

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Business and Finance Committee

Thursday, December 9, 2021
8:45 a.m. – 10:15 a.m.

Gordon Dining & Event Center
Symphony Room, 2nd Floor
770 W. Dayton Street
Madison, Wisconsin
Via Webex Videoconference

- A. Calling of the Roll
- B. Declaration of Conflicts
- C. Approval of the Minutes of the October 7, 2021 Meeting of the Business and Finance Committee
- D. Approval of the Minutes of the November 4, 2021 Meeting of the Business and Finance Committee
- E. UW System Draft 2021 Annual Financial Report
- F. Nonresident and Graduate School Tuition Proposals
- G. UW System Administration Service Agreement with Huron Consulting Group, Inc.
- H. UW System Administration Contractual Agreement with Oracle Corporation
- I. UW-Madison Research Agreement with TerraPower, LLC
- J. UW-Madison Research Agreement with Opsi Therapeutics, LLC
- K. UW-Madison Contractual Agreement with Commonwealth Fusion Systems, LLC
- L. UW-Madison Amendment to Contractual Agreement with Learfield Communications, Inc.
- M. Regent Policy Document Review: RPD 21-4, "Identity Theft Detection, Prevention, and Mitigation"
- N. Salary Ranges for Senior Executives
- O. Annual Report on Faculty Turnover for FY21

- P. Annual Report on Faculty and Staff Base Salary Adjustments and Additional Compensation Payments for FY21
- Q. Trust Funds Quarterly Investment Report
- R. UW-Madison Presentation: "Advancing the Real Estate Strategy and New MOU to Drive Economic and Mission Benefits at UW-Madison"

December 9, 2021

UW SYSTEM DRAFT 2021 ANNUAL FINANCIAL REPORT**REQUESTED ACTION**

No action required; this item is for information only.

SUMMARYOverview of Accrual-Based Financial Reporting

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

In accordance with Generally Accepted Accounting Principles (GAAP), the draft Annual Financial Report for the year ending June 30, 2021 includes a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. Because the financial audit is not yet complete, it does not include an audit opinion from the Legislative Audit Bureau.

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

Analysis of Draft Financial Statements

Statement of Net Position – There were several significant changes within the UW System's net position between fiscal year (FY) 2020-21 and FY 2019-20, as reflected in the table below.

Net Position (*in millions*):

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Net Investment in Capital Assets	\$3,669.7	\$3,574.4	\$95.3	2.7 %
Restricted Net Position	2,484.6	1,748.5	736.1	42.1 %
Unrestricted Net Position	(154.0)	76.6	(230.6)	(301.0) %
Total Net Position	<u>\$6,000.3</u>	<u>\$5,399.5</u>	<u>\$ 600.8</u>	11.1 %

The Statement of Net Position, provided on pages 22-23 of the 2021 Annual Financial Report, shows that the UW System's Total Net Position increased by \$600.8 million. Restricted Net Position—the "equity" with external limitations—has increased between years by \$736.1 million, or 42.1%. However, the Statement of Net Position reports a \$230.6 million decrease in Unrestricted Net Position in FY 2021. Unrestricted Net Position represents the difference between assets, liabilities, and deferred outflows and inflows of resources that do not have external restrictions regarding their use or function.

These significant changes between years relate to accounting standards for pensions and other postemployment benefits, specifically Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards essentially require governmental entities to report the difference between the value of a plan's assets and the present value of projected benefit payments. In FY 2021, the Department of Employee Trust Funds, which manages the Wisconsin Retirement System, reported the pension plan's net position increased because of investment earnings being significantly more than initially projected. As a result, the UW System's Net Pension Asset increased \$401.1 million, to \$831.6 million, in FY 2021. Without these adjustments for the pension and other post-employment programs, the UW System's Unrestricted Net Position would have increased \$21.4 million, or 2.0%. Condensed statements, with and without these GASB accruals, are presented on page 19 so readers understand the magnitude of these GASB-required adjustments.

The Statement of Net Position also reports a significant increase of \$270.3 million in Cash and Cash Equivalents. This increase is due to reduced operating expenses and additional coronavirus federal grant and aid revenue. This increase is also partially attributable to a State-mandated budget reduction ("lapse") of \$45.4 million that was rescinded in June 2021, approximately three weeks before the end of the fiscal year. Cash balances at the respective UW institutions increased by virtue of campus planning efforts that had already factored in the loss of state revenue.

Statement of Revenues, Expenses and Changes in Net Position – Operating revenues, which are reported on page 24 of the 2021 Annual Financial Report, decreased \$184.4 million, or 5.0%. This was driven by reductions in Sales and Services of Auxiliary Enterprises and Educational Activities as many campus operations could no longer operate as they have historically or were closed entirely. Operating expenses decreased \$318.6 million, or 6.1%. While Salaries and Fringe Benefits expenses increased primarily because of the State's compensation increases ("pay plan") in FY 2021, Supplies and Services declined significantly as UW institutions undertook cost containment measures in light of COVID-19.

In total, an operating loss of nearly \$1.5 billion was reported in FY 2021. The UW System's operating loss will likely continue to be significant since GASB standards require state appropriations to be reported as non-operating revenue. Within non-operating revenues,

state appropriations increased by \$76.3 million and capital appropriations from the state decreased \$3.6 million in FY 2021.

Presenters

- Rod Dole, Director of Financial Reporting, UWSA
- Ginger Hintz, Assistant Vice President & Controller
- Julie Gordon, Senior Associate Vice President for Finance

BACKGROUND

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

Related Policies

- None

ATTACHMENT

- A) 2021 UW System Annual Financial Report

ANNUAL FINANCIAL REPORT

2021



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

Editor: Rod Dole

Cover Photo: University of Wisconsin-River Falls students walk by the Falcon Center for Health, Education and Wellness, a comprehensive indoor and outdoor facility that supports the Health and Human Performance Department, Falcon Athletics, Campus Recreation, the community, and the university as a whole. Opened in 2017, the Falcon Center received the National Intramural and Recreational Sports Association's Outstanding Sports Facilities Award in 2019, given for "exemplifying the institution's commitment to providing the higher education experience desired and valued by students. The award honors facilities that demonstrate excellence in a number of critical areas including architectural design, functionality, and how well the facility meets its intended purpose."

Founded in 1874, the University of Wisconsin-River Falls is located in the beautiful St. Croix Valley, just 30 minutes from the vibrant Twin Cities. Students of UW-River Falls enjoy small class sizes and have abundant opportunities to conduct hands-on research and experience meaningful internships through the university's partnerships with leading businesses and non-profit organizations. With more than 70 areas of study in four distinct colleges, UW-River Falls is a leader in exemplary teaching, undergraduate research, and sustainability, and serves as an economic engine for Western Wisconsin.

UW-River Falls's mission is to help prepare students to be productive, creative, ethical, engaged citizens and leaders with an informed global perspective.

Photo Credit: UW-River Falls

University of Wisconsin System

2021 Annual Financial Report

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2021 Annual Financial Report

Regents, Chancellors, and Officers of the UW System

OFFICERS

Tommy G. Thompson,
Interim President

Sean P. Nelson,
Vice President for Finance

James Landon,
Vice President for Administration

Scott Neitzel,
Interim Vice President for University Relations

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

Quinn Williams,
General Counsel

FINANCE STAFF

Julie Gordon,
Senior Associate Vice President for Finance

Ginger Hintz,
Assistant Vice President for Financial
Administration and Controller

Rod Dole,
Director of Financial Reporting

Renee Stephenson,
Assistant Vice President of Budget
Development and Planning

Charles Saunders,
Executive Director and Operations Manager
Office of Trust Funds

CHANCELLORS

James Schmidt, UW-Eau Claire

Michael Alexander, UW-Green Bay

Joe Gow, UW-La Crosse

Rebecca M. Blank, UW-Madison

Mark Mone, UW-Milwaukee

Andrew J. Leavitt, UW-Oshkosh

Deborah Ford, UW-Parkside

Dennis J. Shields, UW-Platteville

Maria Gallo, UW-River Falls

Thomas Gibson, UW-Stevens Point

Katherine P. Frank, UW-Stout

Renée Wachter, UW-Superior

James Henderson, UW-Whitewater, Interim

REGENTS

Robert Atwell, Sturgeon Bay

Scott Beightol, Wales

Amy Bogost, Madison

Héctor Colón, New Berlin

Michael Grebe, Mequon

Mike Jones, Milwaukee

Tracey Klein, Brookfield

Becky Levzow, Rio

Edmund Manydeeds III, Eau Claire (Regent
President)

John Miller, Fox Point

Andrew S. Petersen, Middleton

Cris Peterson, Grantsburg

Ashok Rai, Suamico

Corey Saffold, Fitchburg

Carolyn Stanford Taylor, Madison

Brianna Tucker, Stevens Point

Karen Walsh, Madison (Regent Vice President)

Kyle Weatherly, Milwaukee



Years Ended June 30, 2021 and 2020

INTRODUCTION FROM THE VICE PRESIDENT FOR FINANCE

DRAFT 12/9/2021



INTRODUCTION FROM THE VICE PRESIDENT FOR FINANCE

FINANCIAL REPORT 2021

We are pleased to present the University of Wisconsin's 2021 Annual Financial Report, which includes accrual-based statements for fiscal years 2020-21 and 2019-20; the statements have received an unmodified (clean) audit opinion by the state's Legislative Audit Bureau. Fiscal year 2020-21 marks the 50th year of the UW System's existence, as it was created with the merger of two public university systems in 1971. For 50 years, the UW System has delivered on its three-pillar statutory mission of education, research and public service and has modeled the Wisconsin Idea, specifically "...to extend knowledge and its application beyond the boundaries of its campuses."

In this milestone year, the UW System is proud of its achievements in academic excellence, research and public service, while also continuing to face the global COVID-19 pandemic.

Some of the UW System's accomplishments in 2020-21 include:

- Enrolling nearly 164,800 students across our 13 four-year universities and 13 additional campuses, which are affiliated with seven of the four-year institutions;
- Awarding approximately 37,200 associate, bachelor's, master's and other advanced degrees, with 39% of those degrees in STEM and health-related fields;
- Increasing retention rates for new freshmen to nearly 83%;
- Limiting the average increase for the cost of attendance (tuition, room and board, segregated fees) to just 1% over the previous year;
- Signaling to UW students that resident tuition rates would not increase in the 2021-22 academic year, maintaining our tuition freeze at the 2012-13 levels for the 9th consecutive year; and
- Advancing groundbreaking research with related expenses of more than \$1.1 billion.

Annual Financial Report Highlights

Our 2021 Annual Financial Report demonstrates the UW System's continuing commitment to prudent financial stewardship. The UW System was compelled to make several difficult decisions as a result of COVID-19, all intended to safeguard the well-being of our students, faculty, staff and the citizens of Wisconsin, while working to secure the long-term financial health of our universities.

Some of the actions taken by UW leadership include implementing employee furloughs and other temporary workforce reductions, delaying faculty and staff recruitments, and

postponing capital projects and new initiatives. Other expense reductions and savings included limited travel, renegotiated service contracts, and fewer office supply purchases. As a result, the UW System's fiscal year 2020-21 operating expenses were down \$318.6 million, nearly 6.1 percent, from the prior year.

Federal COVID relief funding also helped us adjust to a pandemic world. In the first two rounds of funding from the Higher Education Emergency Relief Fund (HEERF) and similar programs, the UW System received \$325.7 million. These funds have been or will be used in accordance with grant requirements to offset expenses incurred to prevent, prepare for and respond to the pandemic, as well as mitigate a portion of the lost revenues directly attributed to COVID-19. Sales and Services of Auxiliary Enterprises and Educational Activities were impacted particularly hard, with 2020-21 revenues decreasing a total of \$188.5 million, or 27.2 percent, from the previous year.

Federal regulations require a significant portion of the HEERF allocations be put toward emergency student aid. More than 54,600 UW students received \$94.2 million as emergency student grants through fiscal year 2020-21. In late 2020-21, the UW System was allocated an additional \$274.1 million in the third round of HEERF funding (the American Recovery Plan). Of this amount, \$137.3 million will be used to offset institutions' COVID expenses and lost revenues and \$136.8 million will be put toward student aid in the coming year.

Other highlights within the UW System's 2021 Annual Financial Report include the following:

- The UW System's Cash and Cash Equivalents increased by \$270.3 million between fiscal years 2020-21 and 2019-20 due to the reduced operating expenses and additional federal revenue. This increase is also partially attributable to a State-mandated budget reduction ("lapse") of \$45.4 million that was rescinded in June 2021, approximately three weeks before the end of the fiscal year. Cash balances at the respective UW institutions increased by virtue of campus planning

efforts that had already factored in the loss of state revenue.

- Endowment Investments increased \$120.9 million between fiscal years, while Investment Income increased \$84.9 million. These increases are primarily due to the strong financial markets and investment returns on the UW System's Long-Term Fund, which were 27.4 percent in 2020-21, compared to 3.8 percent in 2019-20.
- The Wisconsin Retirement System, which is managed by the State of Wisconsin's Department of Employee Trust Funds (ETF), reported a significant increase in its Restricted Net Pension Asset, with the UW System's share of it being \$831.6 million, a 93.2 percent increase. ETF attributes this increase to investment returns being above their anticipated levels. The Other Post Employment Benefit (OPEB) programs, which are also administered by ETF, have varied financial positions. The UW System's share of the Supplemental Health Insurance Conversion Credit program is reported as an asset of \$124.5 million, while the Retiree Health and Retiree Life Insurance programs are at a liability of \$651.3 million. A summary of the UW System's net position without the impact of the pension and OPEB programs is included on page 19 of the 2021 Annual Financial Report.
- Tuition revenue stayed relatively consistent at \$1.4 for the UW System as a whole. However, enrollment and revenue increases at a handful of UW institutions offset reductions at others.
- State appropriations increased \$76.3 million over the prior fiscal year as a result of two factors. In fiscal year 2019-20, the UW System was required to lapse \$40.8 million of its General Purpose Revenue back to the State. In 2020-21, the UW System also received additional GPR for the state's two percent salary compensation increase ("pay plan") and new funding for the Dairy Innovation Hub for UW-Madison, UW-Platteville, and UW-River Falls.

As a result of these changes, the UW System's Net Position increased significantly, from nearly \$5.4 billion in 2019-20 to \$6.0 billion in 2020-21. This increase is largely attributable to our investment in capital assets and other restricted assets, such as the pension and OPEB assets and trust fund assets. The UW System's Unrestricted Net Position is reflected on the Statement of Net Position as a deficit balance of \$154.0 million. However, if the statement was adjusted to remove the impact of our restricted pension and OPEB assets, the Unrestricted Net Position would be \$1.1 billion, an increase of \$21.4 million.

Fiscal year 2020-21 has assuredly been unpredictable across the nation's higher education landscape, but it was a year in which the UW System met the challenges of the ever-evolving public health threat while maintaining prudent management to ensure the fiscal viability for the UW System's 13 universities. We are constantly reminded of the approximately 165,000 students and the citizens of Wisconsin, who are at the core of what we do every day in support of the UW System's mission. So as we celebrate our 50th anniversary, the UW System is well positioned financially to help the State of Wisconsin seek solutions for the emerging challenges of the next 50 years, with a renewed commitment to upholding the Wisconsin Idea for future generations.

Sean P. Nelson, Vice President for Finance



Years Ended June 30, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

DRAFT 12/9/2021



Years Ended June 30, 2021 and 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

DRAFT 12/9/2021

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of the University of Wisconsin System (University) for the years ended June 30, 2021 and 2020, with comparative information for the year ended June 30, 2019, where appropriate. This discussion has been prepared by management, is unaudited, and should be read in conjunction with the financial statements and footnotes.

The University is made up of 13 four-year universities and 13 additional branch campuses affiliated with seven of the four-year institutions. In academic year 2020-2021, the University enrolled 164,766 students, employed approximately 32,284 faculty and staff, and granted 37,193 associate, bachelor's, master's, and other advanced degrees. University institutions were awarded over \$1,524.2 million in federal grants and contracts in fiscal year 2021 and an additional \$745.9 million from non-federal sponsors. The University has a long tradition of public service, embodied by an ongoing commitment to the Wisconsin Idea, that the boundaries of the University are the boundaries of the State.

Degrees Granted		Headcount Enrollments	
<i>UW-Madison</i>	11,768	<i>UW-Madison</i>	45,483
<i>UW-Milwaukee</i>	5,539	<i>UW-Milwaukee</i>	24,722
<i>UW-Eau Claire</i>	2,391	<i>UW-Eau Claire</i>	11,015
<i>UW-Green Bay</i>	1,666	<i>UW-Green Bay</i>	8,969
<i>UW-La Crosse</i>	2,530	<i>UW-La Crosse</i>	10,543
<i>UW-Oshkosh</i>	2,382	<i>UW-Oshkosh</i>	15,317
<i>UW-Parkside</i>	817	<i>UW-Parkside</i>	4,465
<i>UW-Platteville</i>	1,763	<i>UW-Platteville</i>	7,550
<i>UW-River Falls</i>	1,415	<i>UW-River Falls</i>	5,862
<i>UW-Stevens Point</i>	1,808	<i>UW-Stevens Point</i>	8,316
<i>UW-Stout</i>	1,646	<i>UW-Stout</i>	7,970
<i>UW-Superior</i>	639	<i>UW-Superior</i>	2,559
<i>UW-Whitewater</i>	2,829	<i>UW-Whitewater</i>	11,995
Total	37,193	Total	164,766

Using the Financial Statements

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

The Statement of Net Position is a financial condition snapshot as of June 30, 2021 and 2020, and includes all assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Current assets are those that are available to satisfy current liabilities inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. Increases or decreases in net position provide an indicator of the improvement or erosion of the University's financial health when considered in conjunction with non-financial information, such as conditions of facilities and enrollment levels. Net Position is divided into three major categories: Net Investment in Capital

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

Assets, Restricted, and Unrestricted. Net Investment in Capital Assets consists of capital assets reduced by the outstanding balances of borrowings for the construction, acquisition, or improvement of those assets. Restricted Net Position has constraints put on by external parties, such as sponsors for research and donors, or by State Statute and Board of Regent policy as in the case of student segregated fees. Unrestricted Net Position consists of funds that do not meet either of those definitions.

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

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

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

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

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

Analysis of Financial Position and Results of Operations

The University's total net position remained stable after fiscal year 2021. As of June 30, 2021, the University had total assets of \$9.8 billion and total liabilities of \$3.3 billion.

Statement of Net Position (in millions)

	2021	2020	2019
Current Assets	\$ 2,773.7	\$ 2,432.5	\$ 2,298.0
Capital Assets, Net	5,388.3	5,345.4	5,258.4
Other Noncurrent Assets	1,653.1	1,092.3	612.8
Total Assets	9,815.1	8,870.2	8,169.2
Deferred Outflows of Resources	1,556.2	1,183.4	1,340.4
Current Liabilities	789.6	702.4	658.6
Noncurrent Liabilities	2,489.0	2,429.0	2,654.7
Total Liabilities	3,278.6	3,131.4	3,313.3
Deferred Inflows of Resources	2,092.4	1,522.7	836.6
Net Investment in Capital Assets	3,669.7	3,574.4	3,614.4
Restricted Net Position	2,484.6	1,748.5	1,197.6
Unrestricted Net Position	(154.0)	76.6	547.7
Total Net Position	\$ 6,000.3	\$ 5,399.5	\$ 5,359.7

Current assets minus current liabilities represents the net working capital of the University. Net working capital increased from \$1,730.1 million at June 30, 2020 to \$1,984.2 million at June 30, 2021.

The following table contains a summary of Current Assets which consists of operating cash and cash equivalents, securities lending collateral, accounts receivable, student loans receivable, supply inventories, and prepaid expenses. The largest change between 2021 and 2020 was in cash and cash equivalents, which increased by \$270.3 million due to reduction of operating expenses and receipt of federal COVID relief funds.

Current Assets (in millions)	2021	2020	2019
Cash & Cash Equivalents	\$ 2,219.4	\$ 1,949.1	\$ 1,863.7
Securities Lending Collateral	148.0	109.4	109.3
Accounts Receivable, Net	316.2	285.8	249.0
Other Current Assets	90.1	88.2	76.0
Total Current Assets	\$ 2,773.7	\$ 2,432.5	\$ 2,298.0

The Board of Regents has authority to invest gifts and bequests received by the University. Effective April 1, 2018 and as permitted through Section 36.11 (11m) of the Wisconsin statutes, the Board of Regents transferred its investment management responsibilities to the State of Wisconsin Investment Board (SWIB). The Board of Regents establishes investment policies and guidelines, including target investment allocations. Benefiting UW entities receive quarterly distributions from the Long Term Fund, principally endowed assets, based on an annual spending rate applied to a twelve-quarter moving average market value of the Fund. A comparison of university-controlled endowments over the past several years can be found in Chart 3 of the Supplemental Information

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

section of this report. Additional information on cash and investments is provided in Note 2 to the Financial Statements.

Non-current assets are comprised mainly of endowment investments, capital assets (net of accumulated depreciation), student loans receivable and pension and OPEB assets. Notable changes between years include:

- Endowment investments, valued at \$591.3 million at June 30, 2021, increased by \$120.9 million during fiscal year 2021. The increase was driven by market-based fluctuations in investment performance.
- Investment earnings related to the pension plan fiduciary net position outpaced projected earnings in both 2021 and 2020, resulting in a non-current net pension asset of \$831.6 million and \$430.5 million, respectively.
- In 2020, the Department of Employee Trust Funds (ETF), which has program administration and oversight of postemployment benefits, determined that the Supplemental Health Insurance Conversion Credit (SHICC) program should be considered a defined benefit other postemployment benefit. As such, the University has recorded its proportionate share of the net OPEB non-current asset at June 30, 2021 and 2020 of \$124.5 million and \$67.9 million, respectively.

Deferred outflows increased by \$372.8 million in fiscal year 2021, due to adjustments related to pension and OPEB obligations.

Current liabilities increased by \$87.2 million in fiscal year 2021, driven by increases in accounts payable and accrued liabilities, securities lending collateral liabilities and current portion of employer deferred payroll tax liabilities.

Noncurrent liabilities increased by \$60.0 million in fiscal year 2021. The most significant reason for this is the adjustment to the pension plan fiduciary net position, as noted above.

Deferred inflows increased by \$569.7 million in fiscal year 2021, due to adjustments related to pension and OPEB obligations.

Further, these reporting changes resulted in \$223.1 million of pension expense credit being included on the Statement of Revenues, Expenses, and Changes in Net Position. These changes are more fully described in Notes 1 and 8 to the Financial Statements.

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

Capital and Debt Activities

Of the \$6.0 billion in net position, \$3.7 billion is net investment in capital assets. In an effort to maintain quality in the University's academic and research programs and residence halls, the University has implemented a long-range plan to fund new construction and modernize existing facilities. Capital additions consist of new construction, replacement and renovation of academic and research facilities, as well as significant investment in technology and equipment. Note 4 to the Financial Statements describes the University's capitalization and depreciation policies, and includes summarized changes in the book value of these assets, including major construction projects completed or in progress. Note 6 to the Financial Statements describes the University's long term debt and includes summarized information on those balances, as well as future debt service requirements.

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

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

Statement of Revenues, Expenses, and Changes in Net Position

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

	2021	2020	2019
Total Revenues	\$ 5,432.8	\$ 5,229.8	\$ 5,302.0
Total Expenses	5,089.5	5,398.9	5,486.1
Income (Loss) Before Capital and Endowment Additions	343.3	(169.1)	(184.1)
Capital Appropriations, Contributions & Endowment Additions	257.4	209.0	113.7
Increase (Decrease) in Net Position	<u>\$ 600.7</u>	<u>\$ 39.9</u>	<u>\$ (70.4)</u>

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

The University's operating and non-operating revenues are provided in the table below. Operating revenues decreased \$257.0 million since fiscal year 2019 with the primary decreases in sales and services of auxiliaries and sales and services of educational activities. Non-operating revenues increased \$387.8 million between fiscal year 2019 and fiscal year 2021 primarily due to changes in state appropriations, gifts and coronavirus federal grants and aid funding. The University was awarded \$599.9 million in coronavirus federal grants and aid through 2020-21. In accordance with the federal award agreements, the University must meet certain eligibility requirements before recognizing the funding. The University recognized \$240.5 million as non-operating revenue in 2020-21 and \$72.3 million as non-operating revenue in 2019-20. The remaining amount will be recognized in 2021-22. These funds are restricted and must be used to address unforeseen financial needs created by the coronavirus public health emergency, such as personal protective equipment, emergency student grants, housing and dining refunds and technology to accommodate remote learning.

Revenues (in millions):	2021	2020	2019
Operating Revenues			
Student Tuition and Fees, Net	\$ 1,403.2	\$ 1,407.9	\$ 1,402.3
Federal Grants and Contracts	707.8	685.0	617.0
State, Local, & Private Grants and Contracts	438.0	421.2	447.5
Sales and Services of Educational Activities	241.1	338.6	371.8
Sales and Services of Auxiliaries, Net	263.3	354.3	433.6
All Other Operating Revenues	430.8	461.6	469.0
Total Operating Revenues	3,484.2	3,668.6	3,741.2
Non-Operating Revenues			
State Appropriations	961.6	885.3	883.6
Gifts	438.1	382.3	395.7
Federal Pell Grants	141.0	149.6	160.0
Coronavirus Federal Grants and Aid	240.5	72.3	—
Net Investment Income	129.0	44.0	86.4
Other Non-Operating Revenues	38.4	27.7	35.1
Total Non-Operating Revenues	1,948.6	1,561.2	1,560.8
Total Revenues	\$ 5,432.8	\$ 5,229.8	\$ 5,302.0

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

Operating expenses, classified by function, and non-operating expenses, are as follows:

Expenses (in millions):	2021	2020	2019
Operating Expenses			
Instruction	\$ 1,016.8	\$ 1,314.8	\$ 1,452.9
Research	1,059.6	1,032.0	987.1
Public Service	347.6	348.7	364.8
Academic Support	413.0	442.2	428.7
Student Services	488.1	500.7	505.5
Institutional Support	327.3	338.7	309.1
Operation/Maintenance	319.6	312.8	298.9
Financial Aid	292.1	273.3	243.6
Auxiliary Enterprises	259.5	298.8	359.7
Other Functions	69.4	69.3	71.0
Depreciation	348.9	329.1	327.3
Total Operating Expenses	4,941.9	5,260.4	5,348.6
Non-Operating Expenses	147.7	138.5	137.5
Total Expenses	<u>\$ 5,089.6</u>	<u>\$ 5,398.9</u>	<u>\$ 5,486.1</u>

One of the University's strengths has been its ability to supplement student tuition and fee revenue and state appropriations with support from other sources, including foundations, investment income, and government-sponsored programs (see Charts 1 and 2 in the Supplemental Information of this report). The University continues to aggressively seek funding sources consistent with its mission to meet operating activities in a financially prudent manner. In addition, the University will continue to make cost containment and revenue diversification a priority. The higher Instruction operating expenses in fiscal year 2019 and 2020 are attributed to the increase in pension plan expense reported within salary and fringe benefits expense in those years.

UNIVERSITY OF WISCONSIN SYSTEM
Management's Discussion and Analysis
Years Ended June 30, 2021 and 2020

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

	2021	Adjustment for Pension and OPEB	Adjusted 2021	2020	Adjustment for Pension and OPEB	Adjusted 2020
Current Assets	\$ 2,773.7	\$ —	\$ 2,773.7	\$ 2,432.5	\$ —	\$ 2,432.5
Capital Assets, Net	5,388.3	—	5,388.3	5,345.4	—	5,345.4
Other Noncurrent Assets	1,653.1	956.2	696.9	1,092.3	498.4	593.9
Total Assets	9,815.1	956.2	8,858.9	8,870.2	498.4	8,371.8
Deferred Outflows of Resources	1,556.2	1,508.7	47.5	1,183.4	1,129.9	53.5
Current Liabilities	789.6	—	789.6	702.4	—	702.4
Noncurrent Liabilities	2,489.0	651.3	1,837.7	2,429.0	590.3	1,838.7
Total Liabilities	3,278.6	651.3	2,627.3	3,131.4	590.3	2,541.1
Deferred Inflows of Resources	2,092.4	2,092.3	0.1	1,522.7	1,522.5	0.2
Net Investment in Capital Assets	3,669.7	—	3,669.7	3,574.4	—	3,574.4
Restricted Net Position	2,484.6	956.2	1,528.4	1,748.5	498.4	1,250.1
Unrestricted Net Position	(154.0)	(1,234.9)	1,080.9	76.6	(982.9)	1,059.5
Total Net Position	<u>\$ 6,000.3</u>	<u>\$ (278.7)</u>	<u>\$ 6,279.0</u>	<u>\$ 5,399.5</u>	<u>\$ (484.5)</u>	<u>\$ 5,884.0</u>

In fiscal year 2021, salary and fringe benefits expenses amounted to \$3,279.0 million, including an expense credit of \$205.7 million related to the pension and other postemployment benefit obligations. Compared to fiscal year 2020, salary and fringe benefits expenses amounted to \$3,544.7 million, including \$40.8 million related to the pension and other postemployment benefit obligations.

Factors Affecting Future Periods

2019 Wisconsin Act 9, the 2019-21 biennial budget, required continuing the freeze of UW resident undergraduate tuition at fiscal year 2012-13 levels for fiscal years 2019-20 and 2020-21, equating to an 8-year freeze. 2021 Wisconsin Act 58, the 2021-23 biennial budget, returns tuition-setting authority to the UW Board of Regents, which approved a resolution for no increase in UW resident undergraduate tuition in the upcoming 2021-22 academic year.

Act 58 also allocated an additional \$4.25 million to the UW System in fiscal year 2021-22 and \$4.0 million in fiscal year 2022-23. The UW System will receive \$2.5 million in both fiscal year 2021-22 and fiscal year 2022-23 in Freshwater Collaborative funding; \$1.0 million in both fiscal year 2021-22 and fiscal year 2022-23 in funding for UW-Extension Cooperative County Agriculture Agents; \$250,000 in fiscal year 2021-22 and \$500,000 in fiscal year 2022-23 in Foster Youth Program funding, and \$250,000 each in fiscal year 2021-22 for environmental studies at UW-Madison's Nelson Institute and for support of UW-Milwaukee's partnership with The Water Council. These funds were set aside in the Supplemental Fund and require approval from the Legislature's Joint Finance Committee to be released. On November 4, 2021, the UW Board of Regents approved a plan to distribute this funding, but legislative approval is pending.

