural success and avoidance of complications. These procedures have exposed the weaknesses of traditional 2D fluoroscopic image guidance, which can only give a transient visualization of vascular structures during contrast injection, and is limited to 2D projection views of the device. The goal of this project is to develop real-time imaging methods that overcome these limitations. Specifically, this project will build upon two technologies developed at the UW: 1) a system for reconstructing 3D valve devices from biplane x-ray fluoroscopy and co-registration of the 3D device with live 3D echocardiography, and 2) a system for reconstructing guidewires from biplane fluoroscopy and display of the guidewire relative to 3D DSA. (Total project budget: \$288,632.)

The research projects described above are pursued under the terms and conditions of the Master Research Agreement, effective January 1, 2007 (with three subsequent extensions) between Siemens Medical Solutions USA, Inc. and UW-Madison. The amounts for the two studies described above, in combination with amounts received from previous research projects conducted under the MRA, exceed the dollar threshold for Regents approval under Regents Policy 13-1.

RELATED REGENT POLICIES

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