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Years Ended June 30, 2021 and 2020

**FINANCIAL STATEMENTS OF
THE UNIVERSITY OF WISCONSIN SYSTEM**

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University of Wisconsin System

Statement of Net Position

	June 30, 2021	June 30, 2020
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,219,371,735	\$ 1,949,069,852
Securities Lending Collateral	147,978,347	109,363,177
Accounts Receivable, Net	316,188,658	285,794,126
Student Loans Receivable, Net	19,868,721	24,328,052
Inventories	30,825,315	28,900,410
Prepaid Expenses & Other Current Assets	39,487,020	35,071,860
Total Current Assets	<u>2,773,719,796</u>	<u>2,432,527,477</u>
Noncurrent Assets		
Endowment Investments	591,337,801	470,422,459
Student Loans Receivable, Net	105,578,088	123,401,269
Other Noncurrent Assets	8,015	33,064
Capital Assets, Net	5,388,314,989	5,345,424,244
Restricted Net Pension Asset	831,629,182	430,532,171
Restricted Other Post Employment Benefits Asset	124,539,601	67,871,882
Total Noncurrent Assets	<u>7,041,407,676</u>	<u>6,437,685,089</u>
TOTAL ASSETS	<u>\$ 9,815,127,472</u>	<u>\$ 8,870,212,566</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,556,179,957</u>	<u>\$ 1,183,412,908</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 200,951,042	\$ 218,750,028
Securities Lending Collateral Liabilities	147,978,347	109,363,177
Notes and Bonds Payable	112,802,825	114,447,772
Capital Lease Obligations	1,363,731	1,479,701
Unearned Revenue	167,511,738	163,246,203
Compensated Absences	105,286,926	89,467,356
Deposits Held for Others	5,933,849	5,627,942
Other Current Liabilities	47,740,576	—
Total Current Liabilities	<u>789,569,034</u>	<u>702,382,179</u>
Noncurrent Liabilities		
Notes and Bonds Payable	1,577,169,777	1,577,873,144
Capital Lease Obligations	27,284,409	27,958,308
Perkins Loan Program	93,987,125	116,047,257
Compensated Absences	79,301,571	61,004,467
Other Postemployment Benefits	651,344,124	590,328,810
Other Noncurrent Liabilities	59,972,940	55,801,736
Total Noncurrent Liabilities	<u>2,489,059,946</u>	<u>2,429,013,722</u>
TOTAL LIABILITIES	<u>\$ 3,278,628,980</u>	<u>\$ 3,131,395,901</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,092,399,482</u>	<u>\$ 1,522,698,653</u>

(continued)

University of Wisconsin System

Statement of Net Position (continued)

	June 30, 2021	June 30, 2020
NET POSITION		
Net Investment in Capital Assets	\$ 3,669,694,247	\$ 3,574,415,523
Restricted for		
Nonexpendable	259,629,079	205,407,241
Expendable		
Pension	831,629,182	430,532,171
Other Post Employment Benefits	124,539,601	67,871,882
Gifts, Grants & Contracts	393,633,723	295,052,487
Donor Investments & Earnings	352,140,381	290,451,073
Construction Fund	302,867,939	227,797,018
Student Loans & Federal Aid	108,342,905	132,401,173
Other	111,850,707	99,044,026
Total Restricted-Expendable	2,225,004,438	1,543,149,830
Unrestricted	(154,048,797)	76,558,326
TOTAL NET POSITION	\$ 6,000,278,967	\$ 5,399,530,920

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

University of Wisconsin System

Statement of Revenues, Expenses, and Changes in Net Position

	Year ended June 30, 2021	Year ended June 30, 2020
OPERATING REVENUES		
Student Tuition and Fees (net of Scholarship Allowances of \$328.9 million and \$319.9 million, respectively)	\$ 1,403,236,537	\$ 1,407,920,106
Federal Grants and Contracts	707,821,453	684,983,369
State, Local, and Private Grants and Contracts	438,028,997	421,236,573
Sales and Services of Educational Activities	241,094,740	338,592,096
Sales and Services of Auxiliary Enterprises (net of Scholarship Allowances of \$35.4 million and \$39.7 million, respectively)	263,300,377	354,279,969
Sales and Services to UW Hospital and Clinics Authority	56,866,443	52,589,298
Student Loan Interest Income and Fees	4,033,301	4,703,805
Other Operating Revenue	369,783,342	404,297,914
Total Operating Revenues	3,484,165,190	3,668,603,130
OPERATING EXPENSES		
Salaries	2,558,781,768	2,576,440,113
Fringe Benefits	925,968,876	927,431,044
Fringe Benefits Related to Noncash Pension and OPEB	(205,708,929)	40,829,658
Total Salary and Fringe Benefits	3,279,041,715	3,544,700,815
Scholarship and Fellowships	186,086,039	165,112,149
Supplies and Services	1,109,653,787	1,197,809,218
Other Operating Expenses	18,131,786	23,674,892
Depreciation	348,856,263	329,097,681
Total Operating Expenses	4,941,769,590	5,260,394,755
OPERATING LOSS	(1,457,604,400)	(1,591,791,625)
NON-OPERATING REVENUES AND (EXPENSES)		
State Appropriations	961,630,593	885,317,047
Gifts	438,100,971	382,265,129
Federal Pell Grants	141,008,168	149,621,001
Coronavirus Federal Grants and Aid	240,534,993	72,288,995
Investment Income (net of Investment Expense of \$0.8 million and \$0.8 million, respectively)	128,956,471	44,034,776
Loss on Disposal of Capital Assets	(774,881)	(856,139)
Interest Expense on Capital Asset-related Debt	(52,336,072)	(55,298,999)
Transfer to State Agencies	(94,579,431)	(82,385,214)
Other Non-Operating Revenues	38,384,271	27,666,392
Gain(Loss) Before Capital and Endowment Additions	343,320,683	(169,138,637)
Capital Appropriations	188,585,261	192,188,041
Capital Grants and Gifts	57,380,596	15,466,530
Additions to Permanent Endowment	11,461,507	1,336,520
INCREASE IN NET POSITION	600,748,047	39,852,454
NET POSITION		
Net Position - beginning of period	5,399,530,920	5,359,678,466
NET POSITION - end of period	\$ 6,000,278,967	\$ 5,399,530,920

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

University of Wisconsin System

Statement of Cash Flows

	Year ended June 30, 2021	Year ended June 30, 2020
Cash Flows from Operating Activities		
Student Tuition and Fees	\$ 1,392,928,013	\$ 1,412,197,438
Federal, State, Local, and Private Grants & Contracts	1,114,360,275	1,102,999,532
Sales and Services of Educational Activities	237,989,094	337,886,956
Sales and Services of Auxiliary Enterprises	272,866,069	329,969,077
Sales and Services to UW Hospital Authority	61,012,693	49,137,766
Payments for Salaries and Fringe Benefits	(3,370,128,574)	(3,421,978,740)
Payments to Vendors and Suppliers	(1,138,352,234)	(1,198,762,468)
Payments for Scholarships and Fellowships	(186,086,039)	(165,112,149)
Student Loans Collected	29,658,917	31,292,095
Student Loan Interest and Fees Collected	4,033,301	4,703,805
Student Loans Issued	(7,523,828)	(5,864,900)
Student Direct Lending Receipts	557,204,512	604,491,279
Student Direct Lending Disbursements	(553,035,181)	(608,435,198)
Other Revenue	327,602,613	359,255,981
Net Cash Used in Operating Activities	(1,257,470,369)	(1,168,219,526)
Cash Flows from Investing Activities		
Interest and Dividends on Investments, Net	1,857,303	28,237,780
Proceeds from Sales and Maturities of Investments	43,043,935	45,648,842
Purchase of Investments	(37,921,830)	(32,428,764)
Net Cash Provided by Investing Activities	6,979,408	41,457,858
Cash Flows from Capital and Related Financing Activities		
Proceeds from Issuance of Capital Debt	360,067,691	414,013,271
Payments for Debt Retirements (Refundings)	(264,062,867)	(240,879,757)
Capital Appropriations	188,585,261	192,188,041
Gifts and Other Receipts	56,082,159	20,832,164
Purchase of Capital Assets	(403,530,177)	(425,733,115)
Principal Payments on Capital Debt and Leases	(218,226,022)	(203,832,044)
Interest Payments on Capital Debt and Leases	(129,463,569)	(143,144,563)
Net Cash Used in Capital and Related Financing Activities	(410,547,524)	(386,556,003)
Cash Flows from Noncapital Financing Activities		
State Appropriations	1,162,116,271	1,075,666,507
Gifts and Other Receipts	465,812,835	401,679,691
Federal Pell Grants	141,008,168	149,621,001
Coronavirus Federal Grants and Aid Receipts	245,521,018	52,804,490
Transfer to State Agencies	(94,579,431)	(82,385,214)
Additions to Permanent Endowments	11,461,507	1,336,520
Net Cash Provided by Noncapital Financing Activities	1,931,340,368	1,598,722,995
Net Increase in Cash and Cash Equivalents	270,301,883	85,405,324
Cash and Cash Equivalents - beginning of year	1,949,069,852	1,863,664,528
Cash and Cash Equivalents - end of year	\$ 2,219,371,735	\$ 1,949,069,852

(continued)

University of Wisconsin System

Statement of Cash Flows (continued)

	Year ended June 30, 2021	Year ended June 30, 2020
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (1,457,604,400)	\$ (1,591,791,625)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>		
Depreciation Expense	348,856,263	329,097,681
Changes in Assets, Liabilities and Deferred Outflows and Inflows of Resources:		
Receivables, net	(12,118,353)	3,512,423
Inventories	(1,924,905)	(396,807)
Prepaid Expense (including Deferred Charges)	(4,208,506)	(15,456,793)
Accounts Payable and Accrued Liabilities	54,830,170	51,862,243
Perkins Loan Liability	(22,060,132)	(22,689,256)
Unearned Revenue	4,213,208	(13,086,573)
Compensated Absences	34,116,674	6,297,488
Other Noncurrent Liabilities	4,138,541	43,602,035
Deferred Outflows of Resources	(378,792,472)	154,469,483
Pension Liability (Asset) and Deferred Inflows of Resources	168,735,948	(218,402,128)
Other Postemployment Benefits	4,347,595	104,762,303
Net Cash Used in Operating Activities	\$ (1,257,470,369)	\$ (1,168,219,526)
Noncash Investing, Capital and Financing Activities		
Capital Leases (Initial Year):		
Fair Market Value	\$ 1,116,724	\$ 985,324
Current Year Cash Payments	139,935	81,596
Gifts-In-Kind	2,439,043	2,099,184
Net Change in Unrealized Gains	112,730,945	10,210,092

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



Years Ended June 30, 2021 and 2020

FINANCIAL STATEMENTS OF RELATED UNIVERSITY CAMPUS FOUNDATIONS

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

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University of Wisconsin System Campus Foundations

Consolidated Statements of Financial Position

	June 30, 2021	June 30, 2020
ASSETS		
Cash and Cash Equivalents	\$ 44,656,514	\$ 81,380,668
Income and Redemption Receivables	290,098,626	81,495,842
Pledges Receivable, Net	179,542,558	148,581,465
Prepaid Expenses and Other Assets	28,130,796	26,480,767
Investments	5,918,234,511	4,729,911,637
Property and Equipment, Net	170,747,142	177,461,468
Real Estate	1,910,180	1,005,867
TOTAL ASSETS	\$ 6,633,320,327	\$ 5,246,317,714
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 9,636,081	\$ 16,681,298
Pending Investment Purchases Payable	349,396,887	54,219,318
Accrued Expenses and Other Liabilities	46,130,549	26,376,416
Note Payable	153,006,533	159,645,592
Liability Under Split-Interest Agreements	47,785,879	42,379,075
Funds Due to Other Organizations	301,051,968	294,801,843
Total Liabilities	907,007,897	594,103,542
NET ASSETS		
Without Donor Restrictions	205,623,105	212,694,952
With Donor Restrictions	5,520,689,325	4,439,519,220
Total Net Assets	5,726,312,430	4,652,214,172
TOTAL LIABILITIES AND NET ASSETS	\$ 6,633,320,327	\$ 5,246,317,714

Consolidated Statements of Activities

	Year ended June 30, 2021	Year ended June 30, 2020
REVENUES, GAINS AND OTHER SUPPORT		
Contributions	\$ 446,482,622	\$ 377,945,777
Investment Return, Net of Fees	1,038,927,158	90,904,721
Rental Income	12,904,471	7,367,081
Other Income	14,253,495	12,795,182
Total Revenues, Gains and Other Support	1,512,567,746	489,012,761
EXPENSES		
Program Expenses	366,424,507	312,670,120
Management and General Expenses	38,656,520	21,398,939
Fundraising Expenses	33,388,461	39,974,523
Total Expenses	438,469,488	374,043,582
OTHER CHANGES IN NET ASSETS	—	29,560,650
INCREASE IN NET ASSETS	1,074,098,258	144,529,829
Net Assets - Beginning of Year	4,652,214,172	4,507,684,343
Net Assets - End of Year	\$ 5,726,312,430	\$ 4,652,214,172

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



Years Ended June 30, 2021 and 2020

NOTES TO THE FINANCIAL STATEMENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

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UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 1 – Organization and Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

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

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). In fiscal year 2021, the University adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89), GASB Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61* (GASB 90), GASB Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93) and GASB Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98). In fiscal year 2020, the University adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84).

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

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

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

Other operating revenues are summarized as follows:

	Year ended June 30, 2021	Year ended June 30, 2020
Athletics	\$ 107,327,523	\$ 143,314,937
Student Health Services	44,466,752	49,541,209
Student Union/Student Center	39,491,402	44,757,915
All Other Areas	178,497,665	166,683,853
Total Other Operating Revenues	<u>\$ 369,783,342</u>	<u>\$ 404,297,914</u>

Certain significant revenue streams relied upon for operations are reported as non-operating revenues, as defined by GASB 35, including state appropriations, gifts, and investment income. The majority of the University's expenses are exchange transactions, which GASB defines as operating expenses for financial statement presentation. Non-operating expenses include capital financing costs and costs related to investment activity.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

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

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

Financial Reporting Entity

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

The decision to include a potential component unit in the University's reporting entity is based on the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*; GASB Statement No. 39, *Determining whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14*; GASB Statement No. 61, *The Financial Reporting Entity; Omnibus, an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*; and GASB Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*. Based upon the application of these criteria, 13 branch campus foundations are included in the financial statements as discretely presented component units because they operate entirely for the benefit of the University.

Other Organizations

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

Summary of Significant Accounting Policies

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

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

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

Inventories consist of consumable supplies used in operations or items held for resale. Fuels are reported at market value, while other inventories held by individual institutional cost centers are valued using a variety of cost flow assumptions that, for each type of inventory, are consistently applied from year to year. In addition to central stores and fuels, the major types of inventories include laboratory supplies, physical plant supplies, food service and student housing supplies, and items held for resale by campus computer outlets.

Prepaid expenses represent payments made prior to June 30th for goods and services received after the close of the fiscal year, primarily health and life insurance coverage, and costs associated with revenues that have not yet been earned as of June 30th, primarily summer session costs incurred prior to the close of the fiscal year. The revenues and expenses of the 2021 and 2020 summer sessions are reportable within the fiscal year beginning July 1 and ending June 30, based on the prorated portion of the number of summer session days that occurred in fiscal year 2021 and 2020, respectively.

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

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

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

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

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

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

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position that applies to future periods and will be recognized as an inflow of resources (decrease in expense/expenditure) in those periods. The University's deferred inflows of resources are related

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

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

to the net pension asset (liability), OPEB asset (liability), and debt refunding. Additional information related to pensions is available in Note 8, OPEBs is available in Note 9, and debt is available in Note 6. See Note 10 for more information regarding deferred inflows of resources.

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

Coronavirus Federal Grants and Aid

The COVID global pandemic which was first identified in December 2019 has had a significant impact on the University's operations and financial results. The University was compelled to make several difficult decisions as a result of COVID-19, such as implementing employee furloughs, delaying employee recruitments, postponing new projects and initiatives and limiting travel. All these decisions, which resulted in reduced expenses, were intended to safeguard the well-being of our students, faculty, staff and the citizens of Wisconsin, while working to secure the long-term financial health of our universities.

Federal relief funding also helped offset the financial impact due to the pandemic. In accordance with each individual federal grant, these funds are restricted in use, and UW institutions were required to meet certain eligibility requirements before recognizing the funding as revenue, which included distributing certain portions to students as emergency financial aid. Amounts recognized in fiscal year 2021 and 2020 and reported as nonoperating revenues in the Statement of Revenues, Expenses and Changes in Net Position are summarized as follows:

	Year ended June 30, 2021	Year ended June 30, 2020
Coronavirus Aid, Relief, and Economic Securities (CARES) Act:		
Emergency Student Aid	\$ 7,160,619	\$ 39,953,672
Institutional Aid	20,254,743	29,097,729
Coronavirus Relief Funds	50,764,033	3,237,594
Coronavirus Response and Relief Supplemental Appropriations:		
Emergency Student Aid	46,510,816	—
Institutional Aid	114,923,406	—
American Rescue Plan:		
Emergency Student Aid	642,456	—
Institutional Aid	278,920	—
Total Coronavirus Federal Grants and Aid	<u>\$ 240,534,993</u>	<u>\$ 72,288,995</u>

Newly Adopted Accounting Pronouncements

The University adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89), effective for the fiscal year ended June 30, 2021. The GASB statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. Paragraphs 5–22 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, are superseded by this Statement. The adoption of this standard did not have a significant impact on the financial reporting for the fiscal year ended June 30, 2021.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

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

The University adopted GASB Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61* (GASB 90), effective for the fiscal year ended June 30, 2021. The GASB statement aims to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. The adoption of this standard did not have a significant impact on the financial reporting for the fiscal year ended June 30, 2021.

The University adopted GASB Statement No. 93, *Replacement of Interbank Offered Rates* (GASB 93), effective for the fiscal year ended June 30, 2021. The GASB statement amends and clarifies accounting guidance impacted by global reference rate reform and the related replacement of the London Interbank Offered Rate (LIBOR). The adoption of this standard did not have a significant impact on the financial reporting for the fiscal year ended June 30, 2021.

The University adopted GASB Statement No. 98, *The Annual Comprehensive Financial Report* (GASB 98), effective for the fiscal year ended June 30, 2021. The GASB statement addresses references in authoritative literature, replacing the term *comprehensive annual financial report* with *annual comprehensive financial report*. The adoption of this standard did not have a significant impact on the financial reporting for the fiscal year ended June 30, 2021.

New Accounting Pronouncements

GASB Statement No. 87, *Leases* (GASB 87), increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the GASB statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of GASB 87 are effective for fiscal year 2022.

GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91), provides a single method of reporting conduit debt obligations by issuers and aims to eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of GASB 91 are effective for fiscal year 2023.

GASB Statement No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements* (GASB 94), intends to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of GASB 94 are effective for fiscal year 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The provisions of GASB 96 are effective for fiscal year 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97), aims to (1) increase consistency and comparability related to the reporting of fiduciary component units in

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

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

circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of GASB 97 are effective for fiscal year 2022.

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

NOTE 2 – Cash and Investments

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of shares in the State Investment Fund (SIF), a short-term pool of state and local funds managed by the State of Wisconsin Investment Board (SWIB) with oversight by a Board of Trustees as authorized in Wisconsin Statutes Sections 25.17 (3) (b), (ba), (bd), and (dg). SWIB is not registered with the SEC as an investment company. The fair value of the investment in the SIF is based on net asset value (NAV) per share (or its equivalent), as of June 30, 2021. The SIF is a commingled fund with the investment objective of safety of principal and liquidity while earning a competitive money market rate of return. The valuation of the underlying investments of the SIF depends on asset class. Repurchase Agreements and non-negotiable Certificates of Deposit are valued at cost. All remaining short-term debt investments (U.S. Government/Agency securities, Banker's Acceptances, Commercial Paper, and negotiable Certificates of Deposit) are carried at fair value. Because quoted market prices for SIF securities are often not available, at month end, BNY Mellon, as SWIB's custodial bank, compiles fair values from third party pricing services which use matrix pricing models to estimate a security's fair value. There are no unfunded commitments relating to the SIF and shares of the SIF can be fully redeemed at any time with no notice or other restrictions. Further information about the investments in the SIF can be obtained from the separately issued State Investment Fund Annual Financial Report for the Fiscal Year Ended June 30, 2021.

Of the \$2,219.4 million and \$1,949.1 million in cash and cash equivalents as of June 30, 2021 and 2020, respectively, \$1,988.7 million and \$1,725.0 million, respectively, represent amounts held within the SIF; \$230.7 million and \$224.1 million, respectively, was maintained by individual University institutions in local bank accounts to meet operating needs; and a small, residual amount was held at BNY Mellon to meet the cash needs of the investing activities of the Trust Fund. Interest distributions are received on a monthly basis for balances associated with trust funds, federal aid programs, and funds attributable to the appropriations listed in Wisconsin Statutes Section 20.285(1) (Li). Investment earnings for all other funds do not accrue to the University.

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

For the remaining deposits, the University had balances in excess of Federal Deposit Insurance Corporation limits totaling \$224.3 million and \$217.9 million at June 30, 2021 and 2020, respectively. These amounts, deposited in approved financial institutions, are uninsured and uncollateralized. A

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 2 – Cash and Investments (continued)

state appropriation for losses on public deposits (Wisconsin Statutes Section 34.08) insures up to \$400,000 over the amount of federal insurance.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Deposits in foreign currency at June 30, 2021 and 2020 are insignificant. The University does not have a formal policy for foreign currency risk.

Investments

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

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

The SWIB-managed Long Term Fund consisted of the following actual asset allocation by investment category on June 30, 2021 and 2020:

Investment Category	2021	2020
Global Equities	44.0 %	42.7 %
Treasury Inflation Protection Securities (TIPS)	15.2 %	16.1 %
Investment Grade Government/Credit	15.2 %	16.3 %
Hedged Non-U.S. Equities (Developed Markets)	4.9 %	4.8 %
Real Estate Investment Trusts (REITs)	2.8 %	2.5 %
Emerging Markets Equities	2.9 %	2.7 %
Private Markets ¹	15.0 %	14.9 %
Total	100.0 %	100.0 %

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

The RegentFund consisted of the following actual asset allocation by investment category on June 30, 2021 and 2020:

Investment Category	2021	2020
Fixed Income Securities	95.4 %	94.9 %
Short Term Investment Funds	4.6 %	5.1 %
Total	100.0 %	100.0 %

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 2 – Cash and Investments (continued)

Benefiting University entities receive quarterly distributions from the Long Term Fund, which is primarily comprised of endowed assets, based on an annual spending rate applied to a twelve-quarter moving average market value of the Fund. The annual spending rate is currently 4.0%. Distributions from the RegentFund, which is primarily comprised of expendable gifts, consisted of quarterly interest earnings distributions. Spending rate and interest distributions from both Funds are transferred to the SIF, pending near-term expenditures. During the fiscal year ended June 30, 2021, the amount made available to spend from these funds was \$18.7 million, relative to \$17.5 million available during the fiscal year ended June 30, 2020.

At June 30, 2021 and 2020, the University's investments were as follows:

Investments	2021	2020
Equity Index Funds	\$ 301,487,892	\$ 232,126,303
Fixed Income Index Funds	177,651,011	149,615,772
Real Estate Index Fund	16,085,125	11,339,872
Fixed Income Securities	7,562,817	7,366,994
Short Term Investment Funds	376,279	397,712
Private Markets Limited Partnership	88,174,677	69,575,806
Total Investments	\$ 591,337,801	\$ 470,422,459

The total return on the Long Term Fund, including capital appreciation, was 27.4% for fiscal year 2021 compared to 3.8% in fiscal year 2020. The total return on the RegentFund, including capital appreciation, was 3.1% for fiscal year 2021, compared to 6.8% for fiscal year 2020.

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit ratings issued by the major rating agencies are one indication of the perceived credit quality of the issuer. As of June 30, 2021, the University was exposed to credit risk directly through its singular separately-managed fixed income portfolio, the RegentFund, and indirectly through the ownership of shares of commingled or mutual funds.

The following schedule displays the credit ratings for debt securities owned as of June 30, 2021 and 2020. Obligations of the United States and obligations explicitly guaranteed by the U.S. government are included in the Aaa rating below.

Ratings	2021	2020
AAA/Aaa	\$ 1,432,139	\$ 1,421,763
AA/Aa	140	143
A	835,549	2,015,134
BBB/Baa	3,740,826	3,300,739
BB/Ba	1,454,913	499,459
B	99,250	129,756
Commingled Fixed Income Funds	177,651,011	149,615,772
Not Rated	376,279	397,712
Totals	\$ 185,590,107	\$ 157,380,478

Custodial Credit Risk: Custodial credit risk related to investments is the risk that, in the event of a failure of a counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The University's separately-held investment securities are registered in the name of the University. Investment

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 2 – Cash and Investments (continued)

securities underlying the University's investment in shares of external investment pools or funds are in custody at those entities. The shares owned in these external investment pools are registered in the name of the University. The University does not have a formal policy for custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. Separately-managed debt/fixed income accounts that the University held as of June 30, 2021 and 2020 were limited to holding no more than 5.0% in any one issuer (U.S. Government/Agencies were exempted).

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University used the option adjusted modified duration method to analyze interest rate risk for separately-held securities. Fixed income securities held by the University as of June 30, 2021 was expected to be within a range of two years below to one year above the effective duration of the established benchmark's duration.

The following schedule displays the interest rate risk statistics for individually-held debt securities owned as of June 30, 2021 and 2020, grouped by sector.

Fixed Income Sector

	2021		2020	
	Market Value	Effective Duration (In Years)	Market Value	Effective Duration (In Years)
Corporate Debt	\$ 6,130,677	4.79	\$ 6,080,015	5.51
Government Debt	1,808,419	4.10	1,684,691	4.71
Totals	<u>\$ 7,939,096</u>		<u>\$ 7,764,706</u>	

The following schedule displays the interest rate risk statistics for the commingled debt/fixed income funds held as of June 30, 2021 and 2020, as determined by the providers of the funds.

Fixed Income Commingled Fund

	2021		2020	
	Market Value	Effective Duration (In Years)	Market Value	Effective Duration (In Years)
BlackRock U.S. TIPS Fund B	\$ 88,823,080	7.51	\$ 74,378,042	7.68
BlackRock Government/Credit Bond Index Fund B	88,827,931	7.35	75,237,730	7.30
Totals	<u>\$177,651,011</u>		<u>\$149,615,772</u>	

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Long Term Fund held positions only in passively-managed, indexed commingled funds which may invest in securities denominated in foreign currencies. However, the fund used for exposure to developed market equities generally seeks to hedge against the variations in returns deriving solely from the value of the foreign currencies in the fund relative to the U.S. dollar. The fund used for exposure to emerging market equities generally does not engage in similar foreign currency hedging efforts, due largely to the high cost and more limited efficacy of such hedging. Deposits in foreign currency for the RegentFund at June 30, 2021 are immaterial.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 2 – Cash and Investments (continued)

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

The University receives 75 percent of the net revenue derived from all securities lending activities and the bank receives the remainder of the net revenue. Interest and dividend income reported as part of non-operating investment income in the Statement of Revenues, Expenses, and Changes in Net Position includes \$275,301 and \$415,789 earned by the University during the fiscal years ended June 30, 2021 and 2020, respectively, in conjunction with the securities lending program.

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

At June 30, 2021 and 2020, the fair value of securities loaned was \$144.9 million and \$106.8 million, respectively, while the collateral held was \$148.0 million and \$109.4 million, respectively. Collateral received consisted of cash and non-cash collateral. The cash collateral was invested in a U.S. Dollar Cash Collateral Pool. There was non-cash collateral received of \$175,608 and \$327,516 as of June 30, 2021 and 2020, respectively. In accordance with accounting standards the value of the collateral held and a corresponding liability to return the collateral have been reported on the accompanying Statement of Net Position.

Donor-restricted endowments: For University-controlled, donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted in Wisconsin, permits the Board of Regents of the University to appropriate, for current spending, an amount of realized and unrealized endowment appreciation as it determines to be prudent. Realized and unrealized appreciation in excess of that amount appropriated for current spending is retained by the endowments. Net appreciation since the inception of the endowment accounts of \$213.3 million and \$153.7 million at June 30, 2021 and June 30, 2020, respectively, is available to meet spending rate distributions and is recorded as restricted net position.

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

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 2 – Cash and Investments (continued)

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

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

As of June 30, 2021, the University's investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value per share or its equivalent.

The following table presents these investments by investment category.

Investments	Level 1	Level 2	Level 3	Measured at NAV	Total June 30, 2021
Equity Index Funds	\$ —	\$ —	\$ —	\$ 301,487,892	\$ 301,487,892
Fixed Income Index Funds	—	—	—	177,651,011	177,651,011
Real Estate Index Fund	—	—	—	16,085,125	16,085,125
Fixed Income Securities	1,432,139	6,130,678	—	—	7,562,817
Short Term Investment Funds	301,253	—	—	75,026	376,279
Private Equity Limited Partnership	—	—	—	88,174,677	88,174,677
Total Investments at Fair Value	<u>\$ 1,733,392</u>	<u>\$ 6,130,678</u>	<u>\$ —</u>	<u>\$ 583,473,731</u>	<u>\$ 591,337,801</u>

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

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

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

As of June 30, 2020, the University's investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value per share or its equivalent.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 2 – Cash and Investments (continued)

The following table presents these investments by investment category.

Investments	Level 1	Level 2	Level 3	Measured at NAV	Total June 30, 2020
Equity Index Funds	\$ —	\$ —	\$ —	\$ 232,126,303	\$ 232,126,303
Fixed Income Index Funds	—	—	—	149,615,772	149,615,772
Real Estate Index Fund	—	—	—	11,339,872	11,339,872
Fixed Income Securities	1,286,979	6,080,015	—	—	7,366,994
Short Term Investment Funds	341,179	—	—	56,533	397,712
Private Equity Limited Partnership	—	—	—	69,575,806	69,575,806
Total Investments at Fair Value	<u>\$ 1,628,158</u>	<u>\$ 6,080,015</u>	<u>\$ —</u>	<u>\$ 462,714,286</u>	<u>\$ 470,422,459</u>

As part of the investment management transfer to SWIB, Terrace Investment Holdings SMF, LLC was created to centrally hold and manage the University's investments in private markets Limited Partnership Funds. This investment is illiquid and is generally not resold or redeemed. Distributions from the fund will be received over the life of the investment as the underlying investments are liquidated. The investment strategy of the limited partnership focuses globally on corporate finance, venture capital, and forestry/agricultural investments. The fund-of-funds limited partnership is estimated to have an average remaining life of approximately 4.3 years at June 30, 2021. The estimated remaining life of the underlying investments are between 0-8 years at June 30, 2021.

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

Investment Type	2021		2020	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Private Markets Limited Partnership Funds	\$ 88,174,677	\$ 8,891,124	\$ 69,575,806	\$ 12,953,443

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 2 – Cash and Investments (continued)

As of June 30, 2021, the Foundations' investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value (NAV) per share or its equivalent. The following table presents these investments by investment category.

Investments	Level 1	Level 2	Level 3	Measured at NAV	Total June 30, 2021
Certificates of Deposit	\$ —	\$ 100,000	\$ —	\$ —	\$ 100,000
Money Market Funds	140,039,168	7,585,272	—	—	147,624,440
Federal and State Government Securities	—	479,902	—	—	479,902
Equity Securities	1,439,811,730	207,500	1,970,273	—	1,441,989,503
Debt Securities	97,649,978	972,762,060	11,117,038	—	1,081,529,076
Bond Funds	8,578,841	12,518,891	—	255,476,523	276,574,255
Stock Funds	84,059,198	—	—	888,639,491	972,698,689
Exchange Traded Funds	72,983,567	—	—	—	72,983,567
Mutual Funds	551,551,379	—	17,503,225	—	569,054,604
Other	97,770,721	10,958,766	848,644	163,038,332	272,616,463
Subtotal	2,492,444,582	1,004,612,391	31,439,180	1,307,154,346	4,835,650,499
Alternate Investments					
Private Equity	—	—	1,200,728	465,463,213	466,663,941
Real Estate	—	—	177,943	350,933,940	351,111,883
Hedge Funds	—	—	—	191,534,025	191,534,025
Other	1,685,250	—	—	71,588,913	73,274,163
Total investments at fair value	<u>\$2,494,129,832</u>	<u>\$1,004,612,391</u>	<u>\$ 32,817,851</u>	<u>\$2,386,674,437</u>	<u>\$5,918,234,511</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020
NOTE 2 – Cash and Investments (continued)

As of June 30, 2020, the Foundations' investments were measured at fair value within the fair value hierarchy established by generally accepted accounting principles, as well as by using the net asset value (NAV) per share or its equivalent. The following table presents these investments by investment category.

Investments	Level 1	Level 2	Level 3	Measured at NAV	Total June 30, 2020
Certificates of Deposit	\$ 702,639	\$ 166,908	\$ —	\$ —	\$ 869,547
Money Market Funds	112,434,754	9,774,758	—	—	122,209,512
Federal and State Government Securities	—	255,021	—	—	255,021
Equity Securities	834,269,021	—	3,009,343	—	837,278,364
Debt Securities	59,494,268	798,264,851	3,605,610	—	861,364,729
Bond Funds	22,769,532	7,638,352	—	283,768,338	314,176,222
Stock Funds	41,992,453	—	35,757,260	946,596,376	1,024,346,089
Exchange Traded Funds	103,384,568	—	—	—	103,384,568
Mutual Funds	457,009,750	—	—	—	457,009,750
Other	95,666,099	12,435,205	4,124,330	112,112,526	224,338,160
Subtotal	1,727,723,084	828,535,095	46,496,543	1,342,477,240	3,945,231,962
Alternate Investments					
Private Equity	—	—	—	342,941,177	342,941,177
Real Estate	160,882	—	—	244,833,049	244,993,931
Hedge Funds	—	—	—	132,475,310	132,475,310
Other	1,685,250	—	—	62,584,007	64,269,257
Total investments at fair value	<u>\$1,729,569,216</u>	<u>\$ 828,535,095</u>	<u>\$ 46,496,543</u>	<u>\$2,125,310,783</u>	<u>\$4,729,911,637</u>

NOTE 3 – Receivables

Accounts receivable and student loans receivable as of June 30, 2021 and June 30, 2020, are summarized as follows:

Receivables (Net)	2021	2020
Student Academic Fees	\$ 26,484,464	\$ 22,874,444
Grants and Contracts	51,234,854	78,867,957
Educational Activities and Other	28,329,271	47,569,034
Auxiliary Enterprises	9,801,762	9,372,707
UW Hospital Authority and La Crosse Medical Health Science Consortium Inc.	6,811,864	10,958,114
Investment	77,928	93,343
Student Loans Receivable	125,446,809	147,729,321
State Agencies	55,954,905	24,885,165
Other Governments	137,493,610	91,173,362
Total Receivables (Net)	<u>\$441,635,467</u>	<u>\$433,523,447</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 3 – Receivables (continued)

Student loans receivable at June 30, 2021 included allowances for uncollectible loans of \$5.3 million relative to \$6.4 million in the prior year. Principal repayment and interest rates of University and federal loans vary. Federal loan programs are funded primarily with federal contributions to the University under the Perkins loan program and a variety of health professions loan programs.

Allowances for uncollectible on all non-student loan receivables totaled \$38.0 million and \$34.2 million at June 30, 2021 and 2020, respectively.

The University distributed student loans through the United States Department of Education federal direct lending program totaling \$553.0 million during fiscal year 2021 and \$608.4 million in fiscal year 2020. These distributions and the related funding sources are not reflected as expenses and revenues in the financial statements. However, related cash inflows and outflows are shown in the Statement of Cash Flows.

NOTE 4 - Capital Assets

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

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for a capital asset that has experienced a significant, unexpected decline in its service utility. No individual asset met these criteria in fiscal year 2021 or 2020. Insurance recoveries received in fiscal year 2021 and 2020 included \$1.7 million and \$3.0 million, respectively, for building water damage at the University of Wisconsin-Madison. Insurance recoveries are reported as other non-operating revenues in the financial statements.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting standards for an intangible asset that lacks physical substance, is nonfinancial in nature, has a useful life extending beyond one year, and is not acquired or created primarily for the purpose of directly obtaining income or profit. Intangible assets are capitalized with a minimum value of \$1.0 million and are included in the equipment balance. Depreciation for intangible assets is calculated on a straight-line basis over ten years. At June 30, 2021, the equipment balance includes \$29.5 million for intangible assets net of depreciation, compared to \$26.0 million at June 30, 2020.

Real property and equipment purchased or constructed under National Science Foundation (NSF) cooperative agreements issued to the University vests immediately with the federal government as Federally-owned property (FOP). Although the University is responsible for the control and maintenance of FOP under these awards, ownership does not transfer to the University and therefore is not recorded as an asset in the statement of net position. Total book value of FOP purchased or constructed under NSF cooperative agreements totaled \$1.2 million and \$1.3 million

UNIVERSITY OF WISCONSIN SYSTEM

Notes to the Financial Statements

Years Ended June 30, 2021 and 2020

NOTE 4 - Capital Assets (continued)

as of June 30, 2021 and 2020, respectively. Work-in-Progress for the FOP under these awards totaled \$4.6 million and \$2.0 million as of June 30, 2021 and 2020, respectively.

Depreciation expense for fiscal years ended June 30, 2021 and 2020 was \$348.9 million and \$329.1 million, respectively.

During both fiscal year 2020 and 2021, several major construction projects were in progress including the following projects with a budget of \$50.0 million or more:

UW Institution	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Madison	Camp Randall Stadium Renovation & Field House Repairs	Athletics	\$ 77.6	PRSB/Cash/Gifts
Madison	Chemistry Building Addition & Renovation	Academic	133.1	GFSB/Cash/Gifts
Madison	Gymnasium/Natatorium Replacement	Student Life	126.3	PRSB/Gifts
Madison	Sellery Hall Addition & Renovation	Student Life	78.8	PRSB/Cash
Madison	Veterinary Medicine Addition & Renovation	Academic	128.1	GFSB/Gifts
Madison	Babcock Hall Dairy Plant & Center for Dairy Research Addition	Academic	72.6	GFSB/Cash/Gifts
Milwaukee	Chemistry Building STEM Program Renovation	Academic	129.5	GFSB
Milwaukee	Northwest Quadrant Renovation	Academic	52.1	GFSB/PRSB/Cash
Platteville	Sesquicentennial Hall	Academic	55.2	GFSB/PRSB

During fiscal year 2021, one new major construction project was initiated and in progress including the following project with a budget of \$50.0 million or more:

UW Institution	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Eau Claire	Science and Health Sciences Building	Academic	\$ 109.0	GFSB/Cash/Gifts

One construction project was completed during fiscal year 2021 with \$50.0 million or more in actual expenditures:

UW Institution	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Madison	Meat Science and Muscle Biology Laboratory	Academic	\$ 57.1	GFSB/Cash/Gifts

Several construction projects were completed during fiscal year 2020, including the following projects with \$50.0 million or more in actual expenditures:

UW Institution	Project	Primary Purpose	Approx. Budget (in millions)	Primary Funding Sources
Madison	Music Performance Building	Academic	\$ 55.8	Gifts
Madison	New South East Recreational Facility (SERF)	Student Life	96.5	PRSB/Gifts
Madison	Witte Residence Hall Renovation	Student Life	52.8	PRSB/Cash

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 4 - Capital Assets (continued)

The change in book value from July 1, 2020 to June 30, 2021 is summarized as follows:

	Book Value July 1, 2020	Additions	Transfers	Deductions	Book Value June 30, 2021
Buildings	\$ 7,478,607,013	\$ 107,419,986	\$ 488,269,079	\$ (48,975,229)	\$ 8,025,320,849
Improvements	551,532,198	2,513,268	2,983,502	(4,196,663)	552,832,305
Land	160,337,973	2,304,936	—	—	162,642,909
Construction in Progress	671,464,753	230,049,400	(497,837,259)	—	403,676,894
Equipment	1,218,898,759	78,308,579	6,584,678	(28,157,239)	1,275,634,777
Library Holdings	1,128,051,806	21,552,982	—	(11,560,528)	1,138,044,260
Subtotal	<u>\$11,208,892,502</u>	<u>\$ 442,149,151</u>	<u>\$ —</u>	<u>\$ (92,889,659)</u>	<u>\$11,558,151,994</u>

Less Accumulated Depreciation:

	Book Value July 1, 2020	Additions	Transfers	Deductions	Book Value June 30, 2021
Buildings	\$ 3,630,728,057	\$ 233,832,525	\$ —	\$ (5,290,803)	\$ 3,859,269,779
Improvements	340,990,162	18,286,931	—	—	359,277,093
Equipment	914,188,631	74,487,853	—	(25,636,185)	963,040,299
Library Holdings	977,561,408	22,248,954	—	(11,560,528)	988,249,834
Total Accumulated Depreciation	<u>5,863,468,258</u>	<u>348,856,263</u>	<u>—</u>	<u>(42,487,516)</u>	<u>6,169,837,005</u>
Capital Assets, Net	<u>\$ 5,345,424,244</u>	<u>\$ 93,292,888</u>	<u>\$ —</u>	<u>\$ (50,402,143)</u>	<u>\$ 5,388,314,989</u>

The change in book value from July 1, 2019 to June 30, 2020 is summarized as follows:

	Book Value July 1, 2019	Additions	Transfers	Deductions	Book Value June 30, 2020
Buildings	\$ 7,141,200,802	\$ 83,188,792	\$ 254,734,484	\$ (517,065)	\$ 7,478,607,013
Improvements	514,704,868	17,636,743	19,190,587	—	551,532,198
Land	158,212,091	2,125,882	—	—	160,337,973
Construction in Progress	734,392,706	210,997,118	(273,925,071)	—	671,464,753
Equipment	1,164,300,050	82,662,367	—	(28,063,658)	1,218,898,759
Library Holdings	1,127,069,796	20,365,890	—	(19,383,880)	1,128,051,806
Subtotal	<u>\$10,839,880,313</u>	<u>\$ 416,976,792</u>	<u>\$ —</u>	<u>\$ (47,964,603)</u>	<u>\$11,208,892,502</u>

Less Accumulated Depreciation:

	Book Value July 1, 2019	Additions	Transfers	Deductions	Book Value June 30, 2020
Buildings	\$ 3,412,860,239	\$ 218,255,732	\$ —	\$ (387,914)	\$ 3,630,728,057
Improvements	323,499,032	17,491,130	—	—	340,990,162
Equipment	870,286,454	71,238,847	—	(27,336,670)	914,188,631
Library Holdings	974,833,314	22,111,972	—	(19,383,878)	977,561,408
Total Accumulated Depreciation	<u>5,581,479,039</u>	<u>329,097,681</u>	<u>—</u>	<u>(47,108,462)</u>	<u>5,863,468,258</u>
Capital Assets, Net	<u>\$ 5,258,401,274</u>	<u>\$ 87,879,111</u>	<u>\$ —</u>	<u>\$ (856,141)</u>	<u>\$ 5,345,424,244</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 5 - Liabilities

Accounts payable and accrued liabilities, consisting of salary and fringe benefits, due to state agencies and other governments, and vendor payables, resulting from University's activities as of June 30, 2021 and 2020, are summarized as follows:

Fiscal Year 2021

UW System Activities	Salary and Fringe Benefits	Due to State Agencies and Other Governments	Vendors	Total Payables
Operating	\$ 21,474,815	\$ 87,099,983	\$ 24,431,329	\$ 133,006,127
Gifts, Grants, and Contracts	3,105,404	4,462,127	17,380,283	24,947,814
Capital Projects	—	259,323	35,785,073	36,044,396
Auxiliary Enterprises	1,981,239	540,168	3,759,699	6,281,106
Investment and Other	41,440	338,496	291,663	671,599
Total Activities	\$ 26,602,898	\$ 92,700,097	\$ 81,648,047	\$ 200,951,042

Fiscal Year 2020

UW System Activities	Salary and Fringe Benefits	Due to State Agencies and Other Governments	Vendors	Total Payables
Operating	\$ 32,504,800	\$ 88,961,274	\$ 32,607,864	\$ 154,073,938
Gifts, Grants, and Contracts	2,232,565	7,984,429	9,663,470	19,880,464
Capital Projects	—	553,899	37,881,964	38,435,863
Auxiliary Enterprises	1,147,730	2,176,904	2,195,241	5,519,875
Investment and Other	36,090	360,042	443,756	839,888
Total Activities	\$ 35,921,185	\$ 100,036,548	\$ 82,792,295	\$ 218,750,028

Long-term liability activity for the fiscal years ended June 30, 2021 and 2020 is as follows:

Long-term Liabilities 2021	Balance July 1, 2020	Increases (Decreases)	Balance June 30, 2021	Current Portion
Bonds Payable	\$ 1,628,928,196	\$ 2,261,978	\$ 1,631,190,174	\$ 101,085,492
Notes Payable	63,392,720	(4,610,292)	58,782,428	11,717,333
Capital Lease Obligations	29,438,009	(789,869)	28,648,140	1,363,731
Perkins Loan Program	116,047,257	(22,060,132)	93,987,125	—
Compensated Absences	150,471,823	34,116,674	184,588,497	105,286,926
Other Post-employment Health	302,798,250	(15,283,029)	287,515,221	—
Other Post-employment Life	287,530,560	76,298,343	363,828,903	—
Capital Asset Retirement Obligations	12,199,702	32,662	12,232,364	—
Employer Deferred Payroll Tax	43,602,034	51,879,118	95,481,152	47,740,576
Total	\$ 2,634,408,551	\$ 121,845,453	\$ 2,756,254,004	\$ 267,194,058

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 5 - Liabilities (continued)

Long-term Liabilities 2020	Balance July 1, 2019	Increases (Decreases)	Balance June 30, 2020	Current Portion
Bonds Payable	\$ 1,551,225,922	\$ 77,702,274	\$ 1,628,928,196	\$ 95,146,925
Notes Payable	68,784,757	(5,392,037)	63,392,720	19,300,847
Capital Lease Obligations	29,366,564	71,445	29,438,009	1,479,701
Perkins Loan Program	138,736,513	(22,689,256)	116,047,257	—
Compensated Absences	144,174,336	6,297,487	150,471,823	89,467,356
Net Pension Liability	474,419,425	(474,419,425)	—	—
Other Post-employment Health	237,204,014	65,594,236	302,798,250	—
Other Post-employment Life	180,490,611	107,039,949	287,530,560	—
Capital Asset Retirement Obligations	12,009,060	190,642	12,199,702	—
Employer Deferred Payroll Tax	—	43,602,034	43,602,034	—
Total	\$ 2,836,411,202	\$ (202,002,651)	\$ 2,634,408,551	\$ 205,394,829

NOTE 6 - Long Term Debt

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 6 - Long Term Debt (continued)

The following information is the University's proportionate share of the new bonds issued by the State of Wisconsin during the fiscal years of 2021 and 2020:

2021 Series	Interest Rate	Maturity Fiscal Year	Initial Amount	Use
2020-B	4.00% - 5.00%	2041	\$ 28,916,282	Capitalized Projects
2020-3	0.39% - 2.49%	2042	85,221,805	Refunding
2021-A	4.00% - 5.00%	2041	44,933,515	Capitalized Projects
2021-1	5.00%	2031	30,334,704	Refunding
2020-A	5.00%	2040	72,368,760	Refunding
2020-2	0.11% - 1.12%	2031	59,014,685	Refunding
			<u>\$ 320,789,751</u>	
2020 Series	Interest Rate	Maturity Fiscal Year	Initial Amount	Use
2019-A	4.00% - 5.00%	2040	\$ 53,417,938	Capitalized Projects
2019-1	1.76% - 2.53%	2033	135,618,616	Refunding
2019-B	4.00% - 5.00%	2040	45,928,049	Capitalized Projects
2020-1	4.00% - 5.00%	2040	53,872,003	Refunding
2020-A	4.00% - 5.00%	2040	37,637,600	Capitalized Projects
2020-2	1.63% - 2.35%	2031	51,720,380	Refunding
			<u>\$ 378,194,586</u>	

The following information relates to the status of bonds and notes payable outstanding at June 30, 2021:

	Balance July 1, 2020	New Debt/ Accretion	Principal Paid/ Adjustments	Balance June 30, 2021
Bonds (Gross)	\$ 1,501,089,355	\$ 320,789,751	\$ (336,118,855)	\$ 1,485,760,251
Notes	63,392,720	—	(4,610,292)	58,782,428
Total	<u>\$ 1,564,482,075</u>	<u>\$ 320,789,751</u>	<u>\$ (340,729,147)</u>	<u>\$ 1,544,542,679</u>

The bonds have maturity dates ranging from May 1, 2022 to May 1, 2042. The notes have maturity dates ranging from May 1, 2026 to May 1, 2038. Interest rates range from 0.8% to 7.0%.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 6 - Long Term Debt (continued)

As of June 30, 2021, the current and noncurrent bonds and notes payable net of discounts and premiums totaled \$112.8 million and \$1,577.2 million, respectively.

	Balance June 30, 2021	Current	Noncurrent
Bonds (Gross)	\$ 1,485,760,251	\$ 74,552,225	\$ 1,411,208,026
Discount	(51,228)	1,066	(52,294)
Premium	145,481,151	26,532,201	118,948,950
Bonds (Net)	1,631,190,174	101,085,492	1,530,104,682
Notes	58,782,428	11,717,333	47,065,095
Total	<u>\$ 1,689,972,602</u>	<u>\$ 112,802,825</u>	<u>\$ 1,577,169,777</u>

The following information relates to the status of bonds and notes payable outstanding at June 30, 2020:

	Balance July 1, 2019	New Debt/ Accretion	Principal Paid/ Adjustments	Balance June 30, 2020
Bonds (Gross)	\$ 1,435,252,753	\$ 378,194,587	\$ (312,357,985)	\$ 1,501,089,355
Notes	68,784,757	—	(5,392,037)	63,392,720
Total	<u>\$ 1,504,037,510</u>	<u>\$ 378,194,587</u>	<u>\$ (317,750,022)</u>	<u>\$ 1,564,482,075</u>

The bonds have maturity dates ranging from May 1, 2021 to May 1, 2042. The notes have maturity dates ranging from May 1, 2021 to May 1, 2038. Interest rates range from 0.8% to 7.0%.

As of June 30, 2020, the current and noncurrent bonds and notes payable net of discounts and premiums totaled \$114.4 million and \$1,577.9 million, respectively.

	Balance June 30, 2020	Current	Noncurrent
Bonds (Gross)	\$ 1,501,089,355	\$ 72,899,322	\$ 1,428,190,033
Discount	(83,883)	(10,434)	(73,449)
Premium	127,922,724	22,258,037	105,664,687
Bonds (Net)	1,628,928,196	95,146,925	1,533,781,271
Notes	63,392,720	19,300,847	44,091,873
Total	<u>\$ 1,692,320,916</u>	<u>\$ 114,447,772</u>	<u>\$ 1,577,873,144</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 6 - Long Term Debt (continued)

Future debt service requirements for bonds and notes outstanding at June 30, 2021 are as follows:

Fiscal Year(s)	Bonds		Notes	
	Principal	Interest	Principal	Interest
2022	\$ 74,552,225	\$ 62,533,401	\$ 11,717,333	\$ 2,682,421
2023	81,218,299	58,163,563	4,963,907	2,096,554
2024	96,740,983	54,329,064	5,212,102	1,848,359
2025	112,705,692	50,489,637	5,472,707	1,587,754
2026	88,164,737	46,593,900	5,746,342	1,314,118
2027-2031	501,160,703	168,087,973	—	5,134,007
2032-2036	355,412,431	75,368,996	—	5,134,007
2037-2041	170,775,181	20,652,948	25,670,037	1,861,786
2042	5,030,000	124,996	—	—
Total	\$ 1,485,760,251	\$ 536,344,478	\$ 58,782,428	\$ 21,659,006

As noted above, debt on academic facilities that is repaid by an appropriation from the State of Wisconsin to the University for that purpose is reported by the State of Wisconsin and not as an obligation of the University. As of June 30, 2021, the principal balances of such bonds and notes were \$1,353.8 million and \$69.3 million, respectively. As of June 30, 2020, the principal balances of such bonds and notes were \$1,341.3 million and \$98.8 million, respectively. Debt service payments made by the State of Wisconsin for the years ended June 30, 2021 and 2020 were allocated as follows:

2021	Bonds	Notes
Principal	109,039,407	31,322,043
Interest	60,124,227	—
Total Paid	\$ 169,163,634	\$ 31,322,043
2020	Bonds	Notes
Principal	\$ 117,550,323	\$ 8,432,380
Interest	62,995,524	1,371,233
Total Paid	\$ 180,545,847	\$ 9,803,613

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 7 – Lease Commitments

The University had capital lease obligations with a net present value of \$28.6 million as of June 30, 2021 compared to \$29.4 million at June 30, 2020. The payment schedule for capital lease obligations as follows:

Fiscal Year(s)	Obligations
2022	\$ 3,455,575
2023	3,231,993
2024	2,999,682
2025	2,751,891
2026	2,627,637
2027 - 2031	12,461,229
2032 - 2036	12,363,920
2037 - 2041	12,363,920
2042 - 2046	4,939,728
Total Scheduled Lease Payments	57,195,575
Amount Representing Interest	(28,547,435)
Net Present Value	<u>\$ 28,648,140</u>

Assets Held Under Capital Lease:

June 30, 2021	Original Cost	Accumulated Depreciation	Book Value
Buildings and Improvements	\$ 29,286,500	\$ 5,491,219	\$ 23,795,281
Equipment	8,631,354	5,759,423	2,871,931
Total Assets	<u>\$ 37,917,854</u>	<u>\$ 11,250,642</u>	<u>\$ 26,667,212</u>

June 30, 2020	Original Cost	Accumulated Depreciation	Book Value
Buildings and Improvements	\$ 29,286,500	\$ 4,759,057	\$ 24,527,443
Equipment	1,628,271	875,130	753,141
Total Assets	<u>\$ 30,914,771</u>	<u>\$ 5,634,187</u>	<u>\$ 25,280,584</u>

Facilities and equipment rented through operating leases are not recorded as assets on the balance sheet. Operating lease expenditures, which also represent the minimum rental payments, amounted to \$35.9 million for the fiscal year ended June 30, 2021.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 7 – Lease Commitments (continued)

Minimum commitments for future operating lease payments are as follows:

<u>Fiscal Year(s)</u>	<u>Commitments</u>
2022	\$ 24,448,635
2023	23,046,837
2024	16,848,385
2025	15,823,628
2026	13,909,713
2027 - 2031	62,986,007
2032 - 2036	55,141,958
2037 - 2041	26,578,619
2042 - 2046	24,700,000
2047 - 2051	4,940,000
Total	<u>\$ 268,423,782</u>

NOTE 8 – Retirement Benefits

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

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

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

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

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 8 – Retirement Benefits (continued)

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2011	(1.2)%	11.0%
2012	(7.0)%	(7.0)%
2013	(9.6)%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	(5.0)%
2017	2.0%	4.0%
2018	2.4%	17.0%
2019	0.0%	(10.0)%
2020	1.7%	21.0%

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 8 – Retirement Benefits (continued)

During the reporting period, the University's contributions recognized by the WRS amounted to \$149.2 million and \$140.9 million, respectively. Contribution rates as of June 30, 2021 and 2020 were:

Employee Category	June 30, 2021		June 30, 2020	
	Employee	Employer	Employee	Employer
General (including teachers, executives, and elected officials)	6.75%	6.75%	6.75%	6.75%
Protective with Social Security	6.75%	11.75%	6.75%	11.65%
Protective without Social Security	6.75%	16.35%	6.75%	16.25%

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a net pension asset of \$831.6 million for its proportionate share of the net pension asset, compared to the net pension asset of \$430.5 million at June 30, 2020. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The University's proportion of the net pension asset was based on the University's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the University's proportion was 13.3 percent, which was a decrease of 0.1 percent from its proportion measured as of December 31, 2019. At December 31, 2019, the University's proportion was 13.4 percent, which was an increase of 0.02 percent from its proportion measured as of December 31, 2018.

For the fiscal year ended June 30, 2021 and June 30, 2020, the University recognized pension expense of \$90.3 million and \$161.1 million, respectively.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 8 – Retirement Benefits (continued)

At June 30, 2021, the University reported deferred outflows and inflows of resources related to pensions from the following sources:

	Fiscal Year ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 944,364,590	\$ 1,203,622,767	\$ (259,258,177)
Change in Proportion	91,212	1,334,581	(1,243,369)
Employer Contributions Subsequent to Measurement Date	71,501,588	71,501,588	—
Net Difference Between Projected and Actual Earnings	(1,561,316,010)	—	(1,561,316,010)
Assumption Changes	18,862,976	18,862,976	—
Total	<u>\$ (526,495,644)</u>	<u>\$ 1,295,321,912</u>	<u>\$ (1,821,817,556)</u>

At June 30, 2020, the University reported deferred outflows and inflows of resources related to pensions from the following sources:

	Fiscal Year ended June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 408,270,311	\$ 817,248,486	\$ (408,978,175)
Change in Proportion	1,732,984	1,916,859	(183,875)
Employer Contributions Subsequent to Measurement Date	88,132,080	88,132,080	—
Net Difference Between Projected and Actual Earnings	(880,160,820)	—	(880,160,820)
Assumption Changes	33,549,892	33,549,892	—
Total	<u>\$ (348,475,553)</u>	<u>\$ 940,847,317</u>	<u>\$ (1,289,322,870)</u>

The amount reported as pension-related deferred outflows of resources resulting from the University's contributions subsequent to the measurement date is recognized as part of the net pension liability calculation in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension benefits will be recognized in pension expense as follows:

	Fiscal Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 620,029,052	\$ (773,560,956)	
2023	501,481,366	(543,022,098)	
2024	134,982,229	(417,948,578)	
2025	(32,672,323)	(87,285,924)	
Totals	<u>\$ 1,223,820,324</u>	<u>\$ (1,821,817,556)</u>	

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 8 – Retirement Benefits (continued)

Actuarial assumptions. The total pension liability in the December 31, 2020 and December 31, 2019 actuarial valuations were determined using the following fiscal year 2021 and 2020, respectively, actuarial assumptions, applied to all periods included in the measurement.

	2021	2020
Actuarial Valuation Date:	December 31, 2019	December 31, 2018
Measurement Date of Net Pension Asset/Liability	December 31, 2020	December 31, 2019
Actuarial Cost Method:	Entry Age	Entry Age
Asset Valuation Method:	Fair Value	Fair Value
Long-Term Expected Rate of Return:	7.0%	7.0%
Discount Rate:	7.0%	7.0%
Salary Increases:		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Post-Retirement Adjustments*	1.9%	1.9%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 8 – Retirement Benefits (continued)

Asset Allocation Targets and Expected Returns

	Fiscal Year Ended June 30, 2021			Fiscal Year Ended June 30, 2020		
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	51.0%	7.2%	4.7%	49.0%	8.0%	5.1%
Fixed Income	25.0%	3.2%	0.8%	24.5%	4.9%	2.1%
Inflation Sensitive Assets	16.0%	2.0%	(0.4)%	15.5%	4.0%	1.2%
Real Estate	8.0%	5.6%	3.1%	9.0%	6.3%	3.5%
Private Equity/Debt	11.0%	10.2%	7.6%	8.0%	10.6%	7.6%
Multi-Asset	4.0%	5.8%	3.3%	4.0%	6.9%	4.0%
Total Core Fund	115.0%	6.6%	4.1%	110.0%	7.5%	4.6%
Variable Fund Asset Class						
U.S. Equities	70.0%	6.6%	4.1%	70.0%	7.5%	4.6%
International Equities	30.0%	7.4%	4.9%	30.0%	8.2%	5.3%
Total Variable Fund	100.0%	7.1%	4.6%	100.0%	7.8%	4.9%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.40% (2020-21); 2.75% (2019-20)

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

Single Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00 percent and a municipal bond rate of 2.00 percent (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.00 percent expected rate of return implies that a dividend of approximately 1.9 percent will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

UNIVERSITY OF WISCONSIN SYSTEM**Notes to the Financial Statements****Years Ended June 30, 2021 and 2020****NOTE 8 – Retirement Benefits (continued)**

Sensitivity of the University's proportionate share of the net pension (asset)/liability to changes in the discount rate. The following presents the University's proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.00 percent, as well as what the University's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate for fiscal years ended June 30, 2021 and 2020:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2021			
Discount Rate	6.00 %	7.00 %	8.00 %
Net Pension Liability/(Asset) \$	791,595,725	(831,629,182)	(2,023,875,769)
June 30, 2020			
Discount Rate	6.00 %	7.00 %	8.00 %
Net Pension Liability/(Asset) \$	1,108,697,272	(430,532,171)	(1,581,283,190)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

Other Retirement Benefits

In addition to the WRS, certain employees associated with federally funded activities are partially covered by the Federal Retirement Program. The University's contributions to this program totaled \$63,997 during fiscal year 2021, compared with \$55,672 during fiscal year 2020.

NOTE 9 – Postemployment Benefits Other Than Pensions

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

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

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

The State of Wisconsin Annual Comprehensive Financial Report includes financial statements, additional note disclosures, and required supplementary information for this plan. That report is

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

publicly available at www.doa.state.wi.us or may be obtained by writing to: Department of Administration, 101 East Wilson Street, Madison, Wisconsin 53703.

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

Retiree Life Insurance Funds

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

The plans provide postemployment life insurance coverage to all eligible employees of participating employers. The plans are established by Wisconsin Statutes Chapter 40. ETF contracts with Securian Financial Group, Inc. (Securian) as a third party administrator for the Retiree Life Insurance plans. Benefit terms may be modified by the GIB, subject to state and federal legislative constraints.

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

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

Employers are required to pay the following contributions based on employee contributions for active members to provide them with basic coverage after age 65. There are no employer contributions required for pre-65 annuitant coverage. If a member retires prior to age 65, they must continue paying the member premiums until age 65 in order to be eligible for the benefit after age 65. All contributions are actuarially determined. Contribution rates as of December 31, 2020 are:

Coverage Type	Employer Contribution
50% post-retirement coverage	28% of employee contribution

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). Disabled members under age 70 receive a waiver-of-premium benefit. The member contribution rates in effect for the year ended December 31, 2020 are as listed below:

<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.0441	\$0.0441
30-34	0.0441	0.0441
35-39	0.0441	0.0441
40-44	0.0662	0.0662
45-49	0.1103	0.1103
50-54	0.1764	0.1764
55-59	0.2426	0.2426
60-64	0.3308	0.3308
65-69	0.4300	0.4300

During the reporting period, the OPEB plan recognized \$644,090 in contributions from the University.

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

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

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

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The University reported a liability of \$363.8 million and \$287.5 million

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

for its proportionate share of the net OPEB liability at June 30, 2021 and 2020, respectively. The June 30, 2021 and June 30, 2020 net liability was measured as of December 31, 2020, and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020, and January 1, 2019, respectively, rolled forward to December 31, 2020 and December 31, 2019, respectively. Changes to the municipal bond rate were the primary cause of assumption changes between the January 1, 2020 actuarial valuation date and the December 31, 2020 measurement date. No other material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The University's proportion of the net OPEB liability was based on the University's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2020, the University's proportion was 42.0 percent, which was an decrease of 0.1 percent from its proportion of 42.1 percent measured as of December 31, 2019. At December 31, 2019, the University's proportion was 42.1 percent, which was an increase of 0.3 percent from its proportion of 41.8 percent measured as of December 31, 2018.

For the years ended June 30, 2021 and 2020, the University recognized OPEB expense of \$40.6 million and \$28.2 million, respectively.

At June 30, 2021, the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Fiscal Year ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ (10,592,700)	\$ —	\$ (10,592,700)
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	4,625,909	4,625,909	—
Assumption Changes	101,979,002	124,222,430	(22,243,428)
Changes in Proportion	(1,677,698)	1,920,321	(3,598,019)
Total	<u>\$ 94,334,513</u>	<u>\$ 130,768,660</u>	<u>\$ (36,434,147)</u>

At June 30, 2020, the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Fiscal Year ended June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ (8,674,200)	\$ —	\$ (8,674,200)
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	4,695,336	4,695,336	—
Assumption Changes	63,591,074	91,772,232	(28,181,158)
Changes in Proportion	(1,638,350)	2,378,722	(4,017,072)
Total	<u>\$ 57,973,860</u>	<u>\$ 98,846,290</u>	<u>\$ (40,872,430)</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

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

Fiscal Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 27,772,799	\$ (9,377,174)
2023	27,275,724	(9,377,174)
2024	26,752,363	(9,377,174)
2025	23,297,903	(6,702,352)
2026	19,136,175	(1,032,634)
Thereafter	6,533,696	(567,639)
Total	<u>\$ 130,768,660</u>	<u>\$ (36,434,147)</u>

The total OPEB expense is determined as follows:

Net Proportionate Share of Plan OPEB Expense (Income)	\$ 41,223,385
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(641,604)
Total OPEB Expense	<u>\$ 40,581,781</u>

Actuarial Assumptions. The total OPEB liability in the January 1, 2020 and January 1, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	January 1, 2020	January 1, 2019
Measurement Date of Net OPEB Liability	December 31, 2020	December 31, 2019
Actuarial cost method	Entry age normal	Entry age normal
20-year tax-exempt municipal bond yield	2.12%	2.74%
Long-term expected rate of return	4.25%	4.25%
Discount rate	2.22%	2.84%
Salary increases: Wage Inflation Seniority/merit	3.00% 0.1% - 5.6%	3.00% 0.1% - 5.6%
Mortality rates	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total OPEB Liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the January 1, 2020 actuarial valuation.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the OPEB plan are held with Securian, the insurance carrier.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Interest is calculated and credited to the OPEB plan based on the rate of return for a segment of the insurance carrier's general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

**State OPEB Life Insurance
Asset Allocation Targets and Expected Returns**

Asset Class	Index	As of December 31, 2020		As of December 31, 2019	
		Target Allocation	Long-Term Expected Geometric Real Rate of Return	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. Credit Bonds	Barclays Credit	50%	1.47%	45%	2.12%
U.S. Long Credit Bonds	Barclays Long Credit	—	—	5%	2.90%
U.S. Mortgages	Barclays MBS	50%	0.82%	50%	1.53%
Inflation		—	2.20%	—	2.20%
Long-Term Expected Rate of Return			4.25%		4.25%

The long-term expected rate of return and expected inflation rate remained unchanged from the prior year at 4.25 percent and 2.20 percent, respectively. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single Discount Rate. A single discount rate of 2.22 percent was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.84 percent for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74 percent as of December 31, 2019 to 2.12 percent as of December 31, 2020. The plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate, determined using the Bond Buyer General Obligation 20-Bond Municipal Bond Index, applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2033.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65. The current employer contribution schedule includes annual increases of 5 percent in each of the next nine years, as approved by the Group Insurance Board in August 2019.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2021			
Discount Rate	1.22 %	2.22 %	3.22 %
OPEB Liability	\$ 480,543,103	\$ 363,828,903	\$ 274,480,771
June 30, 2020			
Discount Rate	1.84 %	2.84 %	3.84 %
OPEB Liability	\$ 383,893,901	\$ 287,530,560	\$ 213,315,475

OPEB Plan Fiduciary Net Position. Detailed information about the OPEB plan’s fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Retiree Health Insurance Funds

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

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

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

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

Contributions. As of the January 2020 actuarial valuation, the State’s annual required contributions were \$88.5 million and \$88.9 million for fiscal years ended June 30, 2021 and June 30, 2020, respectively. The State’s annual OPEB costs were \$46.3 million and \$40.3 million for fiscal years ended June 30, 2021 and June 30, 2020, respectively, and the State’s actual contributions were \$56.8 million in fiscal year 2021 and \$40.9 million in fiscal year 2020, which results in a net OPEB obligation for the State of \$642.0 million as of June 30, 2021, and \$682.5 million as of June 30, 2020.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

State Retiree Health Insurance OPEB. The State Retiree Health Insurance program provides postemployment health insurance coverage to all eligible retired employees of the University. The University does not directly pay any portion of the premium for participating retirees. However, because retirees pay the same premium rate set for active employees, an implicit rate subsidy exists for employers. This implicit rate subsidy is reported as an OPEB liability. At age 65, when eligible, retirees are required to enroll in Medicare.

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

Retirees pay the full premium until age 65 directly to the plan either through “out-of-pocket” or from unused accumulated sick leave conversion credits.

Contribution requirements are established and may be amended by the GIB. Premiums for non-Medicare retirees are based on an effective rate structure for the health care service provider selected. Monthly rates range from \$574 to \$1,541 for single coverage and \$1,402 to \$3,818 for family coverage.

Total Retiree Health OPEB Liability. The OPEB plan liability was measured as of June 30, 2020. It was determined by an actuarial valuation as of January 1, 2020. The University reported a liability of \$287.5 million and \$302.8 million for its proportionate share of the OPEB liability amounts as of a June 30, 2021 and June 30, 2020 reporting date, respectively. At June 30, 2021, the University's proportion was 44.8 percent which was 0.8 percent of an increase from its proportion of 44.0 percent measured as of June 30, 2019. At June 30, 2020, the University's proportion was 44.4 percent which was 0.4 percent of an increase from its proportion of 44.0 percent measured as of June 30, 2018.

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

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

OPEB Liability – June 30, 2020	\$ 302,798,250
Service Cost	21,722,254
Interest	11,015,711
Differences Between Expected and Actual Experience	(15,970,407)
Change of Assumptions	(6,613,896)
Benefit Payments	(25,436,691)
OPEB Liability – June 30, 2021	<u>\$ 287,515,221</u>

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

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UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Actuarial Valuation Date	January 1, 2019
Measurement Date of Total OPEB Liability	June 30, 2020
Reporting Date	June 30, 2021
Actuarial cost method	Entry age normal
Asset Valuation Method	N/A
Inflation	3.00%
Salary increases	Separate merit and longevity increase rates by employer and service, plus 3.00%
Discount Rate	Discount rate was changed to 2.21% for the June 30, 2020 measurement from 3.50% for the June 30, 2019 measurement
Health care cost trend rates	
Medical	4.00% for first year, 0.30% for the second year and then 5.25% grading down 0.25% per year to 4.50%
Prescription drug	2.10% for first year, 5.90% for the second year and then 7.25% grading down 0.25% per year to 4.50%
Dental	0.00% for first two years then 3.00% thereafter
Administrative costs	7.30% for first year, 9.50% for the second year and then 3.00% thereafter
Mortality Rates	Wisconsin 2017 Mortality Table
Benefit Changes	None
Participation Rate	Active: 80% are assumed to elect coverage at retirement, 20% that defer are assumed to be covered over the next 8 years (2.5% per year), so 100% assumed to be covered after 8 years Deferred: 12.5% per year over 8 years
Assumed Claims	Per capita claims costs were based on premium equivalent rates for plan year 2019 and actuarial factors applied to weighted average premium rates to estimate costs
Termination Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2015-2017 experience study for the pension valuation
Disability Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2015-2017 experience study for the pension valuation
Normal Retirement Rates	Rates for General, University, Protective, Executive and Elected employees matched the 2015-2017 experience study for the pension valuation
Withdrawal Rate	Rates matched the 2015-2017 experience study for the pension valuation
Lapse Rate	10% per year after the later of assumed commencement or the valuation date
Retiree Contribution Increase Rate	Retiree contributions are expected to increase with average benefit trend
Excise Tax	<i>Excise tax was repealed effective December 2019 and has been removed from the valuation</i>
Benefit End Date	Benefits end when participants turn 65 years old

Valuation assumption changes decreased the liability by \$6.6 million. This was a net result of a decrease in obligations due to updating the healthcare trend to reflect recent premium amounts

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

and an increase due to lowering the discount rate. An actuarial experience gain decreased the liability by \$16.0 million. This was the net result of gains and losses due to removing the limit on spousal contributions and actual 2020 contributions and benefit payments that were different from expected.

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2021			
Discount Rate	1.21 %	2.21 %	3.21 %
OPEB Liability	\$ 306,726,801	\$ 287,515,221	\$ 269,068,492
June 30, 2020			
Discount Rate	2.50 %	3.50 %	4.50 %
OPEB Liability	\$ 323,130,389	\$ 302,798,250	\$ 283,493,850

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2021			
OPEB Liability	\$ 251,723,488	\$ 287,515,221	\$ 330,438,378
June 30, 2020			
OPEB Liability	\$ 270,569,852	\$ 302,798,250	\$ 340,992,830

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The total deferred outflows and inflows of resources are amortized over the average active participants service life of 10 years. For the years ended June 30, 2021 and 2020, the University recognized OPEB expense amounting to \$19.5 million and \$17.8 million, respectively.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Total deferred outflows and inflows of resources to be recognized in the current OPEB expense for the fiscal year ended June 30, 2021 and 2020 are as follows:

	Fiscal Year ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 981,758	\$ 2,969,668	\$ (1,987,910)
Assumption Changes	(14,240,837)	2,550,269	(16,791,106)
Total	<u>\$ (13,259,079)</u>	<u>\$ 5,519,937</u>	<u>\$ (18,779,016)</u>

	Fiscal Year ended June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 2,528,426	\$ 2,695,443	\$ (167,017)
Assumption Changes	(12,245,854)	2,314,774	(14,560,628)
Total	<u>\$ (9,717,428)</u>	<u>\$ 5,010,217</u>	<u>\$ (14,727,645)</u>

In addition, the contributions subsequent to the measurement date of \$21.2 million (a deferred outflow of resources) will be included as a reduction of the net OPEB liability in the next year (2022). The deferred outflows and inflows of resources to be recognized in the future OPEB expense for the fiscal year ended June 30, 2021 and 2020 are as follows:

	Fiscal Year ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 6,615,180	\$ 24,104,829	\$ (17,489,649)
Change in Proportion	2,920,109	6,352,643	(3,432,534)
Assumption Changes	(87,602,839)	20,765,592	(108,368,431)
Employer Contributions Subsequent to Measurement Date	21,239,503	21,239,503	—
Total	<u>\$ (56,828,047)</u>	<u>\$ 72,462,567</u>	<u>\$ (129,290,614)</u>

	Fiscal Year ended June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 25,235,057	\$ 26,544,058	\$ (1,309,001)
Change in Proportion	(335,048)	3,587,848	(3,922,896)
Assumption Changes	(92,186,550)	22,859,730	(115,046,280)
Employer Contributions Subsequent to Measurement Date	25,201,728	25,201,728	—
Total	<u>\$ (42,084,813)</u>	<u>\$ 78,193,364</u>	<u>\$ (120,278,177)</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

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

Fiscal Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 5,122,306	\$ (16,161,327)
2023	5,122,306	(16,161,327)
2024	5,122,306	(16,161,327)
2025	5,122,306	(16,161,327)
2026	5,122,306	(16,161,327)
Thereafter	25,611,534	(48,483,979)
Total	<u>\$ 51,223,064</u>	<u>\$ (129,290,614)</u>

The total OPEB expense is determined as follows:

Service Cost	\$ 21,722,254
Interest	11,015,711
Recognition of Deferred Outflows of Resources	5,519,937
Recognition of Deferred Inflows of Resources	(18,779,016)
Total OPEB Expense	<u>\$ 19,478,886</u>

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

Supplemental Health Insurance Conversion Credit Program

The Supplemental Health Insurance Conversion Credit Program (SHICC) is a single-employer defined benefit OPEB plan. GASB standards classify the SHICC as a single-employer defined benefit OPEB plan with multiple participating employers, which includes the State, the University, and other component units of the State. The plan is administered through a trust.

The SHICC program allows members with more than 15 years of eligible service to convert unused sick leave balances into credits to pay for post-retirement health insurance premiums. The SHICC program provides a limited match of the members sick leave credits earned through the Accumulated Sick Leave Conversion Credit (ASLCC) program. ASLCC program credits are computed at the time of retirement, layoff or death by multiplying the sick number of hours of unused sick leave by the highest hourly pay rate at which the employee accrued sick leave that is eligible for conversion. The SHICC program also includes a provision for the restoration of 500 hour of credits upon retirement, layoff or death provided at least 500 hours of accrued sick leave were used for a single injury or illness during the three years immediately preceding the retirement, layoff or death while in University service. SHICC benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes.

All ASLCC program credits must be used before the SHICC program credits. Unused ASLCC and SHICC credits have no cash value, are carried forward from year to year without interest, and when total health insurance premiums paid on behalf of the retired employee exceed the conversion credits, no further payments are made under the ASLCC and SHICC programs. ASLCC and SHICC

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

credits may be escrowed indefinitely after retirement for participants who provide evidence of comparable health insurance coverage from another source.

OPEB Plan Fiduciary Net Position. ETF issues a standalone Annual Comprehensive Financial Report (ACFR) which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Benefits Provided. The SHICC plan provides eligible members with credits that can be used to pay for post-retirement health insurance.

Contributions. The ETF Board approves contribution rates annually, based on recommendations from the actuary. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions in accordance with Wis. Stat. § 40.05(4)(by). Employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employer Contribution rate for the University as of December 31, 2020 was 0.1 percent.

During the reporting period, the SHICC recognized \$6.6 million in contributions from the University.

OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The University reported an asset of \$124.5 million and \$67.9 million for its proportionate share of the net OPEB asset at June 30, 2021 and 2020, respectively. The June 30, 2021 and June 30, 2020 net OPEB asset was measured as of December 31, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020 and 2019, respectively. The University's proportion of the net OPEB asset was based on the University's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2020, the University's proportion was 44.7 percent, which was unchanged from its proportion measured as of December 31, 2019. At December 31, 2019, the University's proportion was 44.7 percent, which was unchanged from its proportion measured as of December 31, 2018.

For the fiscal year ended June 30, 2021 and June 30, 2020, the University recognized OPEB income of \$16.0 million and \$0.8 million, respectively.

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year ended June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Experience	\$ (56,958,705)	\$ —	\$ (56,958,705)
Net Difference Between Projected and Actual Earnings	(47,799,096)	—	(47,799,096)
Assumption Changes	7,403,447	7,403,447	—
Change in Proportion	85,967	112,605	(26,638)
Employer Contributions Subsequent to Measurement Date	2,582,277	2,582,277	—
Total	\$ (94,686,110)	\$ 10,098,329	\$ (104,784,439)

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year ended June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Experience	\$ (45,883,045)	\$ —	\$ (45,883,045)
Net Difference Between Projected and Actual Earnings	(26,105,492)	—	(26,105,492)
Assumption Changes	8,800,674	8,800,674	—
Change in Proportion	(7,236)	24,548	(31,784)
Employer Contributions Subsequent to Measurement Date	3,146,805	3,146,805	—
Total	\$ (60,048,294)	\$ 11,972,027	\$ (72,020,321)

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

Fiscal Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 1,218,184	\$ (23,535,169)
2023	1,218,184	(16,770,760)
2024	1,218,184	(26,254,529)
2025	1,218,184	(16,141,777)
2026	1,218,184	(8,725,785)
Thereafter	1,425,132	(13,356,419)
Total	\$ 7,516,052	\$ (104,784,439)

Actuarial Assumptions. The total OPEB asset in the December 31, 2020 and December 31, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

Actuarial Valuation Date	December 31, 2020	December 31, 2019
Measurement Date of Net OPEB Liability	December 31, 2020	December 31, 2019
Actuarial cost method	Entry age normal	Entry age normal
Long-term expected rate of return	7.00%	7.00%
Discount rate	7.00%	7.00%
Salary increases: Inflation Seniority/merit	3.00% 0.1% - 5.6%	3.00% 0.1% - 5.6%
Mortality rates	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Health Care Trend Rate	3.0% per year	3.2% per year

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total OPEB Asset for December 31, 2020 is based upon the December 31, 2020 actuarial valuation.

Long-Term Expected Return on Plan Assets. The assets of the SHICC are commingled with assets from other benefit programs and invested in the Core Retirement Investment Trust (Core Fund). Earnings are allocated between the benefit programs based on the average balance invested for each program. The State of Wisconsin Investment Board (SWIB) manages the Core Fund with oversight by the SWIB Board of Trustees, as authorized in Wis. Stat. § 25.17. The long-term expected rate of return is reviewed every three years in conjunction with the Wisconsin Retirement System experience study.

Best estimates of geometric real rates of return of each major asset class included in the OPEB plan's target allocation are summarized in the following table:

**Wisconsin Supplemental Health Insurance Conversion Credit
Asset Allocation Targets and Expected Returns**

Asset Class	As of December 31, 2020		As of December 31, 2019	
	Asset Allocation	Long-Term Expected Real Rate of Return	Asset Allocation	Long-Term Expected Real Rate of Return
Global Equities	51.0%	4.7%	49.0%	5.1%
Fixed Income	25.0%	0.8%	24.5%	2.1%
Inflation Sensitive Assets	16.0%	(0.4)%	15.5%	1.2%
Real Estate	8.0%	3.1%	9.0%	3.5%
Private Equity/Debt	11.0%	7.6%	8.0%	7.6%
Multi-Asset	4.0%	3.3%	4.0%	4.0%
Total Fund	115.0%	4.1%	110.0%	4.6%
Inflation		2.5%		2.5%
Long-Term Expected Rate of Return		7.0%		7.0%

The long-term expected rate of return is 7.0 percent which is consistent with the prior year. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 9 – Postemployment Benefits Other Than Pensions (continued)

of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Single Discount Rate. A single discount rate of 7.0 percent was used to measure the Total OPEB Asset for the current year and prior year. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.0 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Asset and projections were excluded from this report.

Sensitivity of the University's Proportionate Share of Net OPEB Asset to Changes in the Discount Rate. The following presents what the University's proportionate share of the net OPEB asset calculated using the discount rate of 7.0 percent, as well as what the University's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2021			
Discount Rate	6.00 %	7.00 %	8.00 %
OPEB Liability/(Asset)	\$ (83,443,568)	\$ (124,539,601)	\$ (160,033,338)
June 30, 2020			
Discount Rate	6.00 %	7.00 %	8.00 %
OPEB Liability/(Asset)	\$ (26,882,044)	\$ (67,871,882)	\$ (103,368,380)

Sensitivity of the University's Proportionate Share of Net OPEB Asset to Changes in the Healthcare Cost Trend Rates. The following presents the University's proportionate share of the collective net OPEB asset, calculated using the assumed healthcare cost trend rate, as well as what the plan's net OPEB asset would be if it were calculated using an assumed healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
June 30, 2021			
Healthcare Trend Rate	2.00 %	3.00 %	4.00 %
OPEB Liability/(Asset)	\$ (155,012,190)	\$ (124,539,601)	\$ (95,018,846)
June 30, 2020			
Healthcare Trend Rate	2.20 %	3.20 %	4.20 %
OPEB Liability/(Asset)	\$ (96,360,209)	\$ (67,871,882)	\$ (40,814,587)

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 10 – Deferred Outflows and Deferred Inflows of Resources

At June 30, 2021 and June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources from the following sources:

Deferred Outflows of Resources	Pension	Other Post-Employment Benefits	Debt Refundings	Other	Total
Fiscal Year 2021					
Differences between expected and actual experience	\$1,203,622,767	\$ 24,104,829	\$ —	\$ —	\$ 1,227,727,596
Net differences between projected and actual earnings on pension and OPEB plan investments	—	4,625,909	—	—	4,625,909
Employer contributions subsequent to the measurement date	71,501,588	23,821,780	—	—	95,323,368
Changes in Actuarial Assumptions	18,862,976	152,391,470	—	—	171,254,446
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,334,581	8,385,569	—	—	9,720,150
Unamortized Losses	—	—	38,273,332	—	38,273,332
Asset Retirement Obligations	—	—	—	9,255,156	9,255,156
Total Deferred Outflows	\$1,295,321,912	\$ 213,329,557	\$ 38,273,332	\$ 9,255,156	\$ 1,556,179,957
Fiscal Year 2020					
Differences between expected and actual experience	\$ 817,248,486	\$ 26,544,058	\$ —	\$ —	843,792,544
Net differences between projected and actual earnings on pension and OPEB plan investments	—	4,695,336	—	—	4,695,336
Employer contributions subsequent to the measurement date	88,132,080	28,348,533	—	—	116,480,613
Changes in Actuarial Assumptions	33,549,892	123,432,636	—	—	156,982,528
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,916,859	5,991,118	—	—	7,907,977
Unamortized Losses	—	—	43,303,067	—	43,303,067
Asset Retirement Obligations	—	—	—	10,250,843	10,250,843
Total Deferred Outflows	\$ 940,847,317	\$ 189,011,681	\$ 43,303,067	\$ 10,250,843	\$ 1,183,412,908

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 10 – Deferred Outflows and Deferred Inflows of Resources (continued)

<u>Deferred Inflows of Resources</u>	<u>Pension</u>	<u>Other Postemployment Benefits</u>	<u>Debt Refundings</u>	<u>Other</u>	<u>Total</u>
Fiscal Year 2021					
Differences between expected and actual experience	\$ 259,258,177	\$ 85,041,055	\$ —	\$ —	\$ 344,299,232
Net differences between projected and actual earnings on pension and OPEB plan investments	1,561,316,010	47,799,096	—	—	1,609,115,106
Changes in Actuarial Assumptions	—	130,611,859	—	—	130,611,859
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,243,369	7,057,192	—	—	8,300,561
Unamortized Gains	—	—	1,211	—	1,211
Gifts	—	—	—	71,513	71,513
Total Deferred Inflows	<u>\$1,821,817,556</u>	<u>\$ 270,509,202</u>	<u>\$ 1,211</u>	<u>\$ 71,513</u>	<u>\$2,092,399,482</u>
Fiscal Year 2020					
Differences between expected and actual experience	\$ 408,978,175	\$ 55,866,246	\$ —	\$ —	\$ 464,844,421
Net differences between projected and actual earnings on pension and OPEB plan investments	880,160,820	26,105,492	—	—	906,266,312
Changes in Actuarial Assumptions	—	143,227,438	—	—	143,227,438
Changes in proportion and differences between employer contributions and proportionate share of contributions	183,875	7,971,752	—	—	8,155,627
Unamortized Gains	—	—	126,148	—	126,148
Gifts	—	—	—	78,707	78,707
Total Deferred Inflows	<u>\$1,289,322,870</u>	<u>\$ 233,170,928</u>	<u>\$ 126,148</u>	<u>\$ 78,707</u>	<u>\$ 1,522,698,653</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 11 – Other Organizations

GASB Statement No. 14, *The Financial Reporting Entity*; GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statements No. 14 and No. 34; GASB Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14; and GASB Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61* provide guidance in determining whether organizations are to be included as part of a reporting entity. The University has defined significance as 5% of the primary government (individual campus) that the potential component unit exists to support. The University has determined that the Campus Foundations individually and in aggregate exceed the 5% threshold and therefore are disclosed in these financial statements as discretely presented component units. The following pages show the summarized financial information of the major component unit campus foundations.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 11 - Other Organizations (continued)

Condensed financial statement information related to the University's campus foundations for the year ended June 30, 2021 is as follows:

Condensed Statement of Financial Position	DRAFT University of Wisconsin Foundation, Inc.	DRAFT The University of Wisconsin Milwaukee Foundation Inc.	DRAFT Others	DRAFT Total
ASSETS				
Cash and Cash Equivalents	\$ 15,642,741	\$ 8,271,438	\$ 20,742,335	\$ 44,656,514
Income and Redemption Receivables	290,079,648	—	18,978	290,098,626
Pledges Receivable, Net	140,664,551	16,491,556	22,386,451	179,542,558
Prepaid Expenses and Other Assets	8,620,066	1,661,383	17,849,347	28,130,796
Investments	5,223,802,186	217,134,458	477,297,867	5,918,234,511
Property and Equipment, Net	13,652,218	66,371,045	90,723,879	170,747,142
Real Estate	—	—	1,910,180	1,910,180
TOTAL ASSETS	\$5,692,461,410	\$ 309,929,880	\$ 630,929,037	\$6,633,320,327
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	\$ 5,749,442	\$ 58,578	\$ 3,828,061	\$ 9,636,081
Pending Investment Purchases Payable	349,396,887	—	—	349,396,887
Accrued Expenses and Other Liabilities	28,183,724	3,402,675	14,544,150	46,130,549
Note Payable	—	77,763,308	75,243,225	153,006,533
Liability Under Split-Interest Agreements	46,825,628	—	960,251	47,785,879
Funds Due to Other Organizations	296,667,031	4,044,488	340,449	301,051,968
Total Liabilities	726,822,712	85,269,049	94,916,136	907,007,897
NET ASSETS				
Without Donor Restrictions	158,065,377	8,350,953	39,206,775	205,623,105
With Donor Restrictions	4,807,573,321	216,309,878	496,806,126	5,520,689,325
Total Net Assets	4,965,638,698	224,660,831	536,012,901	5,726,312,430
TOTAL LIABILITIES AND NET ASSETS	\$5,692,461,410	\$ 309,929,880	\$ 630,929,037	\$6,633,320,327
Condensed Statement of Activities				
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 383,703,656	\$ 18,666,032	\$ 44,112,934	\$ 446,482,622
Investment Return, Net of Fees	917,304,195	40,239,630	81,383,333	1,038,927,158
Rental Income	—	5,565,853	7,338,618	12,904,471
Other Income	3,934,238	3,151,458	7,167,799	14,253,495
Total Revenues, Gains and Other Support	1,304,942,089	67,622,973	140,002,684	1,512,567,746
EXPENSES				
Program Expenses	305,424,681	25,804,776	35,195,050	366,424,507
Management and General Expenses	28,955,156	4,298,393	5,402,971	38,656,520
Fund raising Expenses	27,587,580	856,620	4,944,261	33,388,461
Total Expenses	361,967,417	30,959,789	45,542,282	438,469,488
INCREASE IN NET ASSETS	942,974,672	36,663,184	94,460,402	1,074,098,258
Net Assets - Beginning of Year	4,022,664,026	187,997,647	441,552,499	4,652,214,172
Net Assets - End of Year	\$4,965,638,698	\$ 224,660,831	\$ 536,012,901	\$5,726,312,430

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 11 - Other Organizations (continued)

Condensed financial statement information related to the University's campus foundations for the year ended June 30, 2020 is as follows:

Condensed Statement of Financial Position	University of Wisconsin Foundation, Inc.	The University of Wisconsin Milwaukee Foundation Inc.	Others	Total
ASSETS				
Cash and Cash Equivalents	\$ 55,488,244	\$ 5,818,081	\$ 20,074,343	\$ 81,380,668
Income and Redemption Receivables	81,080,794	374,768	40,280	81,495,842
Pledges Receivable, Net	99,533,804	20,369,716	28,677,945	148,581,465
Prepaid Expenses and Other Assets	11,717,002	1,955,191	12,808,574	26,480,767
Investments	4,168,998,081	177,015,249	383,898,307	4,729,911,637
Property and Equipment, Net	15,075,585	68,894,253	93,491,630	177,461,468
Real Estate	—	—	1,005,867	1,005,867
TOTAL ASSETS	\$4,431,893,510	\$ 274,427,258	\$ 539,996,946	\$5,246,317,714
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	\$ 12,767,324	\$ 53,136	\$ 3,860,838	\$ 16,681,298
Pending Investment Purchases Payable	54,219,318	—	—	54,219,318
Accrued Expenses and Other Liabilities	10,277,996	2,573,498	13,524,922	26,376,416
Note Payable	—	79,568,754	80,076,838	159,645,592
Liability Under Split-Interest Agreements	41,598,000	—	781,075	42,379,075
Funds Due to Other Organizations	290,366,846	4,234,223	200,774	294,801,843
Total Liabilities	409,229,484	86,429,611	98,444,447	594,103,542
NET ASSETS				
Without Donor Restrictions	179,646,343	4,021,513	29,027,096	212,694,952
With Donor Restrictions	3,843,017,683	183,976,134	412,525,403	4,439,519,220
Total Net Assets	4,022,664,026	187,997,647	441,552,499	4,652,214,172
TOTAL LIABILITIES AND NET ASSETS	\$4,431,893,510	\$ 274,427,258	\$ 539,996,946	\$5,246,317,714
Condensed Statement of Activities				
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 304,160,374	\$ 28,370,062	\$ 45,415,341	\$ 377,945,777
Investment Return, Net of Fees	63,923,526	6,664,549	20,316,646	90,904,721
Rental Income	—	5,585,204	1,781,877	7,367,081
Other Income	5,504,482	3,154,278	4,136,422	12,795,182
Total Revenues, Gains and Other Support	373,588,382	43,774,093	71,650,286	489,012,761
EXPENSES				
Program Expenses	243,943,131	29,370,657	39,356,332	312,670,120
Management and General Expenses	14,135,435	1,238,382	6,025,122	21,398,939
Fundraising Expenses	33,971,811	737,852	5,264,860	39,974,523
Total Expenses	292,050,377	31,346,891	50,646,314	374,043,582
OTHER CHANGES IN NET ASSETS	—	—	29,560,650	29,560,650
INCREASE IN NET ASSETS	81,538,005	12,427,202	50,564,622	144,529,829
Net Assets - Beginning of Year	3,941,126,021	175,570,445	390,987,877	4,507,684,343
Net Assets - End of Year	\$4,022,664,026	\$ 187,997,647	\$ 441,552,499	\$4,652,214,172

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 11 – Other Organizations (continued)

A – University of Wisconsin Medical Foundation

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

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

Under the CPE program, DHS is able to claim additional federal MA funds based upon the difference between the established MA reimbursement rate for the services provided by the UW-Madison faculty physicians group and the actual cost of providing those services. To enable the draw of these federal funds by DHS, UW-Madison remitted a total of \$11.1 million to DHS during fiscal year 2021 and \$11.1 million in fiscal year 2020, representing the state's share of this difference. DHS then claimed the federal share of the difference from the federal government and subsequently provided \$26.9 million during fiscal year 2021 and \$26.5 million during fiscal year 2020, representing both the state and federal share of the difference, to the UWMF. In addition, transfers of \$15.8 million and \$15.5 million were made by UW-Madison to the MA Trust Fund under this program during fiscal year 2021 and fiscal year 2020, respectively, reported as a transfer to state agencies on the financial statements.

During fiscal year 2021, the UWMF remitted \$26.9 million to UW-Madison as reimbursement for payments to DHS during fiscal year 2020. During fiscal year 2020, the UWMF remitted \$26.5 million to UW-Madison as reimbursement for payments to DHS during fiscal year 2019.

In addition, UW-Madison incurred expenditures for which reimbursement was received from the UWMF. Of the \$143.0 million expended in fiscal year 2021, \$132.0 million was for salaries and fringe benefits of staff in the UW-Madison School of Medicine. In fiscal year 2020, of the \$141.4 million expended, \$129.8 million was for salaries and fringe benefits of staff in the UW-Madison School of Medicine.

B – University of Wisconsin Hospital and Clinics Authority

The University of Wisconsin Hospital and Clinics Authority (UWHCA), pursuant to an act of the Wisconsin State Legislature, began operating on June 29, 1996 as a separate public authority, and is reported as a discrete component unit within the financial statements of the State of Wisconsin. As required by this legislation, the University has entered into various affiliation and operating agreements with UWHCA, including a lease agreement. Under the terms of the lease, UWHCA makes payments equal to the debt service on all outstanding bonds issued by the State of Wisconsin to acquire, construct, or improve the leased facilities. At June 30, 2021, the present value of these future lease payments totaled \$38,582, compared to \$60,988 at June 30, 2020, an amount equal to the principal on the related bonds outstanding; the asset is included on the statement of net position as part of the capital lease receivable, and the related debt is included as part of the total University bonds outstanding of \$1,485.8 million and \$1,501.1 million at June 30, 2021 and June 30, 2020, respectively. The leased facilities are not included as part of the University's investment in buildings since they have been reported by UWHCA in their audited financial statements in accordance with the generally accepted accounting principles that pertain to the reporting of leased assets.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 11 – Other Organizations (continued)

During the fiscal year ended June 30, 2021, the University received services from UWHCA totaling \$4.7 million and provided services to UWHCA totaling \$56.9 million, compared to amounts for fiscal year ended June 30, 2020 of \$4.6 million and \$52.6 million. The cost of the services provided and the associated revenue are separately identified in the Statement of Revenues, Expenses, and Changes in Net Position. The amounts spent for services received are included as salaries and fringe benefits and supplies and services expenses on this statement. The services received were funded by an equivalent amount of state appropriations revenue.

C – The Wisconsin Institutes for Discovery

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

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

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

D – La Crosse Medical Health Science Education Research Center

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

The Use Agreement makes available the exclusive use of the La Crosse Medical Health Science Education Research Center to The Consortium. As required by this Use Agreement, the University has entered into various operating agreements with The Consortium, including a lease agreement. Under the terms of the lease, The Consortium made payments equal to the debt service on all

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 11 – Other Organizations (continued)

outstanding bonds issued by the State of Wisconsin to acquire, construct, or improve the leased facilities. All lease payments were made as of June 30, 2020 and all obligations satisfied. The leased facilities are not included as part of the University's investment in buildings since they have been reported by The Consortium in their audited financial statements in accordance with the generally accepted accounting principles that pertain to the reporting of leased assets.

During the fiscal years ended June 30, 2021 and 2020, the University provided services and rent to The Consortium totaling \$0.6 million and \$0.7 million, respectively. The cost of the services provided, and the associated revenue are included in the Statement of Revenues, Expenses, and Changes in Net Position. The amounts spent for services received are included as salaries and fringe benefits and supplies and services expenses on this statement. The services received were funded by an equivalent amount of revenue from state appropriations.

E – Funds Held In Trust by Others

Funds held in trust by others are endowment funds held by trustees outside of the University Trust Funds for the benefit of the University. The market value of these funds amounted to \$234.6 million at June 30, 2021, compared with \$195.2 million at June 30, 2020. During fiscal year 2021, \$1.3 million of these funds was made available by the trustees for spending. In fiscal year 2020, \$1.2 million of these funds was made available by the trustees for spending.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 12 – Operating Expenses by Functional Classification

Operating expenses by functional classification for the fiscal year ended June 30, 2021:

	Salary and Fringe Benefits	Scholarships and Fellowships	Supplies and Services	Other	Depreciation	Total
Instruction	\$ 949,577,949	\$ 2,040,507	\$ 57,450,039	\$ 7,722,643	\$ —	\$ 1,016,791,138
Research	784,380,789	2,216,401	269,425,582	3,586,062	—	1,059,608,834
Public Service	214,572,524	171,205	123,754,502	9,092,910	—	347,591,141
Academic Support	324,745,885	100,391	90,053,058	(1,936,187)	—	412,963,147
Student Services	321,524,491	656,344	166,298,318	(389,620)	—	488,089,533
Institutional Support	293,719,937	58,123	34,081,308	(553,445)	—	327,305,923
Operation/Maintenance	164,189,406	—	154,334,610	1,038,768	—	319,562,784
Financial Aid	110,772,799	180,832,832	460,583	4,358	—	292,070,572
Auxiliary Enterprises	101,772,960	10,236	158,168,857	(440,043)	—	259,512,010
Other Functions	13,784,975	—	55,626,930	6,340	—	69,418,245
Depreciation	—	—	—	—	348,856,263	348,856,263
Total Operating Expenses	<u>\$ 3,279,041,715</u>	<u>\$ 186,086,039</u>	<u>\$ 1,109,653,787</u>	<u>\$ 18,131,786</u>	<u>\$ 348,856,263</u>	<u>\$ 4,941,769,590</u>

Operating expenses totaled \$4.9 billion. Salary and fringe benefits; scholarships and fellowships; and supplies and services and other expenses constituted 66.3%, 3.8%, and 22.8% of total operating expenses, respectively. Depreciation comprised \$348.9 million or 7.1% of total operating expenses.

Operating expenses by functional classification for the fiscal year ended June 30, 2020:

	Salary and Fringe Benefits	Scholarships and Fellowships	Supplies and Services	Other	Depreciation	Total
Instruction	\$ 1,205,386,151	\$ 1,126,040	\$ 110,095,850	\$ (1,790,158)	\$ —	\$ 1,314,817,883
Research	740,382,841	2,103,369	286,246,434	3,257,887	—	1,031,990,531
Public Service	218,670,384	369,392	117,030,882	12,601,656	—	348,672,314
Academic Support	335,448,576	132,437	103,997,911	2,673,357	—	442,252,281
Student Services	330,405,648	645,584	168,175,301	1,482,675	—	500,709,208
Institutional Support	307,329,110	1,050,290	29,109,270	1,167,649	—	338,656,319
Operation/Maintenance	166,561,937	5	144,358,756	1,852,663	—	312,773,361
Financial Aid	112,362,332	159,621,294	249,194	1,059,463	—	273,292,283
Auxiliary Enterprises	114,531,848	63,738	182,880,708	1,371,438	—	298,847,732
Other Functions	13,621,988	—	55,664,912	(1,738)	—	69,285,162
Depreciation	—	—	—	—	329,097,681	329,097,681
Total Operating Expenses	<u>\$ 3,544,700,815</u>	<u>\$ 165,112,149</u>	<u>\$ 1,197,809,218</u>	<u>\$ 23,674,892</u>	<u>\$ 329,097,681</u>	<u>\$ 5,260,394,755</u>

Operating expenses totaled \$5.3 billion. Salary and fringe benefits; scholarships and fellowships; and supplies and services and other expenses constituted 67.4%, 3.1%, and 23.2% of total operating expenses, respectively. Depreciation comprised \$329.1 million or 6.3% of total operating expenses.

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 13 – Classification of Net Position

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

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 13 – Classification of Net Position (continued)

The amounts within each category at June 30, 2021 and June 30, 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Net Investment in Capital Assets	\$3,669,694,247	\$3,574,415,523
Restricted - Nonexpendable Permanent Endowment	259,629,079	205,407,241
Restricted - Expendable		
Restricted for Pensions	831,629,182	430,532,171
Restricted for Other Post-Employment Benefits	124,539,601	67,871,882
Restricted Endowment Earnings	4,069,573	41,263,066
Restricted Donor Investments	348,070,808	249,188,007
Auxiliary Operations - Segregated Fees	106,856,770	94,042,124
Restricted for Student Loans		
Federal Aid	16,196,343	19,546,235
Gifts	35,674,500	35,375,612
Endowment Funds	2,827,249	9,772,835
Subtotal	54,698,092	64,694,682
Restricted - Other		
Federal Aid	53,644,813	67,706,491
Gifts and Nonfederal Grants & Contracts	393,633,723	295,052,487
Construction Fund	302,867,939	227,797,018
Segregated Revenue	1,598,600	1,784,513
All Other Restricted Program Revenue	3,395,337	3,217,389
Subtotal	755,140,412	595,557,898
Total Restricted - Expendable	2,225,004,438	1,543,149,830
Unrestricted		
Tuition (Academic & Extension Student Fees)	196,620,364	122,307,520
General Operations	75,758,478	65,937,991
Auxiliary Operations (Non-Segregated Fee)	82,491,422	138,670,197
Indirect Cost Reimbursement	154,909,087	107,785,479
Quasi-Endowment Funds	52,276,011	44,231,447
Unrestricted Donor Investments	68,064,496	57,233,170
All Other Unrestricted Program Revenue	75,813,822	75,057,891
Gifts and Nonfederal Grants & Contracts	(61,574,489)	14,800,838
Federal Aid [^]	(123,042,736)	(112,450,734)
All Other Non-Program Revenue*	(675,365,252)	(437,015,473)
Total Unrestricted	(154,048,797)	76,558,326
Total Net Position	<u>\$6,000,278,967</u>	<u>\$5,399,530,920</u>

[^] Funds are typically collected on a reimbursement basis resulting in a negative balance at year end.

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

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 13 – Classification of Net Position (continued)

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

ACFR reclassifications as of June 30, 2021 (in millions):

	University of Wisconsin System	Auxiliary Operations	Endowments	Student Loans	State of Wisconsin ACFR
Net Investment in Capital Assets	\$ 3,669.7	\$ —	\$ —	\$ —	\$ 3,669.7
Restricted for					
Pension	831.6	—	—	—	831.6
OPEB	124.5	—	—	—	124.5
Nonexpendable	259.6	—	—	—	259.6
Expendable	459.0	(106.9)	52.3	—	404.4
Student Loans	54.7	—	—	(54.7)	—
Other	755.1	—	—	54.7	809.8
Unrestricted	(154.0)	106.9	(52.3)	—	(99.4)
Total Net Position	<u>\$ 6,000.2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,000.2</u>

ACFR reclassifications as of June 30, 2020 (in millions):

	University of Wisconsin System	Auxiliary Operations	Endowments	Student Loans	State of Wisconsin ACFR
Net Investment in Capital Assets	\$ 3,574.4	\$ —	\$ —	\$ —	\$ 3,574.4
Restricted for					
Pension	430.5	—	—	—	430.5
OPEB	67.9	—	—	—	67.9
Nonexpendable	205.4	—	—	—	205.4
Expendable	384.5	(94.0)	83.2	—	373.7
Student Loans	64.7	—	—	(9.8)	54.9
Other	595.5	—	—	9.8	605.3
Unrestricted	76.6	94.0	(83.2)	—	87.4
Total Net Position	<u>\$ 5,399.5</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,399.5</u>

UNIVERSITY OF WISCONSIN SYSTEM
Notes to the Financial Statements
Years Ended June 30, 2021 and 2020

NOTE 14 – Prior Period Adjustments and Other Restatements

Neither the June 30, 2021 nor the June 30, 2020 Statement of Net Position include a prior period adjustment or other restatement. Student Direct Lending activity from the prior year has been reclassified to conform to the current year's presentation in the Statement of Cash Flows.

NOTE 15 – Contingent Liabilities

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

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

NOTE 16 – Subsequent Events

In December 2021, the State of Wisconsin issued \$212.8 million of 2021 Series B general obligation bonds to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The interest rates associated with these bonds were set at 4.0 to 5.0 percent payable semiannually beginning May 1, 2022. The bonds mature annually beginning May 1, 2023 through May 1, 2042. The total par amount of the 2021 Series B bonds that was issued, and additional purchase premium proceeds from that issue, for University of Wisconsin purposes is \$150.9 million.

In September 2021, the State of Wisconsin issued \$326.4 million of 2021 Series 4 general obligation refunding bonds (taxable) to be used for the advanced refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 1.1 percent to 2.2 percent payable semiannually beginning May 1, 2022. The bonds mature annually beginning May 1, 2027 through May 1, 2036.

In July 2020, the State of Wisconsin issued \$164.0 million of 2020 Series 3 general obligation refunding bonds (taxable) to be used for the advanced refunding of certain principal of previously issued general obligation bonds. The interest rates associated with these bonds were set at 0.4 percent to 2.5 percent payable semiannually beginning November 1, 2020. The bonds mature annually beginning May 1, 2022 through May 1, 2035 along with term bonds maturing May 1, 2038 and May 1, 2042.

In November 2020, the State of Wisconsin issued \$224.5 million of 2020 Series B general obligation bonds to be used for the acquisition, construction, development, extension, enlargement or improvement of land, water, property, highways, buildings, equipment or facilities for public purposes. The interest rates associated with these bonds were set at 4.0 to 5.0 percent payable semiannually beginning May 1, 2021. The bonds mature annually beginning May 1, 2022 through May 1, 2041. The total par amount of the 2020 Series B bonds that was issued, and additional purchase premium proceeds from that issue, for University purposes is \$115.2 million.



Years Ended June 30, 2021 and 2020

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT 12/19/2021

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2021 and 2020

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

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

Fiscal Year*	Proportion of the NPL (NPA)	Proportionate Share of the NPL (NPA)	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	WRS' Net Position as a Percentage of the Total Pension Liability
2021	13.32%	\$(831,629,182)	\$2,197,452,793	(37.85)%	105.26%
2020	13.35%	\$(430,532,171)	\$2,141,382,732	(20.11)%	102.96%
2019	13.34%	\$474,419,425	\$2,034,643,431	23.32%	96.54%
2018	13.44%	\$(399,079,716)	\$1,967,891,964	(20.28)%	102.93%
2017	13.54%	\$112,698,659	\$1,929,105,545	5.79%	99.10%
2016	13.59%	\$220,459,696	\$1,924,520,818	11.47%	98.20%
2015	13.44%	\$(330,166,674)	\$1,896,092,723	17.41%	102.74%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2015 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

University of Wisconsin System's Pension Contributions
Wisconsin Retirement System

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

Fiscal Year*	Contractually Required Contributions	Contributions Made	Contribution Deficiency (Excess)	Covered Payroll	Contributions Made as a Percentage of Covered Payroll
2021	\$149,158,680	\$149,158,680	\$—	\$2,197,452,793	6.79%
2020	\$140,901,540	\$140,901,540	\$—	\$2,141,382,732	6.58%
2019	\$136,968,134	\$136,968,134	\$—	\$2,034,643,431	6.73%
2018	\$134,517,079	\$134,517,079	\$—	\$1,967,891,964	6.84%
2017	\$127,760,738	\$127,760,738	\$—	\$1,929,105,545	6.62%
2016	\$131,542,672	\$131,542,672	\$—	\$1,924,520,818	6.84%
2015	\$133,468,069	\$133,468,069	\$—	\$1,896,092,723	7.04%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2015 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2024.

Notes to Required Supplementary Information
for the Year Ended June 30, 2021

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

Changes in assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. No significant change in assumptions were noted for 2020-21 or 2019-20 compared to the prior year.

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2021 and 2020

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

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

Fiscal Year*	Proportion of the OPEB Liability	Proportionate Share of the OPEB Liability	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	41.96%	\$363,828,903	\$1,296,225,000	28.1%	27.80%
2020	42.09%	\$287,530,560	\$1,253,058,000	23.0%	33.75%
2019	41.83%	\$180,490,611	\$1,205,222,000	15.0%	44.36%
2018	41.42%	\$204,440,597	\$1,318,898,190	15.5%	41.63%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

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

The University's OPEB contributions are provided below:

Fiscal Year*	Contractually Required Contributions	Contributions Made	Contribution Deficiency (Excess)	Covered Payroll	Contributions Made as a Percentage of Covered Payroll
2021	\$644,090	\$644,090	\$—	\$1,296,225,000	0.05%
2020	\$483,771	\$483,771	\$—	\$1,253,058,000	0.04%
2019	\$580,265	\$580,265	\$—	\$1,205,222,000	0.05%
2018	\$552,145	\$552,145	\$—	\$1,318,898,190	0.04%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

Notes to Required Supplementary Information
for the Year Ended June 30, 2021

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

Changes in assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015-2017. Significant assumption changes for 2020-21 compared to the prior year include a decrease in the discount rate from 2.84% to 2.22%. Significant assumption changes for 2019-20 compared to the prior year include a decrease in the discount rate from 4.20% to 2.84%, an updated expected return on plan assets from 5.00% to 4.25%, an expected premium rate change updated from 0% future increases to a 5% annual increase effective April 1, 2020 for nine years, and an inflation rate updated from 2.30% to 2.20% based on current and future expected market expectations.

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2021 and 2020

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

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

Fiscal Year*	Proportion of the OPEB Liability	Proportionate Share of the OPEB Liability	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll
2021	44.78%	\$ 287,515,221	\$ 1,780,579,173	16.1%
2020	44.37%	\$ 302,798,250	\$ 1,725,367,417	17.6%
2019	43.95%	\$ 237,204,014	\$ 1,622,101,587	14.6%
2018	43.89%	\$ 315,687,625	\$ 1,577,063,898	20.0%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

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

The University's OPEB contributions are provided below:

Fiscal Year*	Contractually Required Contributions	Contributions Made	Contribution Deficiency (Excess)	Covered Payroll	Contributions Made as a Percentage of Covered Payroll
2021	\$ 437,853,488	\$ 437,853,488	\$—	\$ 1,780,579,173	24.6%
2020	\$ 437,853,488	\$ 437,853,488	\$—	\$ 1,725,367,417	25.4%
2019	\$ 435,919,184	\$ 435,919,184	\$—	\$ 1,622,101,587	26.9%
2018	\$ 433,914,171	\$ 433,914,171	\$—	\$ 1,577,063,898	27.5%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2018 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2027.

Notes to Required Supplementary Information
for the Year Ended June 30, 2021

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

Changes in assumptions.

Changes Effective June 30, 2020

Healthcare claims costs and trend were updated based on most recent modeling.

The discount rate was changed to 2.21% for the June 30, 2020 measurement from 3.50% for the June 30, 2019 measurement.

Changes Effective June 30, 2019

Healthcare claims costs and trend were updated based on most recent modeling.

Administrative expenses no longer include costs associated with the administration of medical and prescription claims. These costs are now reflected in the respective per capita healthcare costs, as they are built into the premium rates used to develop these costs.

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2021 and 2020

University of Wisconsin System's Proportionate Share of the OPEB Liability
Retiree Health Insurance Plan (continued)

The discount rate was changed to 3.50% for the June 30, 2019 measurement from 3.87% for the June 30, 2018 measurement.

The excise tax on high cost health plans was repealed effective December 20, 2019 and as such has been removed from this valuation.

Changes Effective June 30, 2018

The discount rate was changed to 3.87% for the June 30, 2018 measurement from 3.58% for the June 30, 2017 measurement.

The participation rates changed. The Participation rate was previously 85%, and was changed to 80% immediate commencement, with 12.5% of the deferred participants electing coverage each year for eight years, based on the Segal study completed in July 2019.

Lapse rates were added. In this valuation we are assuming 10% of participants that are covered lapse coverage each year, based on the Segal study completed in July 2019.

The inflation, salary scale, retirement, termination, disability and mortality rates were changed in conjunction with the 2015-2017 pension assumption study completed by GRS in 2018.

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

UNIVERSITY OF WISCONSIN SYSTEM
Required Supplementary Information and
Notes to Required Supplementary Information
Years Ended June 30, 2021 and 2020

University of Wisconsin System's Proportionate Share of the OPEB Liability(Asset)
 Supplemental Health Insurance Conversion Credit Program

The University's proportionate share of the OPEB liability or (asset) is provided below:

Fiscal Year*	Proportion of the OPEB Liability (Asset)	Proportionate Share of the OPEB Liability (Asset)	Covered Payroll	Proportionate Share as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2021	43.73%	\$ (124,539,601)	\$ 2,197,452,793	(5.7)%	130.8%
2020	44.72%	\$ (67,871,882)	\$ 2,141,382,732	(3.2)%	116.3%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

GASB standards require the presentation of 10 years of information. Because fiscal year 2020 was the first year for reporting this information, a full 10-year schedule will not be available until fiscal year 2029.

Notes to Required Supplementary Information
for the Year Ended June 30, 2021

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

Changes of assumptions. The actuarial assumptions used to develop Total OPEB liability, including the single discount rate, long-term expected rate of return and expected inflation remained consistent with prior year. Refer to Note 9 for the Actuarial Assumptions.



Years Ended June 30, 2021 and 2020

SUPPLEMENTAL INFORMATION

DRAFT 12/9/2021

CHART 1
COMPARISON OF CURRENT FUNDS REVENUES
2011 - 2021

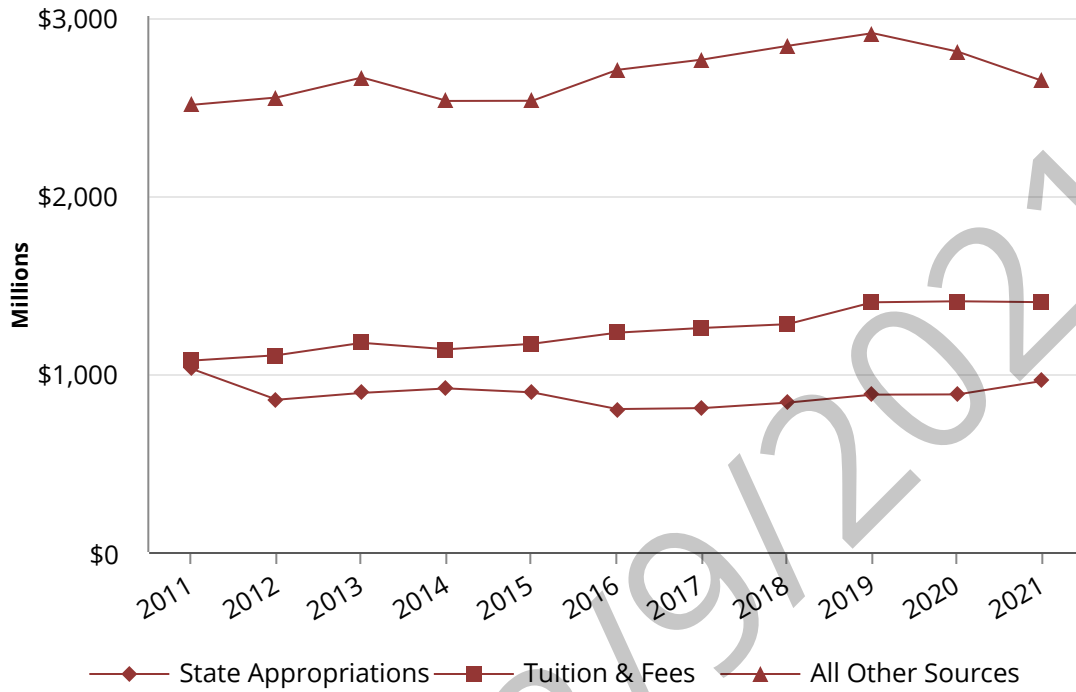


CHART 2
COMPARISON OF CURRENT FUNDS REVENUES
ADJUSTED FOR INFLATION
2011 - 2021

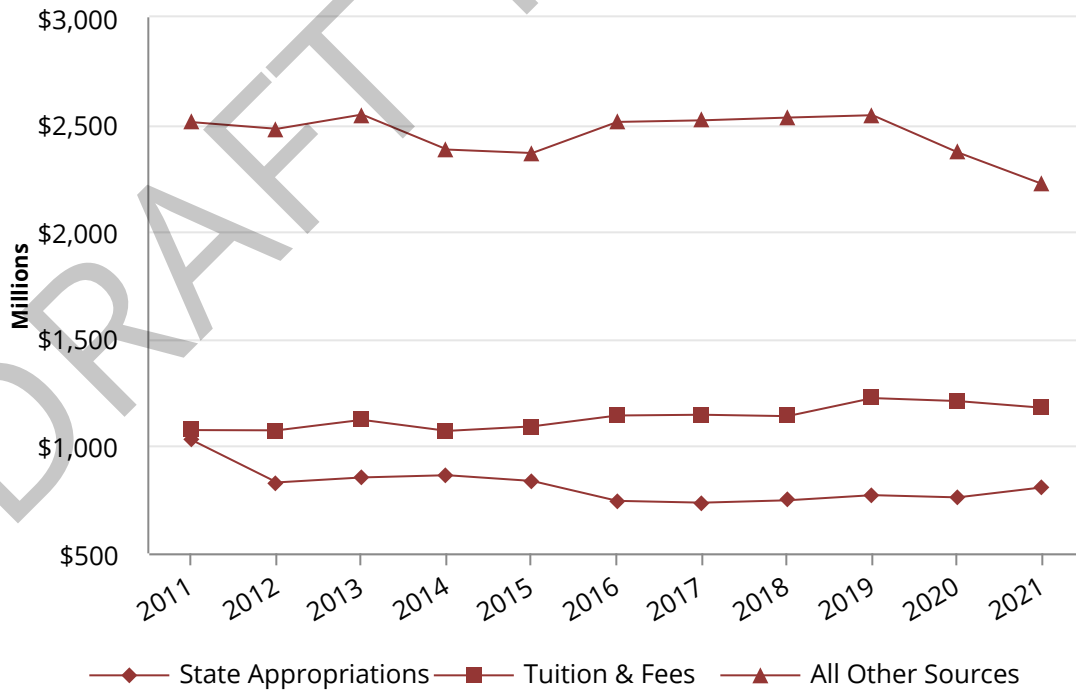
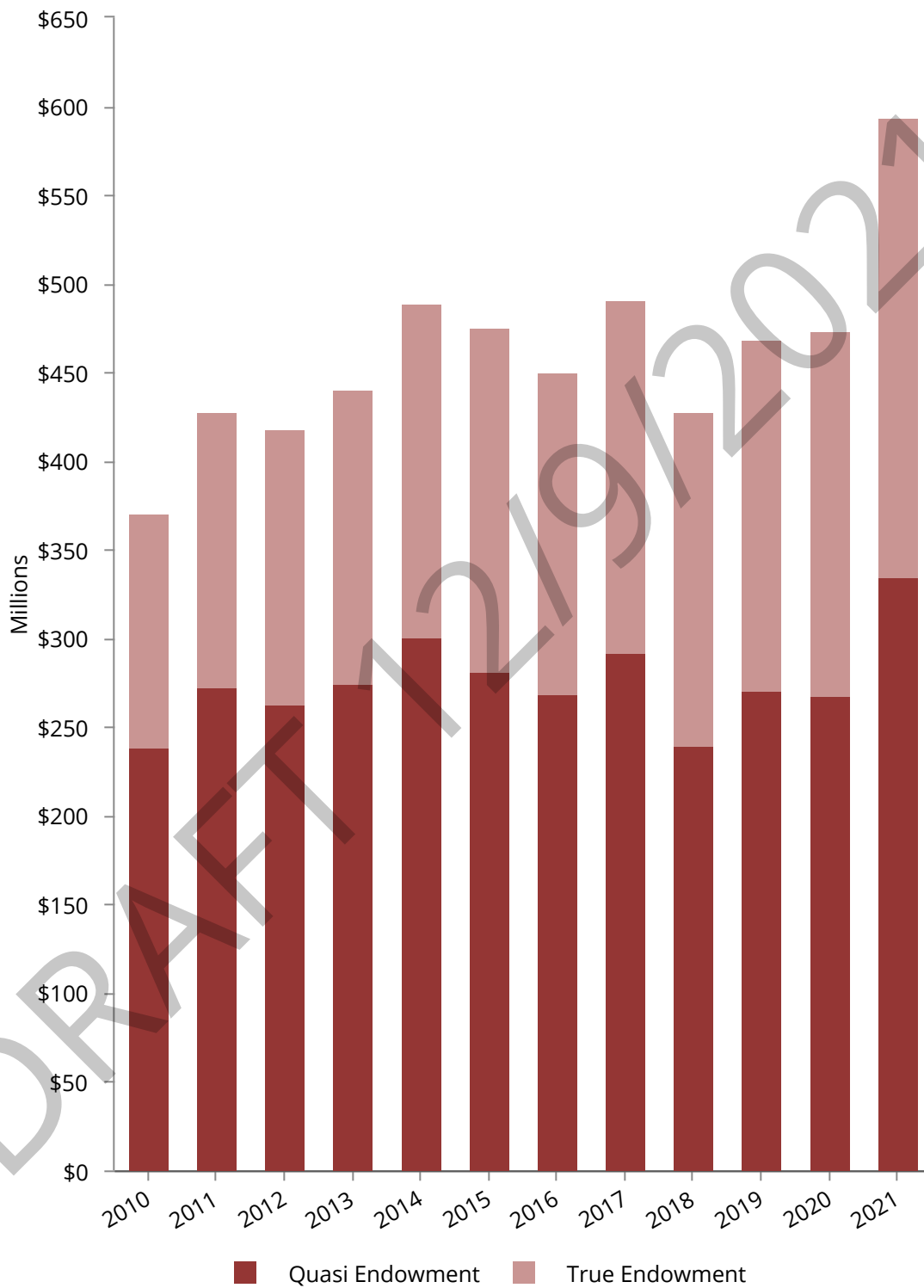


CHART 3
UNIVERSITY-CONTROLLED ENDOWMENTS
2010 - 2021



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

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**NONRESIDENT UNDERGRADUATE AND GRADUATE TUITION
PROPOSALS**

REQUESTED ACTION

Adoption of Resolution F., approving the proposed nonresident undergraduate and graduate tuition increases.

Resolution F. That, upon the recommendation of the President of the UW System, the UW System Board of Regents approves the proposed nonresident undergraduate and graduate school tuition increases for UW-Madison, UW-Eau Claire, UW Oshkosh, UW-Platteville, UW-River Falls, UW-Stout, and UW-Whitewater.

SUMMARY

Attachment A details proposed tuition increases for nonresident undergraduate and graduate school students for seven UW System institutions. If approved, they would be effective for the 2022-23 academic year. The proposed rates are shown in Table 1.

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

Current tuition rates at the UW System comprehensive institutions can be found in Tables 2 and 3. Additional detail regarding the proposals can be found in Table 4.

Presenter

- Sean Nelson, Vice President for Finance, UW System Administration

BACKGROUND

The UW System received tuition proposals from institutions for Board consideration that reflect their unique missions, market sensitivities, and costs incurred in providing a quality education.

Related Policies

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

ATTACHMENT

- A) Tuition Proposals for 2022-23

Table 1. Proposed One-Year Tuition Increases

		2021-22	2022-23		
	Student Enrollment	Tuition	Increase	Tuition	Increase Percent
UW-Madison					
Undergraduate:					
Nonresident	12,500	\$37,161.12	\$743.28	\$37,904.40	2.00%
UW-Eau Claire					
Undergraduate:					
Nonresident	302	\$15,636.50	\$437.21	\$16,073.71	2.80%
Nonresident Material Sci & Engineering	11	\$17,107.32	\$437.21	\$17,544.53	2.56%
Nonresident Biomedical Engineering	4	\$17,107.32	\$437.21	\$17,544.53	2.56%
Graduate:					
Resident	323	\$8,027.28	\$160.55	\$8,187.83	2.00%
Nonresident	127	\$18,061.36	\$541.84	\$18,603.20	3.00%
UW Oshkosh					
Graduate:					
Resident	437	\$7,949.16	\$158.98	\$8,108.14	2.00%
Resident Business	84	\$8,525.70	\$170.51	\$8,696.21	2.00%
Nonresident	45	\$17,448.84	\$348.98	\$17,797.82	2.00%
Nonresident Business	12	\$18,052.38	\$361.05	\$18,413.43	2.00%
UW-Platteville					
Undergraduate:					
Nonresident	82	\$15,057.26	\$298.76	\$15,356.02	1.98%
International	30	\$16,057.26	\$298.76	\$16,356.02	1.86%
Tuition Advantage Program	1,137	\$11,118.08	\$109.98	\$11,228.06	0.99%
Nonresident Dairy Science*	0	\$15,557.26	\$298.76	\$15,856.02	1.92%
International Dairy Science*	0	\$16,557.26	\$298.76	\$16,856.02	1.80%
Tuition Adv Program Dairy Science	3	\$11,618.08	\$109.98	\$11,728.06	0.95%
Nonresident UW-Platteville Baraboo	1	\$12,629.15	\$252.71	\$12,881.86	2.00%
Nonresident UW-Platteville Richland	6	\$12,629.15	\$252.71	\$12,881.86	2.00%
*Some programs do not have students, but tuition adjustment is requested to maintain the difference between regular nonresident and the various programs (\$500 for Dairy Science and \$1,000 for International).					

		2021-22	2022-23		
	Student Enrollment	Tuition	Increase	Tuition	Increase Percent
UW-River Falls					
Undergraduate:					
Nonresident	41	\$14,001.36	\$420.04	\$14,421.40	3.00%
Graduate:					
Resident	152	\$7,640.46	\$152.82	\$7,793.28	2.00%
Nonresident	2	\$16,771.32	\$503.14	\$17,274.46	3.00%
UW-Stout					
Graduate:					
Resident	168	\$7,298.46	\$145.97	\$7,444.43	2.00%
Nonresident	32	\$15,774.30	\$315.49	\$16,089.79	2.00%
UW-Whitewater					
Undergraduate:					
Nonresident	1,515	\$15,390.72	\$303.36	\$15,694.08	1.97%
Graduate:					
Resident	207	\$8,270.46	\$165.42	\$8,435.88	2.00%
Nonresident	37	\$18,152.64	\$363.06	\$18,515.70	2.00%
Business Masters Resident	13	\$8,870.40	\$177.48	\$9,047.88	2.00%
Business Masters Nonresident	2	\$18,781.38	\$375.66	\$19,157.04	2.00%
Masters of Computer Sciences Resident	16	\$9,690.84	\$193.86	\$9,884.70	2.00%
Masters of Computer Sciences Nonres	3	\$19,407.96	\$388.08	\$19,796.04	2.00%

**Table 2. Annual Resident Graduate Tuition Rates for UW System
Comprehensives**

	2021-22	2022-23	
		Proposed	Change
UW-Eau Claire	\$8,027	\$8,188	\$161
UW-Green Bay	\$7,996	\$7,996	\$0
UW-La Crosse	\$8,651	\$8,651	\$0
UW Oshkosh	\$7,949	\$8,108	\$159
UW-Parkside	\$8,028	\$8,028	\$0
UW-Platteville	\$7,831	\$7,831	\$0
UW-River Falls	\$7,640	\$7,793	\$153
UW-Stevens Point	\$8,066	\$8,066	\$0
UW-Stout	\$7,298	\$7,444	\$146
UW-Superior	\$7,640	\$7,640	\$0
UW-Whitewater	\$8,270	\$8,436	\$165

**Table 3. Annual Nonresident Graduate Tuition Rates for UW System
Comprehensives**

	2021-22	2022-23	
		Proposed	Change
UW-Eau Claire	\$18,061	\$18,603	\$542
UW-Green Bay	\$17,551	\$17,551	\$0
UW-La Crosse	\$18,637	\$18,637	\$0
UW Oshkosh	\$17,449	\$17,798	\$349
UW-Parkside	\$17,622	\$17,622	\$0
UW-Platteville	\$17,191	\$17,191	\$0
UW-River Falls	\$16,771	\$17,274	\$503
UW-Stevens Point	\$17,706	\$17,706	\$0
UW-Stout	\$15,774	\$16,090	\$315
UW-Superior	\$16,771	\$16,771	\$0
UW-Whitewater	\$18,153	\$18,516	\$363

Table 4. Narratives and Proposed Rates by Institution

UW-Madison

UW-Madison proposes to increase nonresident undergraduate tuition for the 2022-23 academic year. UW-Madison is one of the highest ranked public research universities in the U.S., offering students access to the highest quality education with a breadth of academic activity. Washington Monthly magazine ranked UW-Madison first among public universities and fourth overall in the 2021 College Guide and Rankings. UW-Madison is ranked thirteenth among all public universities in the latest Wall Street Journal/Times Higher Education rankings.

Undergraduate tuition revenue, in combination with general purpose revenue (GPR), funds the entire undergraduate program and all the required support services for undergraduates at UW-Madison. The majority of these funds are used to cover faculty and instructional staff salaries. UW-Madison relies on these sources of revenue for student financial aid or program expansions. UW-Madison feels it has a responsibility to maintain access for Wisconsin residents and a high-quality education for all students. UW-Madison also feels it has a responsibility to maintain lower tuition and subsidize access for in-state residents.

The current nonresident tuition and fees rate, and tuition alone, place UW-Madison third among Big Ten peers. UW-Madison is seeking an increase of two percent in nonresident tuition, an increase consistent with the rate of inflation. Since nonresident tuition and fees at its peers has been rising at an average rate of 2.8 percent per year over the last five years, it is anticipated that the requested increase will not increase UW-Madison's position in comparison to BTAA peers. This is an appropriate position, given the quality of educational and extracurricular offerings.

For the fifth consecutive year, more than half of graduating seniors (57.2 percent) did not take out student loans while earning their bachelor's degree at UW-Madison. Among those graduating seniors who borrowed, the average student loan debt (\$27,107) is slightly lower than it was for the previous graduating class (\$27,173). This puts UW-Madison's student borrowing rates and average graduate debt below the most recent national and statewide data available. In less than 10 years, the number of UW-Madison undergraduates graduating without student loan debt has grown by nearly 10 percent.

UW-Madison is confident that it can implement this inflation-based increase to nonresident tuition without compromising the ability to attract top students. The interest in UW-Madison by nonresident applicants has continued to be very strong. Nonresident first year freshman applicants alone increased more than 126 percent in the last decade, from 17,531 in 2012 to 39,693 for this fall's entering first-year class, up 16 percent from last year.

Many of these nonresident applicants are looking at a mix of private and public options and are not focusing primarily on price.

The increase would generate estimated additional revenue of \$8 million 2022-23. These funds will be used in part for need-based financial aid and to provide new positions in areas where faculty and staff are needed to support growing enrollment, ensure the delivery of a quality educational experience, and student support, such as academic advisors, that helps maintain timely progress to degree. These funds will contribute to funding of salary increases, particularly for retention of high-demand faculty and staff as noted above, and to expand hiring in disciplines with increasing enrollments, especially science, technology, engineering and mathematics (STEM) programs where there is a need for additional faculty and staff to support student enrollment growth.

The increase in nonresident tuition would include an allocation (up to 20 percent) of financial aid for out-of-state students. More financial aid for out-of-state students helps support students from low-income families and adds to the socio-economic and racial diversity of UW-Madison's student body. This approach to financial aid helps attract the best students who may be choosing among a range of options. This allows UW-Madison to charge a higher price to those nonresident students who can afford it, while discounting that price for others who would otherwise not be able to attend UW-Madison but who would enrich the campus with their academic achievement, special talents, and diverse backgrounds.

	2021-22	2022-23	Change
Undergraduate:			
Nonresident	\$37,161.12	\$37,904.40	\$743.28
Anticipated Additional Revenue			\$8,000,000.00

UW-Eau Claire

UW-Eau Claire proposes to increase nonresident undergraduate, material science & engineering, and biomedical engineering, graduate, and resident graduate tuition for the 2022-23 academic year. UW-Eau Claire is proposing the increases to support strategic initiatives. The effort will help the university continue its implementation and operationalization of the strategic initiatives outlined in its strategic plans. In part, the plans outline strategies to provide an exceptional educational experience for students and enhance student success, and retain and attract exceptional faculty and staff with a campus community where all members at UW-Eau Claire thrive and succeed; and create a resilient organization that is agile, capable of meeting the challenges of a changing higher education environment. Additionally, the increased graduate tuition revenue would be used to hire additional faculty, thus supporting expansion of high-demand programs and development of new graduate programs in line with University Strategic Plan Priorities and regional need. The increase would generate estimated additional revenue of \$259,265 in 2022-23.

	2021-22	2022-23	Change
Undergraduate:			
Nonresident	\$15,636.50	\$16,073.71	\$437.21
Nonresident Material Science & Eng	\$17,107.32	\$17,544.53	\$437.21
Nonresident Biomedical Engineering	\$17,107.32	\$17,544.53	\$437.21
Graduate:			
Resident	\$8,027.28	\$8,187.83	\$160.55
Nonresident	\$18,061.36	\$18,603.20	\$541.84
Anticipated Additional Revenue			\$259,265.47

UW Oshkosh

UW Oshkosh proposes to increase tuition for resident and nonresident graduate and graduate business by two percent for the 2022-23 academic year. UW Oshkosh increased its graduate tuition rate by two percent in 2019-20. Prior to that increase, the graduate tuition rate had not been increased since 2013 which paced the university's pricing well behind its peers. With the two percent increase in 2019-20 and the proposed two percent increase for 2022-23, UW Oshkosh would remain considerably below its UW System peers. UW Oshkosh's 2020-21 graduate tuition is nearly four percent lower than UW-Whitewater's rate, which is the most comparably sized campus within the UW System. UW Oshkosh reviewed the proposed two percent increase to graduate tuition and received support from stakeholders at the Chancellor's Cabinet and within both Academic Affairs and Finance and Administration leadership. The increase would generate estimated additional revenue of \$103,453 in 2022-23 which would be used to offset increased costs of supplies and expenses.

	2021-22	2022-23	Change
Graduate:			
Resident	\$7,949.16	\$8,108.14	\$158.98
Resident Business	\$8,525.70	\$8,696.21	\$170.51
Nonresident	\$17,448.84	\$17,797.82	\$348.98
Nonresident Business	\$18,052.38	\$18,413.43	\$361.05
Anticipated Additional Revenue			\$103,452.56

UW-Platteville

UW-Platteville proposes to increase nonresident undergraduate, undergraduate dairy science, international, international dairy science, undergraduate tuition advantage program, and undergraduate tuition advantage program dairy science tuition for the 2022-23 academic year. The Tuition Advantage Program, formerly known as the Tri-State Initiative, provides discounted nonresident tuition for new freshman and transfer students from Illinois and Iowa. UW-Platteville also proposes to increase nonresident tuition at its branch campuses. The proposed increases were vetted among the university's leadership team with input from the Provost and chief financial and enrollment officers. The proposals were benchmarked against key competitors such that they would allow UW-Platteville to remain competitively priced. The increase would generate estimated additional revenue of \$152,578 in 2022-23, which would allow UW-Platteville to reinvest in key initiatives associated with its strategic plan, including but not limited to: updating program array to align with student and industry needs, integrating new technologies to allow the flexible delivery of programs through multiple modalities, investing in new recruitment strategies in an increasingly competitive marketplace, and fulfilling portions of proposed pay increases.

	2021-22	2022-23	Change
Undergraduate:			
Nonresident	\$15,057.26	\$15,356.02	\$298.76
International	\$16,057.26	\$16,356.02	\$298.76
Tuition Advantage Program	\$11,118.08	\$11,228.06	\$109.98
Nonresident Dairy Science	\$15,557.26	\$15,856.02	\$298.76
International Dairy Science	\$16,557.26	\$16,856.02	\$298.76
Tuition Advantage Prog Dairy Science	\$11,618.08	\$11,728.06	\$109.98
Nonresident UW-Platteville Baraboo	\$12,629.15	\$12,881.86	\$252.71
Nonresident UW-Platteville Richland	\$12,629.15	\$12,881.86	\$252.71
Anticipated Additional Revenue			\$152,578.00

UW-River Falls

UW-River Falls proposes to increase nonresident undergraduate, graduate resident, and graduate nonresident tuition for the 2022-23 academic year. When comparing UW-River Falls rates to the rates of the other comprehensive campuses within UW System, UW-River Falls rates are either the second lowest or third lowest rate per credit. The increase would put UW-River Falls slightly below the average for the other comprehensive campuses within the UW System. These rates have not been increased since July 1, 2012.

The increase would generate estimated additional revenue of \$41,328 in 2022-23 and would be used primarily for investing in student services, recruiting, and retention efforts on campus. In addition, revenue is needed to offset the unfunded portion of the pay increases for faculty involved with the programs. Faculty have received pay increases annually since July 2018 and additional pay increases are anticipated for January 2022.

	2021-22	2022-23	Change
Undergraduate:			
Nonresident	\$14,001.36	\$14,421.40	\$420.04
Graduate:			
Resident	\$7,640.46	\$7,793.28	\$152.82
Nonresident	\$16,771.32	\$17,274.46	\$503.14
Anticipated Additional Revenue			\$41,328.64

UW-Stout

UW-Stout proposes to increase tuition for resident and nonresident graduate students by two percent for the 2022-23 academic year. Based on market analysis of tuition in the UW System, UW-Stout's pricing will remain the lowest of UW System comprehensives even with the increase for the proposed programs. Also, market comparisons indicate that UW-Stout's programs are below the average of its non-UW peers for the proposed programs. The increase would generate estimated additional revenue of \$34,618 in 2022-23, which would be used to enhance laboratories, integrate new technology, offset pay plan costs, offset out of state remissions, and improve laboratories.

	2021-22	2022-23	Change
Graduate:			
Resident	\$7,298.46	\$7,444.43	\$145.97
Nonresident	\$15,774.30	\$16,089.79	\$315.49
Anticipated Additional Revenue			\$34,618.38

UW-Whitewater

UW-Whitewater proposes to increase nonresident undergraduate, resident and nonresident graduate, resident and nonresident business masters, and resident and nonresident masters of computer sciences tuition for the 2022-23 academic year.

Rationale for the proposed increases include the inflationary cost increases to deliver the standard education reflected in the proposal and maintaining an appropriate level within the marketplace both within UW System comparable institutions and the broader market. Based on the analysis with other UW System schools and competitors outside of the UW System, UW-Whitewater believes the proposed rate increases keep it in line with the marketplace. The increase would generate estimated additional revenue of \$514,446 in 2022-23 and would support two main uses. The first is to support the overall pay plans from last fiscal year and this fiscal year. These pay plans generally create an additional \$400,000 to \$500,000 of unfunded increases that need to be offset. The second is to maintain pace with the cost of inflation which has seen a large increase in this past year to two years. The increases in charges from vendors and pass through charge from UW System make the modest increases a necessity to keep pace while not making major reductions.

	2021-22	2022-23	Change
Undergraduate:			
Nonresident	\$15,390.72	\$15,694.08	\$303.36
Graduate:			
Resident	\$8,270.46	\$8,435.88	\$165.42
Nonresident	\$18,152.64	\$18,515.70	\$363.06
Business Masters Resident	\$8,870.40	\$9,047.88	\$177.48
Business Masters Nonresident	\$18,781.38	\$19,157.04	\$375.66
Masters of Computer Sciences Resident	\$9,690.84	\$9,884.70	\$193.86
Masters of Computer Sciences Nonres	\$19,407.96	\$19,796.04	\$388.08
Anticipated Additional Revenue			\$514,445.93

December 9, 2021

UW SYSTEM ADMINISTRATION SERVICE AGREEMENT WITH HURON CONSULTING GROUP, INC.

REQUESTED ACTION

Adoption of Resolution G., approving the contractual service agreement between the Board of Regents and Huron Consulting Group, Inc.

Resolution G. That, upon recommendation of 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 UWSA, and Huron Consulting Group, Inc.

SUMMARY

The University of Wisconsin System has purchased Workday, a Human Capital Management Software package. This Software as a Service (SaaS) is designed to provide a unified finance, human resources, and student/faculty lifecycle management solution in a single package. The purchase of this software was approved by the Board of Regents (BOR) during the July BOR meeting (Resolution #11663). However, the University of Wisconsin System Administration (UWSA) lacks the experience and expertise to implement the software internally.

This contract is for a consultant to lead the implementation (planning, architect, configure, test, and deploy) of this software at all UW institutions. A competitive solicitation was conducted with the major consultants who specialize in implementation of this software. The winning proposer, Huron Consulting Group, Inc., was selected with a total cost of \$26,839,950. Huron was selected because of their experience implementing this software within educational institutions, leading the redesign in complex institutions, implementing the change management within multi-location institutions, and ensuring the integrity of the data from the software. The resulting agreement will run from December 2021 through December 2023. There are also two (2) optional one-year renewals if UWSA elects to use them.

Two clauses were added to the contract, based on the recommendations of the subject matter experts. Those clauses are: 1) that there would be no additional costs for the

current scope of work. This clause was added to avoid cost overruns caused by underbudgeting of resources or project complexity not anticipated by Huron; and 2) that there would be a penalty for any reassignment of named staff from our project during the implementation.

Presenter

- Brent Tilton, Director of Procurement, UW System Administration

BACKGROUND

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

Related Policies

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

December 9, 2021

**UW SYSTEM ADMINISTRATION CONTRACTUAL AGREEMENT WITH
ORACLE CORPORATION**

REQUESTED ACTION

Adoption of Resolution H., approving the contractual agreement between the Board of Regents and Oracle Corporation.

Resolution H. That, upon recommendation of 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 System, and Oracle Corporation.

SUMMARY

UW System currently uses the Oracle/PeopleSoft application for its Shared Financial System (SFS), which was initially implemented in 1999 and most recently upgraded in 2018. SFS, hosted on premises by UW-Madison's Division of Information Technology, supports a range of operations across the UW System, including the general ledger, cash management, accounts payable and receivable, travel reimbursement, and other critical financial and nonfinancial functions of the research administration enterprise services. The system supports more than 30,000 users and manages revenues and expenditures of more than \$6 billion annually.

When the fiscal year 2021-22 financial statements are compiled next year, UW System will need to implement the Governmental Accounting Standards Board's (GASB) Statement No. 87, Leases. This new standard will require additional accounting and data elements for leases in which a UW institution is the lessee or lessor. UW-Madison alone estimates it has approximately 600 leases.

To ensure compliance with this new standard, UW System seeks to procure and employ lease administration functionality offered by Oracle/PeopleSoft. The lease module is not currently available within SFS or as part of UW System's current contract with Oracle/PeopleSoft. The cost of this module is a one-time fee of approximately \$75,100 and an annual maintenance fee of \$16,500 thereafter.

Presenter

- Brent Tilton, Director of Procurement, UW System Administration

BACKGROUND

Regent Policy Document 13-1 requires any grant or contract with private, profit-making organizations in excess of \$1,000,000 be presented to the Board of Regents for formal approval prior to execution. While the proposed contract is below the approval threshold, the UW System's existing Oracle contract for current functionality exceeds the threshold, with a fiscal year 2020-21 spend of \$3.3 million. This contract for the lease module takes the UW System further above that threshold.

Related Policies

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

**UW-MADISON RESEARCH AGREEMENT
WITH TERRAPOWER, LLC**

REQUESTED ACTION

Adoption of Resolution I., approving the contractual research agreement between the Board of Regents and TerraPower, LLC.

Resolution I. That, upon recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the contractual research agreement between the Board of Regents of the University of Wisconsin System, doing business as UW-Madison, and TerraPower, LLC.

SUMMARY

TerraPower, LLC is a nuclear innovation company striving to improve the world through nuclear technology and science. TerraPower's innovators create technologies to provide safe, affordable and abundant carbon-free energy.

TerraPower previously loaned equipment to UW-Madison, but this will be the university's first funded agreement with TerraPower, as part of the Department of Energy's Advanced Reactor Development Program (ADRP). The subcontract will allow Professor Mark Anderson in the College of Engineering's Department of Mechanical Engineering to observe fundamental thermal striping and flow control in a sodium reactor. The ADRP's goal is to improve sustainability, reduce carbon emission, and improve safety by the development of a new type of nuclear reactor.

This is a 27-month agreement. Funding information is as follows:

Year 1: \$923,680

This work will be looking at fundamental thermal striping and flow control in a sodium reactor core (corrosion, thermal striping and thermal stress on reactor components). The first year is focused on the design and construction of facilities required to do the testing and the qualification of diagnostics to measure oxygen concentration in sodium.

Year 2: \$603,057

The second year of the project is focused on looking into details of thermal striping (mixing of different temperature fluids and the impact on the wall thermal stress) in liquid sodium, making use of the facilities that were designed and constructed in the first year. During this year researchers will also look at flow control through orifice to understand erosion of this flow control mechanism (which controls the flow through the reactor core).

Year 3: \$420,373

The third year will continue to look at thermal striping. This is a fundamental issue in numerous industrial processes, but this phase focuses on the effects to a nuclear reactor. It is anticipated that this work will lead to several journal publications helping to further the understanding of heat transfer, mixing and the effects on structural components.

Presenter

- Rob Cramer, Interim Vice Chancellor for Finance and Administration, UW-Madison

BACKGROUND

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

Related Policies

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

**UW-MADISON RESEARCH AGREEMENT
WITH OPSIS THERAPEUTICS, LLC**

REQUESTED ACTION

Adoption of Resolution J., approving the contractual research agreement between the Board of Regents and Opsis Therapeutics, LLC.

Resolution J. That, upon recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the contractual research agreement between the Board of Regents of the University of Wisconsin System, doing business as UW-Madison, and Opsis Therapeutics, LLC.

SUMMARY

Opsis Therapeutics, a subsidiary of Fujifilm Cellular Dynamics Inc., is a Madison-based company focused on bringing human induced pluripotent stem cell-derived therapies to the clinic with the goal of treating blinding disorders of the retina such as retinitis pigmentosa (RP) and age-related macular degeneration (AMD).

The purpose of this standard research agreement (SRA) is to provide funds for the Gamm laboratory to conduct critical animal studies in support of an investigational new drug (IND) submission and subsequent initiation of Phase I clinical trials for the first Opsis product, OpCT-001, which will target retinitis pigmentosa. Under the SRA, animal studies will be conducted to evaluate a clinical grade photoreceptor product (OpCT-001) and collect proof-of-concept in vivo animal data required for a pre-IND submission to the U.S. Food and Drug Administration. Following the pre-IND meeting (targeted for early-2022), the Gamm lab will initiate IND-enabling efficacy and dose-ranging studies in a rat model of photoreceptor degeneration.

Dr. David Gamm has had a long relationship (co-founder and Chief Scientific Officer) with Opsis. To date, the company has produced clinical-grade photoreceptor and retinal pigment epithelial cell products, cells that are specifically lost in RP and AMD as well as many other retinal diseases and injuries that result in blindness. SRA agreements from Opsis to the Gamm lab have supported key in vivo assessments of these cell products in

rodent models of outer retinal degeneration. This funding supports a team of technicians and scientists in the Gamm Lab who perform subretinal transplantations and subsequent anatomical and functional testing in the Waisman Center animal facility.

Dr. Gamm has had four previous agreements with this sponsor that have brought in about \$3.5 million in research funding to his lab.

Presenter

- Rob Cramer, Interim Vice Chancellor for Finance and Administration, UW-Madison

BACKGROUND

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

Related Policies

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

**UW-MADISON CONTRACTUAL AGREEMENT
WITH COMMONWEALTH FUSION SYSTEMS, LLC**

REQUESTED ACTION

Adoption of Resolution K., approving the contractual agreement between the Board of Regents and Commonwealth Fusion Systems, LLC.

Resolution K. That, upon recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the contractual agreement between the Board of Regents of the University of Wisconsin System, doing business as UW-Madison, and Commonwealth Fusion Systems, LLC.

SUMMARY

The proposed agreement is an outgoing subaward between Commonwealth Fusion Systems, LLC (CFS) and UW-Madison. UW-Madison received an award from the Advanced Research Projects Agency-Energy (ARPA-E) that involves the university receiving \$10,000,000 from ARPA-E, with UW-Madison separately providing \$2,270,036 in cost share to complete the project. Through the subaward agreement, CFS will operate as a subawardee to UW-Madison and receive \$1,350,990.29. In return, CFS will provide UW-Madison with \$2,249,955.29 of the \$2,270,036 mandatory cost share. Scientifically, CFS will be producing and upgrading magnets for an Axisymmetric Mirror to develop high power reactor relevant heating systems as part of UW-Madison's project requirements to ARPA-E.

Commonwealth Fusion Systems, LLC (CFS) is an American company founded in 2018. It is a startup company that spun out of MIT and is a member of Department of Energy's public-private partnership innovation program.

UW-Madison is partnering with CFS because they will fill a critical role in the ARPA-E funded contract to make advances in superconductivity and high-power reactor heating systems. As a startup, CFS's aim is to eventually develop a thermonuclear fusion power plant. This aim aligns with that of UW-Madison with respect to the ARPA-E contract. Additionally, CFS has pledged to contribute \$2,249,955.29 in cost share support, which represents the majority of the mandatory cost share that UW-Madison has in its ARPA-E contract.

Presenter

- Rob Cramer, Interim Vice Chancellor for Finance and Administration, UW-Madison

BACKGROUND

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

Related Policies

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

December 9, 2021

**UW-MADISON AMENDMENT TO CONTRACTUAL AGREEMENT
WITH LEARFIELD COMMUNICATIONS, INC.**

REQUESTED ACTION

Adoption of Resolution L., approving the amendment to the contractual agreement between the Board of Regents and Learfield Communications, Inc.

Resolution L. That, upon recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the amendment to the contractual agreement between the Board of Regents of the University of Wisconsin System, doing business as UW-Madison, and Learfield Communications, Inc.

SUMMARY

UW-Madison Athletics recently embarked on a comprehensive renovation of the South End Zone of Camp Randall Stadium ("South End Zone" or "Project"). Construction on the South End Zone will begin immediately following the last home football game in 2021 and is scheduled for completion prior to the first home game of the 2022 season. The Project adds enhanced premium seating options, including indoor and outdoor hospitality clubs which, in turn, creates significant naming opportunities to those South End Zone spaces. To ensure the accurate valuation of the naming rights opportunities and maximize the Project's potential revenue generation, Athletics and Learfield engaged Excel Sports Management ("Excel"), a third-party vendor, to review and analyze the South End Zone's nameable inventory. Excel determined that the new South End Zone naming opportunities would generate the highest return if marketed and sold to corporate partners. Based on Excel's report and recommendation, Athletics and Learfield began negotiations to amend their current contract to include terms under which Learfield will be responsible for selling the naming rights for the South End Zone project in its entirety. Athletics anticipates that the sale of the naming rights by Learfield will result in additional value-generating opportunities as Learfield works with naming partners to maximize their investment.

The Amendment includes the following elements:

1. The agreement extends the contract term by three (3) years. The contract would be effective on the date executed on behalf of all parties and will continue through June 30, 2029.
2. In consideration of University extending the term of the current contract for three years, Learfield agrees to pay a \$12.5 million Capital Subsidy Payment to Athletics. This subsidy will be paid by Learfield in five equal annual installments on or before June 30 from 2021-22 through 2025-26.
3. Under the current contract, Learfield makes annual Guaranteed Payments to Athletics that increase each year per the contract terms. Under the proposed amendment, the Guaranteed Payments will continue to increase at the same incremental rate (increases by \$200,000 annually) for each of the three years of the contract extension period. The cumulative impact is a \$600,000 increase in the annual Guaranteed Payments received by Athletics.
4. Under the current contract, Learfield pays Athletics the greater of the annual Guaranteed amount or 59% (share hurdle) of Learfield's adjusted gross revenue (AGR) for 2021-22 through 2025-26. Under the proposed amendment, the share hurdle percentage will remain 59% for each of the three years of the contract extension period.
5. The proposed amendment grants Learfield additional inventory and various naming opportunities associated with the renovation of the South End Zone. The naming inventory is projected to generate \$10,850,000 in AGR between the date of this Fourth Amendment and June 30, 2029. Learfield agrees that all naming rights will comply with Regent Policy Document 19-14, "Naming of University Facilities and Lands."
6. In consideration of the \$12.5 million Capital Subsidy Payments and the increased AGR, Athletics agrees to provide Learfield with 75% of the digital inventory created by the South Endzone Project.
7. In consideration of the adverse financial impact to Learfield as a result of the Covid-19 global pandemic in 2020-21, Athletics agrees to reduce the Guaranteed Payment Amount for the 2020-21 season by \$1,500,000 (i.e., Guaranteed Payment reduced to \$6,375,000).

Presenter

- Rob Cramer, Interim Vice Chancellor for Finance and Administration, UW-Madison

BACKGROUND

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

Related Policies

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

Thursday, December 9, 2021

**REGENT POLICY DOCUMENT REVIEW: RPD 21-4,
“IDENTITY THEFT DETECTION, PREVENTION, AND MITIGATION”**

REQUESTED ACTION

Adoption of Resolution M., which amends RPD 21-4, “Identity Theft Detection, Prevention, and Mitigation”, including the adoption of program guidelines based on federal law, commonly referred to as the “Red Flags Rule”.

Resolution M. That, upon the recommendation of the President of the University of Wisconsin System, the UW System Board of Regents amends Regent Policy Document 21-4, “Identity Theft Detection, Prevention, and Mitigation,” to update the provisions of the policy, reformat the policy to meet the standards for a Regent Policy Document and provide additional Red Flags Program guidance.

SUMMARY

This proposal recommends amending RPD 21-4, “Identity Theft Detection, Prevention, and Mitigation,” to update the provisions of the policy and reformat the policy to meet the standards for a Regent Policy Document (RPD) as identified in RPD 2-3, ensuring consistency with current Red Flags Rule requirements, including overarching Red Flags Rule program guidance.

The Board is asked to consider this policy revision as part of its ongoing review and analysis of Regent Policy Documents. In February 2011, the President of the Board formally announced a process to review and update the Board’s RPDs. Each RPD is reviewed to determine whether the policy is still relevant and whether the policy should be revised or removed. Policies that are retained are formatted to meet standards established by the Regents in RPD 2-3. The Board has revised numerous policies, repealed obsolete policies, and established new policies under this process.

Presenters

- Julie Gordon, Sr Associate Vice President for Finance
- Kathy Mayer, Associate Vice President for Information Security

BACKGROUND

The UW System Board of Regents adopted the provisions of RPD 21-4 as Board Resolution 9598 on February 6, 2009. The policy was adopted at the request of UW System Legal Counsel.¹

On January 1, 2011, the Federal Trade Commission (FTC) began enforcing its Fair and Accurate Credit Transactions Act (FACTA) of 2003, known as the "Red Flags Rule". Each "financial institution" or "creditor", which includes all universities, that establish accounts as a means of continuing a relationship established by a person with a financial institution or creditor to obtain a product or service for personal, family, household or business purposes, are subject to the Red Flags Rule. Accordingly, institutions must implement a written program to detect, prevent and mitigate identity theft in connection with the opening or maintenance of "covered accounts." These include consumer accounts that permit multiple payments or transactions, such as accounts established under the Federal Perkins Loan Program; approved partial tuition payment plans; any loan that is billed or paid monthly; transactions that involve deferred payment for goods and services or that bill customers, or any other accounts with a reasonably foreseeable risk to consumers.

The Red Flags Rule sets out how certain organizations must develop, implement, and administer their Identity Theft Prevention Programs. The program must include four basic elements, which together create a framework to address the threat of identity theft. The program elements include:

1. Identify Relevant Red Flags - Identify likely business-specific identity theft red flags
2. Detect Red Flags - Define procedures to detect red flags in day-to-day operations
3. Prevent and Mitigate Identity Theft - Act to prevent and mitigate harm when red flags are identified
4. Update Program - Maintain the Red Flags Rule program, including educating operational staff

The Red Flags Rule provides all financial institutions and creditors the opportunity to design and implement a program that is appropriate to their size and complexity, as well as the nature of their operations.

The purpose of this existing, as well as the proposed updated policy is to ensure identity theft prevention programs at UW System institutions are in compliance with Sections 114 and 315 of the Fair and Accurate Credit Transactions Act (FACTA) of 2003, and its

¹ See February 6, 2009 Board Minutes at https://www.wisconsin.edu/regents/download/meeting_materials/2009/february/February-6,-2009-BOR-Minutes.pdf

implementing regulations, commonly known as the “Red Flags Rule” (“Rule”) issued by the Federal Trade Commission, 16 Code of Federal Regulations, Part 681. The proposed updated policy contains additional guidance on covered accounts and documentation required in the management of UW institutions’ Red Flags Rule Programs.

RELATED POLICIES AND APPLICABLE LAWS

- 16 CFR 681, “Identity Theft Rules”

ATTACHMENTS

- A) RPD 21-4, “Identity Theft Detection, Prevention, and Mitigation” (Proposed)
- B) RPD 21-4, “Identity Theft Detection, Prevention, and Mitigation” (Current)

Regent Policy Document 21-4

IDENTITY THEFT DETECTION, PREVENTION, AND MITIGATION (PROPOSED)

Scope

This policy applies to all UW System institutions [that offer accounts as a means of continuing a relationship established by a person with the institution to obtain a product or service for personal, family, household or business purposes that involves or is designed to permit multiple payments or transactions. This policy also applies to any other account UW System institutions offer or maintain for which there is reasonably foreseeable risk to account holders or to the safety and soundness of the University from identity theft.](#)

Purpose

The purpose of this policy is to implement an identity theft prevention program at UW System institutions in compliance with Sections 114 and 315 of the Fair and Accurate Credit Transactions Act (FACTA) of 2003, and its implementing regulations, commonly known as the “Red Flags Rule” (“Rule”) issued by the Federal Trade Commission, 16 Code of Federal Regulations, Part 681.

Policy Statement

The policy of the University of Wisconsin System is to protect persons holding certain consumer accounts with a UW System institution from identity theft through an appropriate program of identity theft [detection, prevention, and mitigation.](#)

Establishment of Institutional Identity Theft Prevention Programs. Each UW System institution must develop a plan for identifying patterns, practices, and specific forms of activity that indicate possible identity theft in connection with accounts covered by FACTA and the Red Flags Rule, and for implementing an institutional program of identity theft [detection, prevention, and mitigation.](#) [Each UW System institution’s plan must include procedures and/or processes to address the following four basic program elements: 1\) identify relevant red flags for the covered accounts that the University offers or maintains; 2\) detect red flags that have been incorporated into the University’s plan; 3\) respond appropriately to any red flags that are detected to prevent and mitigate identity theft; and 4\) update the University’s plan \(including the red flags determined to be relevant\) periodically to reflect changes in risks to customers and to the safety and soundness of the University from identity theft.](#)

Identification of “Covered Accounts.” There are two types of “covered accounts”:

1) An account that a financial institution or creditor, which includes all universities, offers or maintains, as a means of continuing a relationship established by a person with a University to obtain a product or service primarily for personal, family, or household purposes, that involves or is designed to permit multiple payments or transactions. Examples may include but are not limited to: accounts established under the Federal Perkins Loan Program; approved partial tuition payment plans; any loan that is billed or paid monthly; campus spending accounts; transactions that involve deferred payment for goods and services or that bill customers.

2) Any other account that the University offers or maintains for which there is a reasonably foreseeable risk to customers or to the safety and soundness of the University from identity theft, including financial, operational, compliance, reputation, or litigation risks.

~~A “covered account” is a consumer account that involves multiple payments or transactions, such as a loan that is billed or payable monthly. Covered accounts at UW System institutions include, but are not limited to, accounts established under the Federal Perkins Loan Program, and approved partial tuition payment plans [see UW System Administrative Policy 805, *Tuition and Fee Policies for Credit Instruction* (formerly F44), Attachment C.2].~~

UW System institutions shall review other billing accounts and arrangements ~~that involve multiple payments or transactions~~ to determine whether they are covered by FACTA and the Red Flags Rule.

Identification and Detection of Red Flags. As used in the Rule, a “red flag” is any pattern, practice, or activity that indicates the possible existence of identity theft. For all covered accounts, UW System institutions shall review the methods to open or access such accounts, and any previous instances of identity theft in connection with such accounts. Categories of red flags include: (a) notifications or warnings from customers, credit reporting agencies, and other third parties; (b) presentation of suspicious documents; (c) unusual ~~use of accounts~~ account activity; and (d) presentation of suspicious identifying information. Each institution shall review current policies and procedures to address detection of red flags for each type of covered account, focusing on verifying identity, authenticating customers, monitoring transactions, and verifying the validity of change of address requests.

Responses to Red Flags. UW System institutions shall implement appropriate responses to detected red flags to prevent and mitigate identity theft. Appropriate responses may include: (a) denying access to the covered account until the red flag is eliminated; (b) contacting the account holder; (c) changing passwords, security codes, or other security

devices that permit access to a covered account; (d) closing the account; (e) notifying law enforcement; or (f) determining that no response is warranted under the circumstances.

Reporting. Each UW institution shall periodically report on compliance with the Red Flags Rule and this RPD. The report format and periodicity shall be developed by and submitted to the UW System Vice President for Finance.

Training. Each UW institution shall identify appropriate employees to be trained on the Red Flags Rule and ensure they are properly trained in areas related to identity theft. The UW System Office of Information Security will make training available to UW System employees.

Oversight, Roles & Responsibilities **OVERSIGHT OF IDENTITY THEFT PREVENTION PROGRAM**

The Office of Financial Administration will exercise appropriate and effective oversight and in collaboration with the Office of General Counsel, interpret and communicate regulatory changes from the FTC that could impact UW System's Red Flags Rule program compliance.

Delegation to Chancellor or Designee. The chancellor of each UW System institution, or his or her designee, shall have primary responsibility for developing, implementing, and updating an institutional identity theft prevention program. ~~No later than April 15, 2009, each UW System institution shall submit the plan for its identity theft prevention program to the UW Vice President for Finance for review and approval.~~ Each UW System institution shall:

- Designate an institutional lead, responsible office and primary manager for their institution's Red Flags Rule program and submit that name to the Office of Compliance and Integrity; and
- Review, update and submit the plan for its identity theft prevention program to the UW System Vice President for Finance.

Periodic Review. The designated official at each institution shall, as appropriate, periodically review the institution's experiences with identity theft, changes in identity theft methods, risks, detection, and prevention, and make necessary changes to the institutional plan. New accounts or activities that may constitute covered accounts shall be reviewed for inclusion in the institutional program. Any subsequent changes to an institution's plan ~~shall should~~ be submitted to the UW System Vice President for Finance ~~for review and approval.~~

Related RPDs and Applicable Policies

16 CFR 681 "Identity Theft Rules"

History: Res. 9598, adopted 02/06/2009, created Regent Policy Document 21-4. Res. 10835, adopted 03/09/2017, authorized technical corrections. [Res. XXXXX, adopted XX/XX/20XX, amended RPD 21-4.](#)

[SEE ALSO:](#)

[SYS 363, Change Requests of Bank Account and Contact Information](#)

RPD 21-4 IDENTITY THEFT DETECTION, PREVENTION, AND MITIGATION (Current)

1.0 POLICY

The policy of the University of Wisconsin System is to protect persons holding certain consumer accounts with a UW System institution from identity theft through an appropriate program of identity theft prevention.

2.0 SCOPE

This policy applies to all UW System institutions.

3.0 PURPOSE

The purpose of this policy is to implement an identity theft prevention program at UW System institutions in compliance with Sections 114 and 315 of the Fair and Accurate Credit Transactions Act (FACTA) of 2003, and its implementing regulations, commonly known as the “Red Flags Rule” (“Rule”) issued by the Federal Trade Commission, 16 Code of Federal Regulations, Part 681.

4.0 IDENTITY THEFT PREVENTION PROGRAM

4.1 Establishment of Institutional Identity Theft Prevention Programs. Each UW System institution must develop a plan for identifying patterns, practices, and specific forms of activity that indicate possible identity theft in connection with accounts covered by FACTA and the Red Flags Rule, and for implementing an institutional program of identity theft prevention.

4.2 Identification of “Covered Accounts.” A “covered account” is a consumer account that involves multiple payments or transactions, such as a loan that is billed or payable monthly. Covered accounts at UW System institutions include, but are not limited to, accounts established under the Federal Perkins Loan Program, and approved partial tuition payment plans [see UW System Administrative Policy 805, *Tuition and Fee Policies for Credit Instruction* (formerly F44), Attachment C.2]. UW System institutions shall review other billing accounts and arrangements that involve multiple payments or transactions to determine whether they are covered by FACTA and the Red Flags Rule.

4.3 Identification and Detection of Red Flags. As used in the Rule, a “red flag” is any pattern, practice, or activity that indicates the possible existence of identity theft. For all covered accounts, UW System institutions shall review the methods to open or access such accounts, and any previous instances of identity theft in connection with such accounts. Categories of red flags include: (a) notifications or

warnings from credit reporting agencies and other third parties; (b) presentation of suspicious documents; (c) unusual use of accounts; and (d) presentation of suspicious identifying information. Each institution shall review current policies and procedures to address detection of red flags for each type of covered account, focusing on verifying identity, authenticating customers, monitoring transactions, and verifying the validity of change of address requests.

4.4 Responses to Red Flags. UW System institutions shall implement appropriate responses to detected red flags to prevent and mitigate identity theft. Appropriate responses may include: (a) denying access to the covered account until the red flag is eliminated; (b) contacting the account holder; (c) changing passwords, security codes, or other security devices that permit access to a covered account; (d) closing the account; (e) notifying law enforcement; or (f) determining that no response is warranted under the circumstances.

5.0 OVERSIGHT OF IDENTITY THEFT PREVENTION PROGRAM

5.1 Delegation to Chancellor or Designee. The chancellor of each UW System institution, or his or her designee, shall have primary responsibility for developing, implementing, and updating an institutional identity theft prevention program. No later than April 15, 2009, each UW System institution shall submit the plan for its identity theft prevention program to the UW Vice President for Finance for review and approval.

5.2 Periodic Review. The designated official at each institution shall, as appropriate, periodically review the institution's experiences with identity theft, changes in identity theft methods, risks, detection, and prevention, and make necessary changes to the institutional plan. New accounts or activities that may constitute covered accounts shall be reviewed for inclusion in the institutional program. Any subsequent changes to an institution's plan should be submitted to the UW System Vice President for Finance for review and approval.

History: Res. 9598, adopted 02/06/2009, created Regent Policy Document 21-4. Res. 10835, adopted 03/09/2017, authorized technical corrections.

SALARY RANGES FOR SENIOR EXECUTIVES

REQUESTED ACTION

Adoption of Resolution N., approving the proposed salary ranges for UW System senior executives through the 2021-23 biennium.

Resolution N. That, upon the recommendation of the President of the UW System, the UW System Board of Regents adopts the proposed salary ranges for senior executives effective July 1, 2021 to continue through the 2021-23 biennium.

SUMMARY

The attached Senior Executive Salary Ranges are submitted to the Board of Regents for adoption for 2021-23. The action requested will bring all senior executive ranges current as informed by current market data. If approved, the midpoint of the salary ranges will increase from between 2.5% and 9.5%.

Peer salary information was obtained through the 2020 CUPA Administrators Compensation Survey with three exceptions. For salary range 9, peer salary data was obtained from 2019-20 Chronicle of Higher Ed Executive Compensation Package survey and aged 2.73% based on 2020 CUPA Administrators Compensation Survey average increase. For salary ranges 2 and 5, the 2019-21 approved salary range was aged by 5.47% based upon 2019 and 2020 CUPA Administrators Compensation Surveys average increases.

This is an adjustment to pay ranges only. There is no request for pay adjustments or increases at this time.

Presenter

- Daniel Chanen, Associate Vice President for Human Resource Officer/CHRO

BACKGROUND

In accordance with Wis. Stat. § 36.116(3m), the Board of Regents has the authority to establish salary ranges for the UW System President, Senior Vice Presidents, Vice Presidents and all Associate and Assistant Vice Presidents for UW System; and all Chancellors, Provosts/Vice Chancellors (deputy), Associate and Assistant Vice Chancellors, Administrative Directors and Associate Directors at all UW System institutions.

Regent Policy Document 6-5, Executive Salary Structure, further defines this authority and prescribes a specific analysis, including institution specific peer groups, to establish market comparisons based on the 1984 Governor's Faculty Compensation Study Commission. This analysis is completed for each upcoming biennium with the new Senior Executive Salary Ranges typically submitted in December of even-numbered years for the ensuing biennium. The analysis for the 2021-2023 biennium was not presented to the Board in December of 2020 due to the pandemic and unknown fiscal impacts which made contemplation of changes to executive salary ranges imprudent.

Completion of the prescribed analysis shows a percentage change to the midpoint of each position category ranging from 2.5% to 32%. There has been substantial growth in the position of chancellors, particularly for the peer groups established for UW-Madison, 21.67%, and UW-Milwaukee, 32%. The non-doctoral (comprehensive) chancellor peer group also increased at a greater rate than the overall market for administrative salary growth at 7.1%. While strict adherence to the policy would mean adjustment to the ranges by these amounts, our recommendation to the Board shows a more conservative adjustment which limits the percent increase to 9.5% for the UW-Madison and UW-Milwaukee chancellors and 6.0% for the non-doctoral chancellors. This recommendation is made in recognition of the on-going uncertainty and effects of the pandemic as well as the very recent efforts to manage budgets including the requirement of furloughs.

The attached Senior Executive Salary Ranges are submitted for Board of Regents approval, effective July 1, 2021 and through the 2021-2023 biennium. The ranges with an imposed growth cap also include a footnote showing the uncapped range minimum, midpoint, and maximum for information and discussion. In addition, a comparison among Big 10 universities is included in the footnote for the UW-Madison chancellor position and in the presentation materials. While these are not the peer institutions identified in RPD 6-5, this is a common comparison group or curiosity used when discussing UW-Madison compensation for many regionally or nationally competitive position categories.

Related Policies

- Regent Policy Document 6-5, Executive Salary Structure

ATTACHMENT

A) UW System Executive Salary Ranges, Current State and Proposed for 2021-23

UW System Executive Salary Ranges - Current State and Proposed 2021-23

Updated 10.26.2020

Executive Salary Range	Authority to Change	Position(s)	Current - Approved: 4/4/2019			2019-20 Peer Median*	Adjusted Peer Median (95%)	Proposed: 12/10/2020			
			Effective Date: 7/1/2019					Proposed Effective Date: 7/1/2021			
			Minimum	Midpoint	Maximum			Minimum	Midpoint	Maximum	% Change
9	Board of Regents	UW System President	\$489,334	\$611,667	\$734,000	\$687,461	\$653,088	\$522,470	\$653,088	\$783,706	6.77%
			Current - Approved: 12/6/2018			2020 Peer Median**	Adjusted Peer Median	Proposed & Approved: 12/10/2020			
			Effective Date: 7/1/2019					Effective Date: 7/1/2021			
			Minimum	Midpoint	Maximum			Minimum	Midpoint	Maximum	% Change
8	Board of Regents	UW-Madison Chancellor ¹	\$493,240	\$616,550	\$739,860	\$789,640	\$675,122	\$540,098	\$675,122	\$810,147	9.50%
7	Board of Regents	UW-Milwaukee Chancellor ²	\$342,000	\$427,500	\$513,000	\$594,000	\$468,113	\$374,490	\$468,113	\$561,735	9.50%
6	Board of Regents	UW-Madison Provost/Vice Chancellor (deputy)	\$361,000	\$451,250	\$541,500	\$498,675	\$473,741	\$378,993	\$473,741	\$568,490	4.98%
5	Board of Regents	UW System Senior Vice Presidents^	\$239,085	\$298,856	\$358,627		\$312,513	\$250,011	\$312,513	\$375,016	4.57%
4	Board of Regents	UW-Milwaukee Provost/Vice Chancellor (deputy)	\$273,600	\$342,000	\$410,400	\$394,592	\$374,862	\$299,890	\$374,862	\$449,835	9.61%
3	Board of Regents	Non-Doctoral Chancellors	\$228,000	\$285,000	\$342,000	\$321,300	\$302,100	\$241,680	\$302,100	\$362,520	6.00%
2	Board of Regents	UW System Vice Presidents^	\$209,476	\$261,845	\$314,214		\$273,811	\$219,049	\$273,811	\$328,573	4.57%
1	Board of Regents	Non-Doctoral Provosts ³	\$176,627	\$220,784	\$264,941	\$238,225	\$226,314	\$181,051	\$226,314	\$271,577	2.50%

*Peer salary information from 2019-20 Chronicle of Higher Ed Executive Compensation Package survey, aged 2.73% based on 2020 CUPA Administrators Compensation Survey average increase.

**Peer salary information from 2020 CUPA Administrators Compensation Survey except for those positions noted.

^Peer salary information not available from CUPA-HR. Aged the approved salary range by 5.47% based upon 2019 and 2020 CUPA Administrators Compensation Surveys average increases.

¹ Per RPD 6-5 policy on executive salary analysis, 95% of 2020 Peer Median data would result in 21.67% increase in range midpoint; minimum of \$600,126, midpoint of \$750,158, and maximum of \$900,190/annually. Within the Big 10 universities, current median base salary is \$617,607/year or \$924,668/year for base salary + deferred compensation contributions.

² Per RPD 6-5 policy on executive salary analysis, 95% of 2020 Peer Median data would result in 32% increase in range midpoint; minimum of \$451,440, midpoint of \$564,300, and maximum of \$677,160/annually.

³ Per RPD 6-5 policy on executive salary analysis, 95% of 2020 Peer Median data would result in 7.1% increase in range midpoint; minimum of \$244,188, midpoint of \$305,235, and maximum of \$366,282/annually.

ANNUAL REPORT ON FACULTY TURNOVER FOR FY21

REQUESTED ACTION

No action required; this report is for information only.

SUMMARY

The following charts provide summary comparisons of faculty and faculty turnover (or departures) for the last five fiscal years. In Chart 1, the number of faculty reflects what is reported in the October 2020 payroll. Chart 2 captures faculty departures reported in the HR Information System and was reviewed for accuracy by the institutions prior to this report.

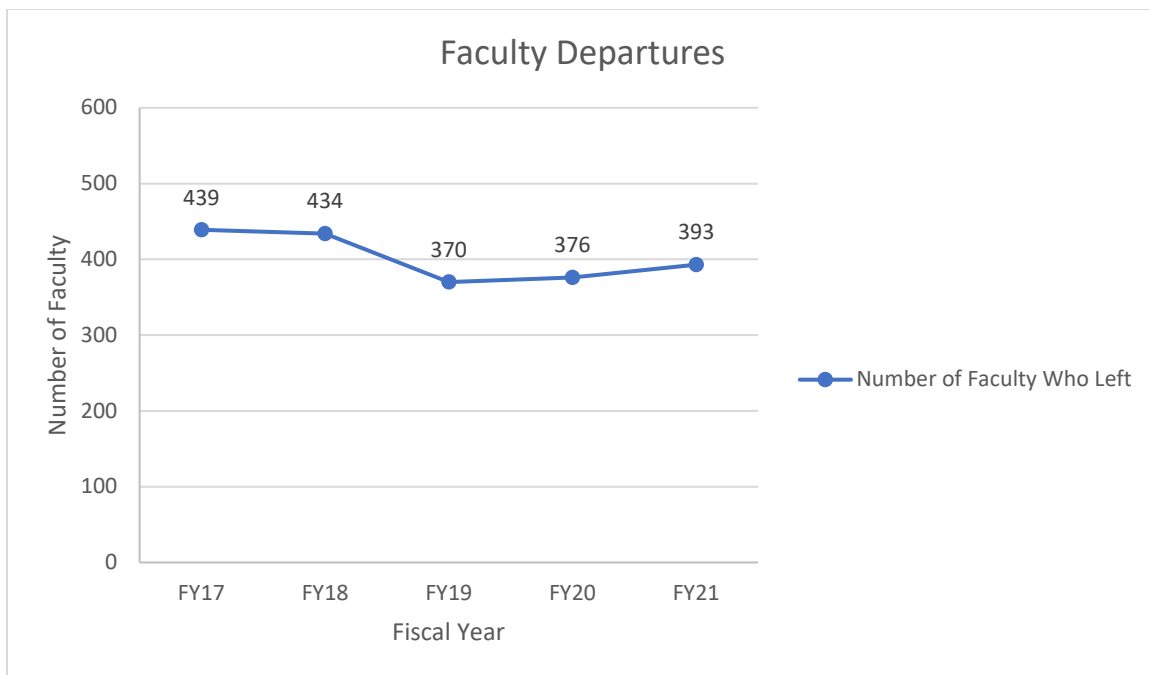
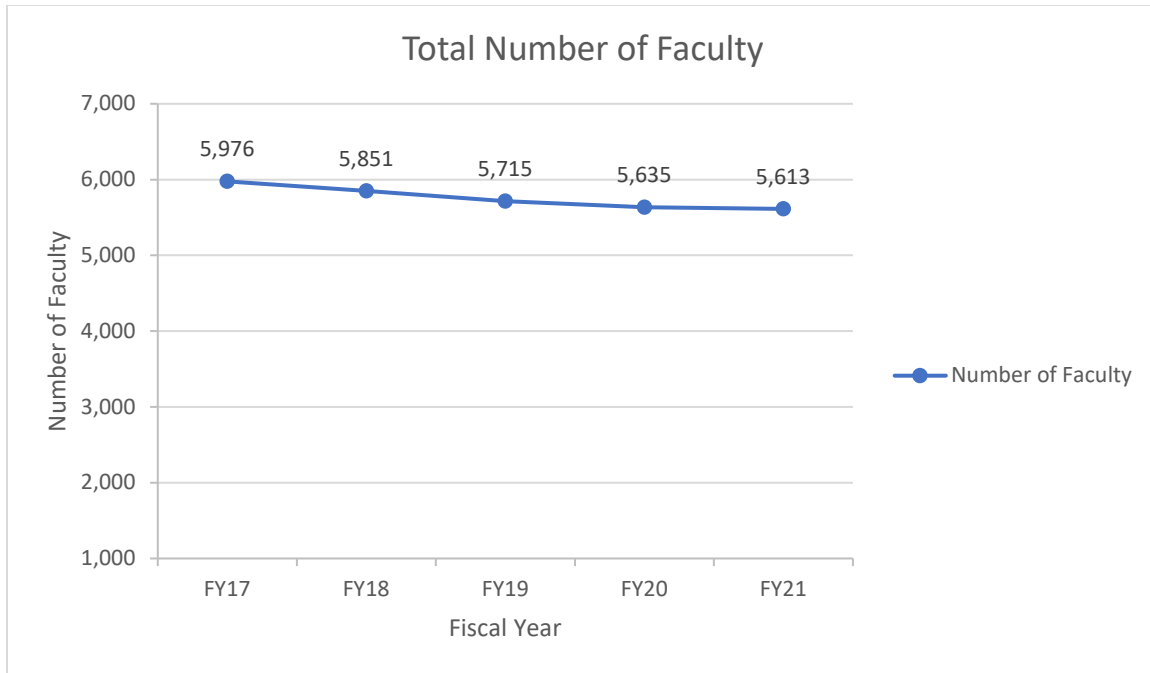
Key observations from the five-year lookback are as follows:

- FY19 shows the lowest number of departures at 370 with faculty who left trending slightly upward in subsequent years.
- 390.46 faculty full-time equivalent (FTE) left UW System in FY21: 246.26 FTE (or 63.07% of faculty who left) retired, 122.2 FTE (or 31.30%) resigned, and 11 (or 2.82%) were non-renewed.
- Retirements, which included voluntary separation incentive payment (VSIP) retirements, as a percentage of faculty who left (66.15%) is the highest percentage of faculty departed, continuing an increasing trend since FY19.
- Non-renewed as a percentage of faculty who left (2.8%) is the highest percentage of faculty departed since FY18 (2.76%).

Attachment A provides the full FY21 Report on Faculty Turnover.

^Full-time equivalent (FTE) reflects between 0.25/10 hrs per week to 1.0/40 hrs per week per employee.

Faculty Turnover Five-Year Comparison



Presenter

- Daniel Chanen, Associate Vice President and Chief Human Resource Officer

BACKGROUND

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

Scope and Definitions

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

ATTACHMENT

- A) FY21 Report on Faculty Turnover

UNIVERSITY OF WISCONSIN SYSTEM

FY21 - Report on Faculty Turnover by Institution: Tenured & Probationary

Institution	Number of Faculty	Number of Faculty who Left	Faculty Turnover as Percent of Total Faculty	Retirements	Resignations	Resignation Reason				Non-Renewed
						Salary Related Job Changes	Non-Salary Related Job Changes	Personal / Family	Other / Unknown	
MADISON										
Professors	1,178.57	67.56	5.73%	58.76	7.8	0	0	0	7.8	1
Associate Professors	468.25	12	2.56%	6	6	0	0	0	6	0
Assistant Professors	530.31	21.5	4.05%	0	17.5	0	0	1	16.5	4
Instructors	1	0	0%	0	0	0	0	0	0	0
Total	2,178.13	101.06	4.64%	64.76	31.3	0	0	1	30.3	5
MILWAUKEE										
Professors	249.8	27.5	11.01%	26.5	1	0	1	0	0	0
Associate Professors	348.66	22.75	6.52%	14.75	8	1	0	2	5	0
Assistant Professors	96.5	6	6.22%	0	5	0	2	1	2	1
Instructors	0	0	0%	0	0	0	0	0	0	0
Total	694.96	56.25	8.09%	41.25	14	1	3	3	7	1
EAU CLAIRE										
Professors	155.4	13	8.37%	11	1	0	0	1	0	1
Associate Professors	102.9	6	5.83%	5	1	1	0	0	0	0
Assistant Professors	96	5	5.21%	0	4	0	3	1	0	1
Instructors	0	0	0%	0	0	0	0	0	0	0
Total	354.3	24	6.77%	16	6	1	3	2	0	2
GREEN BAY										
Professors	41.15	6	14.58%	5	1	0	1	0	0	0
Associate Professors	93.09	6	6.45%	5	1	0	0	0	1	0
Assistant Professors	48	4	8.33%	0	4	0	0	0	4	0
Instructors	1	0	0%	0	0	0	0	0	0	0
Total	183.24	16	8.73%	10	6	0	1	0	5	0

UNIVERSITY OF WISCONSIN SYSTEM

FY21 - Report on Faculty Turnover by Institution: Tenured & Probationary

Institution	Number of Faculty	Number of Faculty who Left	Faculty Turnover as Percent of Total Faculty	Retirements	Resignations	Resignation Reason				Non-Renewed
						Salary Related Job Changes	Non-Salary Related Job Changes	Personal / Family	Other / Unknown	
LA CROSSE										
Professors	102.7	7	6.82%	6	1	1	0	0	0	0
Associate Professors	131.15	6	4.57%	3	3	1	2	0	0	0
Assistant Professors	131	10	7.63%	3	7	0	7	0	0	0
Instructors	0	0	0%	0	0	0	0	0	0	0
Total	364.85	23	6.30%	12	11	2	9	0	0	0
OSHKOSH										
Professors	127.38	21.25	16.68%	20.25	1	0	1	0	0	0
Associate Professors	121.65	10	8.22%	7	3	2	0	0	1	0
Assistant Professors	53.25	6.25	11.74%	1	5.25	2	0	3.25	0	0
Instructors	0	0	0%	0	0	0	0	0	0	0
Total	302.28	37.5	12.41%	28.25	9.25	4	1	3.25	1	0
PARKSIDE										
Professors	26.5	2	7.55%	2	0	0	0	0	0	0
Associate Professors	59	1.5	2.54%	0.5	1	0	0	0	1	0
Assistant Professors	35.51	3	8.45%	0	2	0	0	0	2	1
Instructors	0	0	0%	0	0	0	0	0	0	0
Total	121.01	6.5	5.37%	2.5	3	0	0	0	3	1
PLATTEVILLE										
Professors	89.75	19	21.17%	17	2	0	0	1	1	0
Associate Professors	71.74	1	1.39%	1	0	0	0	0	0	0
Assistant Professors	72.5	6	8.28%	0	6	0	0	0	6	0
Instructors	0	0	0%	0	0	0	0	0	0	0
Total	233.99	26	11.11%	18	8	0	0	1	7	0

UNIVERSITY OF WISCONSIN SYSTEM

FY21 - Report on Faculty Turnover by Institution: Tenured & Probationary										
Institution	Number of Faculty	Number of Faculty who Left	Faculty Turnover as Percent of Total Faculty	Retirements	Resignations	Resignation Reason				Non-Renewed
						Salary Related Job Changes	Non-Salary Related Job Changes	Personal / Family	Other / Unknown	
RIVER FALLS										
Professors	98	9	9.18%	8	1	0	0	0	1	0
Associate Professors	33	0	0.00%	0	0	0	0	0	0	0
Assistant Professors	53	5	9.43%	0	5	1	1	2	1	0
Instructors	0	0	0%	0	0	0	0	0	0	0
Total	184	14	7.61%	8	6	1	1	2	2	0
STEVENS POINT										
Professors	128	17	13.28%	16	1	0	0	0	1	0
Associate Professors	90.5	4	4.42%	2	2	0	0	1	1	0
Assistant Professors	70	6	8.57%	1	5	0	1	1	3	0
Instructors	1	0	0%	0	0	0	0	0	0	0
Total	289.5	27	9.33%	19	8	0	1	2	5	0
STOUT										
Professors	110.53	21	19.00%	20	1	0	0	0	1	0
Associate Professors	55.9	5.5	9.84%	2.5	3	0	0	0	3	0
Assistant Professors	90.9	12	13.20%	3	7	0	0	2	5	2
Instructors	0	0	0%	0	0	0	0	0	0	0
Total	257.33	38.5	14.96%	25.5	11	0	0	2	9	2
SUPERIOR										
Professors	30.17	0	0.00%	0	0	0	0	0	0	0
Associate Professors	28	1	3.57%	1	0	0	0	0	0	0
Assistant Professors	25	2	8.00%	0	2	0	0	0	2	0
Instructors	1	0	0%	0	0	0	0	0	0	0
Total	84.17	3	3.56%	1	2	0	0	0	2	0

UNIVERSITY OF WISCONSIN SYSTEM

FY21 - Report on Faculty Turnover by Institution: Tenured & Probationary										
Institution	Number of Faculty	Number of Faculty who Left	Faculty Turnover as Percent of Total Faculty	Retirements	Resignations	Resignation Reason				Non-Renewed
						Salary Related Job Changes	Non-Salary Related Job Changes	Personal / Family	Other / Unknown	
WHITEWATER										
Professors	104.65	9	8.60%	9	0	0	0	0	0	0
Associate Professors	155.35	8.65	5.57%	5	3.65	2.65	0	1	0	0
Assistant Professors	105	3	2.86%	0	3	0	0	2	1	0
Instructors	0	0	0%	0	0	0	0	0	0	0
Total	365	20.65	5.66%	14	6.65	2.65	0	3	1	0
SYSTEM ADMIN	0	0	0	0	0	0	0	0	0	0
SUBTOTAL										
Professors	2,442.60	219.31	8.98%	199.51	17.8	1	3	2	11.8	2
Associate Professors	1759.19	84.4	4.80%	52.75	31.65	7.65	2	4	18	0
Assistant Professors	1406.97	86.75	6.17%	8	72.75	3	14	13.25	42.5	9
Instructors	4	0	0%	0	0	0	0	0	0	0
Grand Total	5,612.76	390.46	6.96%	246.26	122.2	11.65	19	19.25	72.3	11
Percent of Total Faculty				4.39%	2.18%	0.21%	0.34%	0.34%	1.29%	0.20%
Percent of Total Faculty Leaving				63.07%	31.30%	2.98%	4.87%	4.93%	18.52%	2.82%

Last Updated: 11/24/2021

Data Sources:

Number of faculty data is reported from October 2020 Payroll, Schedule VI: Number of Staff by Institution and Type-FTE Basis. Retirement, resignation and non-renewed data reported from HRS as of June 30, 2021. Resignation reason details are reviewed by the institutions. ^Non-Renew category reflects discharge, end of demand sh/te only, limited appointee appt end, nonrenew-performance, nonrenew-prog redirect, and prob-eval period ended reasons. ^^Retirement category includes VSIP.

Notes:

*FY19 marked the change from using appointment count data to **FTE-basis data** from October Payroll to compile this report, which more accurately calculates turnover in terms of employees vs. appointments (as employees can hold more than one appointment).

Business and Finance Committee

December 9, 2021

Item P

**REPORT ON STAFF AND FACULTY BASE ADJUSTMENTS AND
ADDITIONAL COMPENSATION PAYMENTS FOR FY21**

REQUESTED ACTION

No action required; this report is for information only.

SUMMARY

The following charts may provide useful context for FY21 activity regarding faculty and staff base adjustments and additional compensation payments. These charts provide high-level summary comparisons for the last five fiscal years. COVID-related adjustments were excluded from this report due to the temporary nature of COVID-mitigation actions, which were assumed ended by 7/1/2021, one day after the base adjustment data was pulled for the report 6/30/2020. The report tables were therefore not impacted by the temporary COVID actions. Temporary COVID-related impacts to base adjustments are reflected in the Table 2 attachment, which shows some of the temporary adjustments to base salaries for all staff.

Base Adjustments Five-Year Comparison

Key observations related to base adjustments include the following:

- FY21 data reflects a 12% decrease in the percentage of staff receiving base adjustments as a percent of total staff from FY20.
- FY21 reflects a 46% decrease in the percentage of staff receiving base adjustments for merit, equity, and market reasons as a percent of all base adjustments from FY20.
- Total dollars used for FY21 base adjustments decreased by approximately 64% (\$31,804,634) from FY20.
- FY21 is the lowest number of employees (4,970) who received a base adjustment within the 5-year lookback.

- Faculty, as a group, received:
 - A higher percentage of base adjustments as a percent of total staff compared to all staff combined (24.98% compared to 14.36%)
 - A higher average payment per recipient compared to all staff combined (\$4,077 compared to \$3,492)
 - A slightly higher percentage of total salary dollars used for base adjustments compared to all staff combined (1.01% compared to 0.79%)

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

Fiscal Year	Total Staff	Total Staff Rec'ing Base Adj	Staff Rec'ing Base Adj as % of Total	Avg Base Adj	Base Adj for Merit, Equity and Market	Merit, Equity, Market as % of All Base Adj	Total Budgeted Salary Dollars	Total Base Adj Dollars	Base Adj \$ as % Total Salary
17	34,080	10,572	31.02%	\$4,183	8,126	76.86%	\$2,285,719,585	\$39,026,878	1.71%
18	34,442	10,544	30.61%	\$3,802	8,488	80.50%	\$2,329,257,987	\$40,090,770	1.72%
19	34,766	8,690	25.00%	\$4,165	6,399	73.64%	\$2,557,647,476	\$23,779,038	0.93%
20	35,310	9,401	26.62%	\$5,229	7,273	77.36%	\$2,494,244,785	\$49,160,097	1.97%
21	34,612	4,970	14.36%	\$3,492	1,172	31.06%	\$2,194,609,346	\$17,355,463	0.79%

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

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

Fiscal Year	Total Faculty	Total Faculty Rec'ing Base Adj	Faculty Rec'ing Base Adj as % of Total	Avg Base Adj for Faculty Recipient	Base Adj for Merit, Equity and Market	Merit, Equity, Market as % of All Base Adj	Total Budgeted Faculty Salary Dollars	Total Faculty Base Adj Dollars	Faculty Base Adj \$ as % Total Faculty Salary
17	6,120	2,337	38.19%	\$5,113	1,621	69.36%	\$565,770,675	\$11,949,850	2.11%
18	5,983	2,482	41.48%	\$5,012	1,887	76.03%	\$557,369,414	\$12,440,943	2.23%
19	5,837	2,246	38.48%	\$5,689	1,441	64.16%	\$573,526,375	\$12,776,568	2.23%
20	5,763	2,099	36.42%	\$9,790	1,516	72.22%	\$590,983,776	\$20,548,605	3.48%
21	5,729	1,431	24.98%	\$4,077	181	28.39%	\$575,771,988	\$5,834,678	1.01%

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

Additional Compensation Five-Year Comparison

Key observations for additional compensation payments include the following:

- The percentage of staff receiving additional compensation payments as a percent of total staff dips below 20% in FY21 for the first time in the last consecutive five years.
- The average additional compensation payment for recipients in FY21 is \$4,127, \$667 more than FY20.
- Faculty, as a group, received:
 - A higher percentage of additional compensation payments compared to all staff combined (30.54% compared to 15.08%)
 - A higher average payment per recipient compared to all staff combined (\$5,532 compared to \$4,127)
 - A higher percentage of total salary dollars used for additional compensation compared to all staff combined (1.68% compared to 0.98%)
 - These have been the trends for the last five fiscal years. What is different is FY21's numbers trend slightly downward from FY20

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

Fiscal Year	Total Staff	Total Staff Receiving Additional Comp	Staff Receiving Additional Comp as % of Total Staff	Average Additional Comp Payment for Recipient	Total Budgeted Salary Dollars	Total Additional Comp Dollars	Additional Comp \$ as % of Total Salary
17	34,080	9,864	28.94%	\$3,070	\$2,285,719,585	\$29,246,727	1.28%
18	34,442	8,622	25.03%	\$3,489	\$2,329,257,987	\$30,085,317	1.29%
19	34,766	8,068	23.21%	\$3,473	\$2,557,647,476	\$28,023,593	1.10%
20	35,310	8,043	22.78%	\$3,460	\$2,494,244,785	\$27,831,268	1.12%
21	34,612	5,219	15.08%	\$4,127	\$2,194,609,346	\$21,539,218	0.98%

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

Fiscal Year	Total Faculty	Total Faculty Receiving Additional Comp	Faculty Receiving Additional Comp as % of Total Faculty	Average Additional Comp Payment for Faculty Recipient	Total Budgeted Faculty Salary Dollars	Total Additional Comp Dollars for Faculty	Faculty Additional Comp \$ as % of Total Salary
17	6,120	3,108	50.78%	\$4,427	\$565,770,675	\$13,760,335	2.43%
18	5,983	2,525	42.20%	\$5,281	\$557,369,414	\$13,333,727	2.39%
19	5,837	2,255	38.63%	\$5,437	\$573,526,375	\$12,261,258	2.14%
20	5,763	2,127	36.91%	\$5,411	\$590,983,776	\$11,509,015	1.95%
21	5,729	1,750	30.54%	\$5,532	\$575,771,988	\$9,680,546	1.68%

Attached to this executive summary are the full FY21 Reports on Base Adjustments and Additional Compensation Payments.

Presenter

- Daniel Chanen, Associate Vice President and Chief Human Resource Officer

BACKGROUND

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

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

Different than base salary adjustments, lump sum or additional compensation payments are non-base building compensation of a one-time or non-recurring nature. Examples of additional work include teaching an additional class to meet unanticipated demand,

teaching an interim class when not part of the fall or spring semester teaching loads, serving in an interim capacity in addition to current job responsibilities when release time from teaching or administrative responsibilities is not an option, covering duties and responsibilities of an unexpected leave.

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

ATTACHMENTS

- A) FY21 Report on Base Adjustments (Tables 1-7)
- B) FY21 Report on Additional Compensation Payments (Tables 1-3)

UNIVERSITY OF WISCONSIN SYSTEM

TABLE 1: Base Adjustments

FY21 - Report of Base Adjustments: All Employees Combined/All Reasons Summary							
Institution	FY21 Total Budgeted Salary Dollars	FY21 Total Base Adjustment Dollars	Staff Receiving Base Adj	Total Staff Appointments	Percent of Staff Receiving Base Adj	Average Base Adj per Recipient	Total Base Adj as Percent of Total Budgeted Salaries
Madison	\$1,359,066,458	\$10,517,653	2,605	19,218	13.56%	\$4,037	0.77%
Milwaukee	\$211,243,184	\$1,430,784	739	3,643	20.29%	\$1,935	0.68%
Eau Claire	\$71,244,932	\$719,064	149	1,302	11.42%	\$4,834	1.01%
Green Bay	\$42,267,720	\$784,761	168	832	20.22%	\$4,664	1.86%
La Crosse	\$69,422,786	\$533,058	165	1,320	12.54%	\$3,221	0.77%
Oshkosh	\$71,945,551	\$1,098,144	330	1,436	22.94%	\$3,333	1.53%
Parkside	\$28,033,070	\$388,049	66	557	11.80%	\$5,905	1.38%
Platteville	\$52,664,094	\$404,584	109	1,046	10.44%	\$3,702	0.77%
River Falls	\$38,223,040	\$143,154	66	788	8.40%	\$2,163	0.37%
Stevens Point	\$58,493,625	\$311,474	174	1,145	15.21%	\$1,789	0.53%
Stout	\$56,803,286	\$356,406	224	1,088	20.55%	\$1,593	0.63%
Superior	\$19,507,083	\$156,022	49	394	12.53%	\$3,160	0.80%
Whitewater	\$73,405,013	\$260,541	88	1,319	6.69%	\$2,953	0.35%
UW System Admin	\$42,289,504	\$251,769	37	523	7.00%	\$6,879	0.60%
TOTALS	\$2,194,609,346	\$17,355,463	4,970	34,612	14.36%	\$3,492	0.79%

Last Updated: 12/6/2021

Data Sources:

Budgeted salaries data are reported from the October 2020 Payroll Report, Schedule VII: Number of Staff by Institution and Type - Budgeted Amount.

Base Adjustment data are reported from HRS as of June 30, 2021.

Appointment data are reported from October 2020 Payroll Report, Schedule V: Number of Staff by Institution and Type - Appointment Count.

COVID-related adjustments were excluded from this report including end involuntary reduction-COVID action reasons 9 and 55; temporary voluntary reduction-COVID action reasons 4 and 8.

Notes and Definitions:

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

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

UW System admin - represents UWSA appointments funded for System Administration and UWSA2 formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

UNIVERSITY OF WISCONSIN SYSTEM

TABLE 2: Base Adjustments

FY21 - Report of Base Adjustments: All Employees Combined/All Reasons COVID Action Reasons - Only							
Institution	FY21 Total Budgeted Salary Dollars	FY21 Total Base Adjustment Dollars	Staff Receiving Base Adj	Total Staff Appointments	Percent of Staff Receiving Base Adj	Average Base Adj per Recipient	Total Base Adj as Percent of Total Budgeted Salaries
Madison	\$1,359,066,458	\$378,518	444	19,218	2.31%	\$853	0.03%
Milwaukee	\$211,243,184	(\$155,285)	178	3,643	4.89%	(\$871)	(0.07%)
Eau Claire	\$71,244,932	(\$147,995)	20	1,302	1.54%	(\$7,400)	(0.21%)
Green Bay	\$42,267,720	\$50,000	3	832	0.36%	\$16,667	0.12%
La Crosse	\$69,422,786	\$-	-	1,320	-%	\$-	-%
Oshkosh	\$71,945,551	(\$72,895)	21	1,436	1.46%	(\$3,471)	(0.10%)
Parkside	\$28,033,070	\$72,843	12	557	2.15%	\$6,070	0.26%
Platteville	\$52,664,094	(\$139,966)	12	1,046	1.15%	(\$11,664)	(0.27%)
River Falls	\$38,223,040	(\$40,897)	10	788	1.27%	(\$4,090)	(0.11%)
Stevens Point	\$58,493,625	\$-	-	1,145	-%	\$-	-%
Stout	\$56,803,286	(\$147,842)	17	1,088	1.53%	(\$8,879)	(0.26%)
Superior	\$19,507,083	(\$81,358)	4	394	1.02%	(\$20,340)	(0.42%)
Whitewater	\$73,405,013	\$-	-	1,319	-%	\$-	-%
UW System Admin	\$42,289,504	(\$10,669)	3	523	0.54%	(\$3,810)	(0.03%)
TOTALS	\$2,194,609,346	(\$295,546)	723	34,612	2.09%	(\$409)	(0.01%)

Last Updated: 12/6/2021

Data Sources:

Budgeted salaries data are reported from the October 2020 Payroll Report, Schedule VII: Number of Staff by Institution and Type - Budgeted Amount.

Base Adjustment data are reported from HRS as of June 30, 2021.

Appointment data are reported from October 2020 Payroll Report, Schedule V: Number of Staff by Institution and Type - Appointment Count.

Notes and Definitions:

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

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

UW System admin - represents UWSA appointments funded for System Administration and UWSA2 formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

UNIVERSITY OF WISCONSIN SYSTEM

TABLE 3: Base Adjustments

FY21 - Report of Base Adjustments: All Employees by Category/All Reasons

FY21 - Report of Base Adjustments: All Employees by Category/All Reasons																
	Faculty, Academic Staff and Limited Appointees (FA/AS/LI)					University Staff (CP)					Totals					
Institution	FY21 Total Budgeted FA/AS/LI Salary Dollars	Total Dollars for FA/AS/LI Base Adj	FA/AS/LI Receiving Base Adj	Total FA/AS/LI Appts	Percent FA/AS/LI Receiving Base Adj	FY21 Total Budgeted Univ Staff Salary Dollars	Total Dollars for Univ Staff Base Adj	Univ Staff Receiving Base Adj	Total Univ Staff Appts	Percent Univ Staff Receiving Base Adj	FY21 Total Budgeted Salary Dollars	Total Base Adj Dollars	Staff Receiving Base Adj	Total Staff Appts	Percent of Staff Receiving Base Adj	Total Base Adj as Percent of Total Budgeted Salaries
Madison	\$1,145,258,997	\$9,122,921	1,673	14,862	11.26%	\$213,807,461	\$1,394,733	933	4,356	21.41%	\$1,359,066,458	\$10,517,653	2,605	19,218	13.56%	0.77%
Milwaukee	\$173,770,358	\$1,122,231	606	2,867	21.13%	\$37,472,826	\$308,552	133	776	17.20%	\$211,243,184	\$1,430,784	739	3,643	20.29%	0.68%
Eau Claire	\$57,979,863	\$633,774	128	978	13.04%	\$13,265,069	\$85,290	21	324	6.56%	\$71,244,932	\$719,064	149	1,302	11.42%	1.01%
Green Bay	\$35,066,468	\$678,333	139	662	20.96%	\$7,201,252	\$106,427	30	170	17.36%	\$42,267,720	\$784,761	168	832	20.22%	1.86%
La Crosse	\$58,078,727	\$520,020	147	1,019	14.43%	\$11,344,059	\$13,038	18	301	6.12%	\$69,422,786	\$533,058	165	1,320	12.54%	0.77%
Oshkosh	\$59,973,399	\$975,432	273	1,127	24.25%	\$11,972,152	\$122,712	56	309	18.17%	\$71,945,551	\$1,098,144	330	1,436	22.94%	1.53%
Parkside	\$22,438,160	\$293,045	45	428	10.43%	\$5,594,910	\$95,004	21	129	16.34%	\$28,033,070	\$388,049	66	557	11.80%	1.38%
Platteville	\$41,092,227	\$368,794	89	744	11.92%	\$11,571,867	\$35,791	21	302	6.80%	\$52,664,094	\$404,584	109	1,046	10.44%	0.77%
River Falls	\$31,036,298	\$134,709	61	619	9.89%	\$7,186,742	\$8,445	5	169	2.96%	\$38,223,040	\$143,154	66	788	8.40%	0.37%
Stevens Point	\$45,724,948	\$307,121	93	829	11.28%	\$12,768,677	\$4,353	81	316	25.50%	\$58,493,625	\$311,474	174	1,145	15.21%	0.53%
Stout	\$43,324,703	\$272,420	202	767	26.32%	\$13,478,583	\$83,986	22	321	6.76%	\$56,803,286	\$356,406	224	1,088	20.55%	0.63%
Superior	\$16,190,092	\$138,779	46	315	14.72%	\$3,316,991	\$17,243	3	79	3.80%	\$19,507,083	\$156,022	49	394	12.53%	0.80%
Whitewater	\$59,733,852	\$226,504	79	1,006	7.80%	\$13,671,161	\$34,037	10	313	3.10%	\$73,405,013	\$260,541	88	1,319	6.69%	0.35%
UW System Admin	\$33,584,514	\$221,838	32	395	8.00%	\$8,704,990	\$29,931	5	128	3.91%	\$42,289,504	\$251,769	37	523	7.00%	0.60%
TOTALS	\$1,823,252,606	\$15,015,920	3,612	26,619	13.57%	\$371,356,740	\$2,339,543	1,358	7,993	16.99%	\$2,194,609,346	\$17,355,463	4,970	34,612	14.36%	0.79%

Last Updated: 12/6/2021

Data Sources:

Budgeted salaries data are reported from the October 2020 Payroll Report, Schedule VII: Number of Staff by Institution and

Type - Budgeted Amount.

Base Adjustment data are reported from HRS as of June 30, 2021.

Appointment data are reported from October 2020 Payroll Report, Schedule V: Number of Staff by Institution and Type – Appointment Count.

COVID-related adjustments were excluded from this report including end involuntary reduction-COVID action reasons 9 and 55; temporary voluntary reduction-COVID action reasons 4 and 8.

Notes and Definitions:

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

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

UW System admin - represents UWSA appointments funded for System Administration and UWSA2 formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

UNIVERSITY OF WISCONSIN SYSTEM

TABLE 4: Base Adjustments

FY21 - Report of Average Dollar Base Adjustments: All Employees by Category/All Reasons

Faculty, Academic Staff & Limited Appointees (FA/AS/LI)					University Staff				Totals			
Institution	FY21 Total Budgeted FA/AS/LI Salary Dollars	Total Dollars for FA/AS/LI Base Adj	FA/AS/LI Receiving Base Adj	Average Base Adj per FA/AS/LI Recipient	FY21 Total Budgeted Univ Staff Salary Dollars	Total Dollars for Univ Staff Base Adj	Univ Staff Receiving Base Adj	Average Base Adj per Univ Staff Recipient	FY21 Total Budgeted Salary Dollars	Total Base Adj Dollars	Staff Receiving Base Adj	Average Base Adj per Recipient
Madison	\$1,145,258,997	\$9,122,921	1,673	\$5,454	\$213,807,461	\$1,394,733	933	\$1,495	\$1,359,066,458	\$10,517,653	2,605	\$4,037
Milwaukee	\$173,770,358	\$1,122,231	606	\$1,852	\$37,472,826	\$308,552	133	\$2,312	\$211,243,184	\$1,430,784	739	\$1,935
Eau Claire	\$57,979,863	\$633,774	128	\$4,971	\$13,265,069	\$85,290	21	\$4,014	\$71,244,932	\$719,064	149	\$4,834
Green Bay	\$35,066,468	\$678,333	139	\$4,889	\$7,201,252	\$106,427	30	\$3,606	\$42,267,720	\$784,761	168	\$4,664
La Crosse	\$58,078,727	\$520,020	147	\$3,536	\$11,344,059	\$13,038	18	\$708	\$69,422,786	\$533,058	165	\$3,221
Oshkosh	\$59,973,399	\$975,432	273	\$3,568	\$11,972,152	\$122,712	56	\$2,185	\$71,945,551	\$1,098,144	330	\$3,333
Parkside	\$22,438,160	\$293,045	45	\$6,566	\$5,594,910	\$95,004	21	\$4,507	\$28,033,070	\$388,049	66	\$5,905
Platteville	\$41,092,227	\$368,794	89	\$4,156	\$11,571,867	\$35,791	21	\$1,742	\$52,664,094	\$404,584	109	\$3,702
River Falls	\$31,036,298	\$134,709	61	\$2,202	\$7,186,742	\$8,445	5	\$1,689	\$38,223,040	\$143,154	66	\$2,163
Stevens Point	\$45,724,948	\$307,121	93	\$3,285	\$12,768,677	\$4,353	81	\$54	\$58,493,625	\$311,474	174	\$1,789
Stout	\$43,324,703	\$272,420	202	\$1,348	\$13,478,583	\$83,986	22	\$3,870	\$56,803,286	\$356,406	224	\$1,593
Superior	\$16,190,092	\$138,779	46	\$2,993	\$3,316,991	\$17,243	3	\$5,748	\$19,507,083	\$156,022	49	\$3,160
Whitewater	\$59,733,852	\$226,504	79	\$2,885	\$13,671,161	\$34,037	10	\$3,509	\$73,405,013	\$260,541	88	\$2,953
UW System Admin	\$33,584,514	\$221,838	32	\$7,020	\$8,704,990	\$29,931	5	\$5,986	\$42,289,504	\$251,769	37	\$6,879
TOTALS	\$1,823,252,606	\$15,015,920	3,612	\$4,157	\$371,356,740	\$2,339,543	1,358	\$1,495	\$2,194,609,346	\$17,355,463	4,970	\$3,492

Last Updated: 12/6/2021

Data Sources:

Budgeted salaries data are reported from the October 2020 Payroll Report, Schedule VII: Number of Staff by Institution and Type - Budgeted Amount.

Base Adjustment data are reported from HRS as of June 30, 2021.

Appointment data are reported from October 2020 Payroll Report, Schedule V: Number of Staff by Institution and Type – Appointment Count.

COVID-related adjustments were excluded from this report including end involuntary reduction-COVID action reasons 9 and 55; temporary voluntary reduction-COVID action reasons 4 and 8.

Notes and Definitions:

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

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

UW System admin - represents UWSA appointments funded for System Administration and UWSA2 formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

UNIVERSITY OF WISCONSIN SYSTEM

TABLE 5: Base Adjustments

FY21 - Report of Base Adjustments: All Employees by Category/Merit, Market and Equity Reasons (Excludes: Promotions, Title Changes and Changes in Duties)																
	Faculty, Academic Staff & Limited Appointees (FA/AS/LI)					University Staff					Totals					
Institution	FY21 Total Budgeted FA/AS/LI Salary Dollars	Total Dollars for FA/AS/LI Base Adj	FA/AS/LI Receiving Base Adj	Total FA/AS/LI Appts	Percent FA/AS/LI Receiving Base Adj	FY21 Total Budgeted Univ Staff Salary Dollars	Total Dollars for Univ Staff Base Adj	Univ Staff Receiving Base Adj	Total Univ Staff Appts	Percent Univ Staff Receiving Base Adj	FY21 Total Budgeted Salary Dollars	Total Base Adj Dollars	Staff Receiving Base Adj	Total Staff Appts	Percent of Staff Receiving Base Adj	Total Base Adj as Percent of Total Budgeted Salaries
Madison	\$1,145,258,997	\$3,361,136	385	14,862	2.59%	\$213,807,461	\$665,981	472	4,356	10.84%	\$1,359,066,458	\$4,027,116	857	19,218	4.46%	0.30%
Milwaukee	\$173,770,358	\$440,482	71	2,867	2.47%	\$37,472,826	\$62,343	21	776	2.67%	\$211,243,184	\$502,825	92	3,643	2.52%	0.24%
Eau Claire	\$57,979,863	\$76,481	7	978	0.68%	\$13,265,069	\$51,272	9	324	2.78%	\$71,244,932	\$127,753	16	1,302	1.20%	0.18%
Green Bay	\$35,066,468	\$147,569	50	662	7.60%	\$7,201,252	\$43,356	14	170	8.23%	\$42,267,720	\$190,925	64	832	7.73%	0.45%
La Crosse	\$58,078,727	\$38,233	26	1,019	2.51%	\$11,344,059	\$8,133	7	301	2.33%	\$69,422,786	\$46,366	33	1,320	2.47%	0.07%
Oshkosh	\$59,973,399	\$152,188	37	1,127	3.31%	\$11,972,152	\$29,449	10	309	3.32%	\$71,945,551	\$181,636	48	1,436	3.31%	0.25%
Parkside	\$22,438,160	\$27,383	7	428	1.73%	\$5,594,910	\$43,701	7	129	5.43%	\$28,033,070	\$71,084	14	557	2.59%	0.25%
Platteville	\$41,092,227	\$63,920	16	744	2.08%	\$11,571,867	\$14,768	6	302	1.99%	\$52,664,094	\$78,688	22	1,046	2.05%	0.15%
River Falls	\$31,036,298	\$-	-	619	-%	\$7,186,742	\$4,035	1	169	0.59%	\$38,223,040	\$4,035	1	788	0.13%	0.01%
Stevens Point	\$45,724,948	\$27,624	4	829	0.48%	\$12,768,677	\$2,080	1	316	0.32%	\$58,493,625	\$29,704	5	1,145	0.44%	0.05%
Stout	\$43,324,703	\$20,800	1	767	0.13%	\$13,478,583	\$-	-	321	-%	\$56,803,286	\$20,800	1	1,088	0.09%	0.04%
Superior	\$16,190,092	\$11,114	3	315	0.95%	\$3,316,991	\$-	-	79	-%	\$19,507,083	\$11,114	3	394	0.76%	0.06%
Whitewater	\$59,733,852	\$27,883	6	1,006	0.58%	\$13,671,161	\$894	1	313	0.32%	\$73,405,013	\$28,777	7	1,319	0.52%	0.04%
UW System Admin	\$33,584,514	\$47,752	9	395	2.18%	\$8,704,990	\$22,090	2	128	1.56%	\$42,289,504	\$69,841	11	523	2.03%	0.17%
TOTALS	\$1,823,252,606	\$4,442,564	621	26,619	2.33%	\$371,356,740	\$948,101	551	7,993	6.90%	\$2,194,609,346	\$5,390,665	1,172	34,612	3.39%	0.25%

Last Updated: 12/6/2021

Data Sources:

Budgeted salaries data are reported from the October 2020 Payroll Report, Schedule VII: Number of Staff by Institution and Type - Budgeted Amount.

Base Adjustment data are reported from HRS as of June 30, 2021.

Appointment data are reported from October 2020 Payroll Report, Schedule V: Number of Staff by Institution and Type - Appointment Count.

COVID-related adjustments were excluded from this report including end involuntary reduction-COVID action reasons 9 and 55; temporary voluntary reduction-COVID action reasons 4 and 8.

Report reflects only action reasons equity (6), external rate (11), market factor-competitive (80), market factor-outside offer (22), market factor-retention (81), and performance adjustment (91).

Notes and Definitions:

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

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

UW System admin - represents UWSA appointments funded for System Administration and UWSA2 formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

UNIVERSITY OF WISCONSIN SYSTEM

TABLE 6: Base Adjustments

FY21 - Report of Base Adjustments: Faculty Only/All Reasons Professor, Associate Professor, Assistant Professor, and Instructor							
Institution	FY21 Total Budgeted Faculty Dollars	Total Dollars for Faculty Base Adjustments	Number of Faculty Receiving Base Adjustments	Average Base Adjustment per Faculty Recipient	Total Faculty Appointments	Percent of Faculty Receiving Base Adjustments	Faculty Base Adj \$ as Percent of Total Budgeted Salary
Madison	\$310,698,681	\$3,828,586	633	\$6,048	2,230	28.39%	1.23%
Milwaukee	\$65,080,260	\$439,323	206	\$2,136	711	28.93%	0.68%
Eau Claire	\$27,374,126	\$239,395	73	\$3,291	360	20.21%	0.87%
Green Bay	\$12,347,423	\$137,121	52	\$2,637	185	28.11%	1.11%
La Crosse	\$27,060,328	\$275,434	67	\$4,111	371	18.06%	1.02%
Oshkosh	\$22,665,780	\$309,959	62	\$4,999	307	20.19%	1.37%
Parkside	\$8,403,585	\$67,000	13	\$5,154	123	10.57%	0.80%
Platteville	\$16,628,816	\$114,156	38	\$3,024	240	15.73%	0.69%
River Falls	\$13,962,878	\$63,810	48	\$1,343	189	25.13%	0.46%
Stevens Point	\$19,300,695	\$135,923	44	\$3,089	292	15.07%	0.70%
Stout	\$18,437,129	\$65,416	132	\$497	264	49.82%	0.35%
Superior	\$5,404,662	\$50,497	27	\$1,870	85	31.76%	0.93%
Whitewater	\$28,407,625	\$108,060	38	\$2,844	372	10.22%	0.38%
UW System Admin	\$ -	\$ -	-	\$-	-	-%	-
TOTALS	\$575,771,988	\$5,834,678	1,431	\$4,077	5,729	24.98%	1.01%

Last Updated: 12/6/2021

Data Sources:

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Base Adjustment data are reported from HRS as of June 30, 2021.

Appointment data are reported from October 2020 Payroll Report, Schedule V: Number of Staff by Institution and Type - Appointment Count.

COVID-related adjustments were excluded from this report including end involuntary reduction-COVID action reasons 9 and 55; temporary voluntary reduction-COVID action reasons 4 and 8.

Notes and Definitions:

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

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

UW System admin - represents UWSA appointments funded for System Administration and UWSA2 formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

UNIVERSITY OF WISCONSIN SYSTEM

TABLE 7: Base Adjustments

FY21 - Report of Base Adjustments: Faculty Only/Merit, Market & Equity Reasons Professor, Associate Professor, Assistant Professor and Instructor(Excludes: Promotions, Title Changes and Changes in Duties)							
Institution	FY21 Total Budgeted Faculty Dollars	Total Dollars for Faculty Base Adjustments	Number of Faculty Receiving Base Adjustments	Average Base Adjustment per Faculty Recipient	Total Faculty Appointments	Percent of Faculty Receiving Base Adjustments	Faculty Base Adj \$ as Percent of Total Budgeted Salary
Madison	\$310,698,681	\$1,296,377	110	\$11,808	2,230	4.92%	0.42%
Milwaukee	\$65,080,260	\$129,776	18	\$7,150	711	2.55%	0.20%
Eau Claire	\$27,374,126	\$-	-	\$-	360	-	-
Green Bay	\$12,347,423	\$83,156	32	\$2,640	185	17.03%	0.67%
La Crosse	\$27,060,328	\$-	-	\$-	371	-	-
Oshkosh	\$22,665,780	\$113,980	16	\$7,124	307	5.21%	0.50%
Parkside	\$8,403,585	\$7,000	1	\$7,000	123	0.81%	0.08%
Platteville	\$16,628,816	\$18,906	3	\$6,302	240	1.25%	0.11%
River Falls	\$13,962,878	\$-	-	\$-	189	-	-
Stevens Point	\$19,300,695	\$4,481	1	\$4,481	292	0.34%	0.02%
Stout	\$18,437,129	\$2,800	1	\$2,800	264	0.38%	0.02%
Superior	\$5,404,662	\$-	-	\$-	85	-	-
Whitewater	\$28,407,625	\$-	-	\$-	372	-	-
UW System Admin	\$-	\$-	-	\$-	-	-	-
TOTALS	\$575,771,988	\$1,656,476	181	\$9,130	5,729	3.17%	0.29%

Last Updated: 12/6/2021

Data Sources:

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Base Adjustment data are reported from HRS as of June 30, 2021.

Appointment data are reported from October 2020 Payroll Report, Schedule V: Number of Staff by Institution and Type - Appointment Count.

COVID-related adjustments were excluded from this report including end involuntary reduction-COVID action reasons 9 and 55; temporary voluntary reduction-COVID action reasons 4 and 8.

Report reflects only action reasons equity (6), external rate (11), market factor-competitive (80), market factor-outside offer (22), market factor-retention (81), and performance adjustment (91).

Notes and Definitions:

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

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

UW System admin - represents UWSA appointments funded for System Administration and UWSA2 formerly referred to as Systemwide in these reports; represents appointments funded for systemwide efforts.

TABLE 1: Additional Compensation

UNIVERSITY OF WISCONSIN SYSTEM

FY21 - Report of Additional Compensation Payments: All Employees Combined/All Reasons Summary							
Institution	FY21 Total Budgeted Salary Dollars	FY21 Additional Compensation Payments	Number of Staff Receiving Additional Compensation Payments	Total Staff Appointments	Percent Receiving Additional Compensation Payments	Average Amount of Additional Compensation per Recipient	Percent of Total Budgeted Salary Dollars
Madison	\$1,359,066,458	\$3,143,355	1,211	19,218	6.30%	\$2,596	0.23%
Milwaukee	\$211,243,184	\$1,764,358	470	3,643	12.90%	\$3,754	0.84%
Eau Claire	\$71,244,932	\$1,877,516	373	1,302	28.65%	\$5,034	2.64%
Green Bay	\$42,267,720	\$1,774,633	260	832	31.25%	\$6,826	4.20%
La Crosse	\$69,422,786	\$1,713,501	523	1,320	39.62%	\$3,276	2.47%
Oshkosh	\$71,945,551	\$2,173,844	378	1,436	26.32%	\$5,751	3.02%
Parkside	\$28,033,070	\$1,257,962	184	557	33.03%	\$6,837	4.49%
Platteville	\$52,664,094	\$1,115,725	345	1,046	32.97%	\$3,234	2.12%
River Falls	\$38,223,040	\$920,561	203	788	25.78%	\$4,535	2.41%
Stevens Point	\$58,493,625	\$1,382,674	284	1,145	24.81%	\$4,869	2.36%
Stout	\$56,803,286	\$813,516	275	1,088	25.27%	\$2,958	1.43%
Superior	\$19,507,083	\$1,046,528	167	394	42.39%	\$6,267	5.36%
Whitewater	\$73,405,013	\$2,523,629	535	1,319	40.56%	\$4,717	3.44%
UW System Admin	\$42,289,504	\$31,416	11	523	2.10%	\$2,856	0.07%
TOTALS	\$2,194,609,346	\$21,539,218	5,219	34,612	15.08%	\$4,127	0.98%

Last Updated: 12/6/2021

Data Sources:

Budgeted salaries data are reported from the October 2020 Payroll Report, Schedule VII: Number of Staff by Institution and Type - Budgeted Amount.

Additional Compensation data are reported from HRS as of June 30, 2021.

Appointment data are reported from October 2020 Payroll Report, Schedule V: Number of Staff by Institution and Type - Appointment Count.

Notes and Definitions:

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

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

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TABLE 2: Additional Compensation

UNIVERSITY OF WISCONSIN SYSTEM

FY21 - Report of Additional Compensation Payments: All Employees by Category/All Reasons

	Faculty, Academic Staff & Limited Appointees (FA/AS/LI)					University Staff					Totals					
	FY21 Total Budgeted FA/AS/LI Salary Dollars	Total Dollars for FA/AS/LI Additional Comp	Number of FA/AS/LI Receiving Additional Comp	Total FA/AS/LI Appts	Percent FA/AS/LI Receiving Additional Comp	FY21 Total Budgeted Univ Staff Salary Dollars	Total Dollars for Univ Staff Additional Comp	Number of Univ Staff Receiving Additional Comp	Total Univ Staff Appts	Percent Univ Staff Receiving Additional Comp	FY21 Total Budgeted Salary Dollars	Total Additional Comp Dollars	Number of Staff Receiving Additional Comp	Total Staff Appts	Percent of Staff Receiving Additional Comp	Total Additional Comp as % of Total Budgeted Salaries
Institution																
Madison	\$1,145,258,997	\$2,694,305	810	14,862	5.45%	\$213,807,461	\$449,050	401	4,356	9.21%	\$1,359,066,458	\$3,143,355	1,211	19,218	6.30%	0.23%
Milwaukee	\$173,770,358	\$1,758,258	458	2,867	15.97%	\$37,472,826	\$6,100	12	776	1.55%	\$211,243,184	\$1,764,358	470	3,643	12.90%	0.84%
Eau Claire	\$57,979,863	\$1,874,434	371	978	37.93%	\$13,265,069	\$3,082	2	324	0.62%	\$71,244,932	\$1,877,516	373	1,302	28.65%	2.64%
Green Bay	\$35,066,468	\$1,774,633	260	662	39.27%	\$7,201,252	\$-	-	170	-%	\$42,267,720	\$1,774,633	260	832	31.25%	4.20%
La Crosse	\$58,078,727	\$1,703,759	518	1,019	50.83%	\$11,344,059	\$9,742	5	301	1.66%	\$69,422,786	\$1,713,501	523	1,320	39.62%	2.47%
Oshkosh	\$59,973,399	\$2,173,344	376	1,127	33.35%	\$11,972,152	\$500	2	309	0.65%	\$71,945,551	\$2,173,844	378	1,436	26.32%	3.02%
Parkside	\$22,438,160	\$1,247,792	178	428	41.59%	\$5,594,910	\$10,170	6	129	4.65%	\$28,033,070	\$1,257,962	184	557	33.03%	4.49%
Platteville	\$41,092,227	\$1,097,655	335	744	45.00%	\$11,571,867	\$18,070	10	302	3.31%	\$52,664,094	\$1,115,725	345	1,046	32.97%	2.12%
River Falls	\$31,036,298	\$909,211	197	619	31.85%	\$7,186,742	\$11,350	6	169	3.55%	\$38,223,040	\$920,561	203	788	25.78%	2.41%
Stevens Point	\$45,724,948	\$1,367,967	271	829	32.70%	\$12,768,677	\$14,707	13	316	4.11%	\$58,493,625	\$1,382,674	284	1,145	24.81%	2.36%
Stout	\$43,324,703	\$810,416	270	767	35.18%	\$13,478,583	\$3,100	5	321	1.56%	\$56,803,286	\$813,516	275	1,088	25.27%	1.43%
Superior	\$16,190,092	\$1,023,900	159	315	50.48%	\$3,316,991	\$22,628	8	79	10.13%	\$19,507,083	\$1,046,528	167	394	42.39%	5.36%
Whitewater	\$59,733,852	\$2,519,149	532	1,006	52.87%	\$13,671,161	\$4,480	3	313	0.96%	\$73,405,013	\$2,523,629	535	1,319	40.56%	3.44%
UW System Admin	\$33,584,514	\$23,356	7	395	1.77%	\$8,704,990	\$8,060	4	128	3.13%	\$42,289,504	\$31,416	11	523	2.10%	0.07%
TOTALS	\$1,823,252,606	\$20,978,179	4,742	26,619	17.81%	\$371,356,740	\$561,039	477	7,993	5.97%	\$2,194,609,346	\$21,539,218	5,219	34,612	15.08%	0.98%

Last Updated: 12/6/2021

Data Sources:

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Appointment data are reported from October 2020 Payroll Report, Schedule V: Number of Staff by Institution and Type - Appointment Count.

Notes and Definitions:

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

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TABLE 3: Additional Compensation

UNIVERSITY OF WISCONSIN SYSTEM

FY21 - Report of Additional Compensation Payments: Faculty Only/All Reasons Professor, Associate Professor, Assistant Professor and Instructor							
Institution	FY21 Total Budgeted Faculty Dollars	Total Dollars for Faculty Additional Compensation	Number of Faculty Receiving Additional Compensation	Average Additional Compensation per Faculty Recipient	Total Faculty Appointments	Percent of Faculty Receiving Additional Compensation	Total Additional Comp as %of Total Budgeted Salaries
Madison	\$310,698,681	\$508,640	97	\$5,244	2,230	4.35%	0.16%
Milwaukee	\$65,080,260	\$532,464	128	\$4,160	711	18.00%	0.82%
Eau Claire	\$27,374,126	\$931,474	160	\$5,822	360	44.44%	3.40%
Green Bay	\$12,347,423	\$1,166,334	135	\$8,640	185	72.97%	9.45%
La Crosse	\$27,060,328	\$-	-	\$-	371	0.00%	0.00%
Oshkosh	\$22,665,780	\$1,421,171	209	\$6,800	307	68.07%	6.27%
Parkside	\$8,403,585	\$785,443	95	\$8,268	123	77.24%	9.35%
Platteville	\$16,628,816	\$364,344	153	\$2,381	240	63.75%	2.19%
River Falls	\$13,962,878	\$607,170	117	\$5,189	189	61.90%	4.35%
Stevens Point	\$19,300,695	\$997,060	146	\$6,829	292	50.00%	5.17%
Stout	\$18,437,129	\$620,865	185	\$3,356	264	70.09%	3.37%
Superior	\$5,404,662	\$326,397	57	\$5,726	85	67.06%	6.04%
Whitewater	\$28,407,625	\$1,419,183	268	\$5,295	372	72.04%	5.00%
UW System Admin	\$-	\$-	-	\$-	-	-%	-%
TOTALS	\$575,771,988	\$9,680,546	1,750	\$5,532	5,729	30.54%	1.68%

Last Updated: 12/6/2021

Data Sources:

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**UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS
QUARTERLY INVESTMENT REPORT AS OF SEPTEMBER 30, 2021**

REQUESTED ACTION

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

SUMMARY

As of September 30, 2021, UW System Trust Funds assets totaled \$735.2 million, comprised of \$587.3 million in the Long Term (endowment) Fund and \$147.9 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 \$278,189 distribution from the Long Term Fund. There was also a distribution of \$4,623,645 from the private markets portfolio. \$27,847 was contributed to the SWIB managed funds for payment of fees.

The third quarter was volatile for financial markets owing to a combination of rising developed market government bond yields on monetary policy normalization speculation and fears of a default in Chinese property developer Evergrande. The Fund's public equity investments decreased -1.21% during the quarter, while the bond investments returned +0.07% and the inflation sensitive investments returned +1.36%.

For the quarter ended September 30, the well-diversified Long Term Fund increased in value +1.52% (before fees), while the UW Fund Custom Benchmark increased +1.53%. The Income Cash Fund gained +0.01% for the period.

Presenter:

- Charles Saunders, Executive Director, UW System Administration Office of Trust Funds

BACKGROUND

The attached UW System Trust Funds Quarterly Investment Review as of September 30, 2021, 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.

ATTACHMENT

- A) University of Wisconsin System Trust Funds Quarterly Investment Review
September 30, 2021



University of Wisconsin System Trust Funds



Quarterly Investment Review September 30, 2021

UW System Trust Funds: Overview and Investment Summary

Quarter Ended September 30, 2021

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 as of September 30, 2021

Total Public Market Assets ¹	\$492,806,363
Total Legacy Private Market Assets ¹	\$94,489,028
Other Cash and Accruals ²	\$171
Total UW System Long Term Fund³	\$587,295,563
Income Cash Fund (State Investment Fund 'SIF')⁴	\$147,915,000

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 September 30, 2021

	Jul-21	Aug-21	Sep-21	3 Months
UW System Long Term Fund (Gross of Fees)	0.78%	1.24%	-0.49%	1.52%
UW System Long Term Fund (Net of All Fees) ⁵	0.77%	1.23%	-0.49%	1.51%
UW Fund Custom Benchmark	0.78%	1.22%	-0.47%	1.53%

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 Quarter Ended September 30, 2021

UW System Long Term Fund - Public Markets ⁶	(\$278,189)
UW System Long Term Fund - Private Markets ⁷	(\$4,623,645)
UW System Long Term Fund Contributions for Fees	\$27,847
UW System Long Term Fund Fees Expensed ^{8,9}	(\$151,991)

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

⁹ Amount includes \$23,038.98 that was expensed in the quarter ended December 31, 2020. The amount was inadvertently excluded from the quarterly investment review dated December 31, 2020.

Performance and Market Discussion

For the quarter ended September 30th, the UW investment portfolio returned +1.52%, performing in-line with its benchmark.

The third quarter was volatile for financial markets owing to a combination of rising developed market government bond yields on monetary policy normalization speculation and fears of a default in Chinese property developer, Evergrande. In the US, the September Federal Open Market Committee (FOMC) meeting saw Fed Chair Jerome Powell reemphasizing that both he and most Committee participants now consider the test of “substantial further progress” toward the inflation mandate to be largely satisfied, while some believe there is further to go toward the goal of maximum employment.

Equity Performance

The UW System’s combined equity portfolio returned -1.21% during the quarter versus the combined equity benchmark return of -1.18%.

Global equities as measured by the MSCI ACWI Index experienced a decrease of -1.11% during the quarter. The U.S. broad-market Russell 3000 Index decreased -0.10%.

Following a strong start to the quarter in July, U.S. equities continued climbing in August on the back of strong economic data and quarterly earnings reports. The positive return in markets came despite the increase in Covid-19 Delta variant cases in the country. The Fed announcement in August came in-line with expectation, with chair J. Powell suggesting that tapering may start before year-end during his Jackson Hole speech.

The positive sentiment of July and August was offset in September amid concern regarding potential contagion from the unfolding debt crisis at Chinese property developer, Evergrande. Concerns that higher inflation and supply chain issues will last longer than expected also weighed down on the market. Lastly, the continuing disagreement in Washington regarding the debt ceiling and the infrastructure bill dampened the U.S. equity performance. Congress passed a bill, toward the end of the quarter, extending government funding until Dec 3rd.

From a sector perspective Financials (+3.19%), Utilities (+0.95%), and Information Technology (+0.53%) were among the best performers. While Materials (-4.05%), Industrials (-3.55%), and Consumer Discretionary (-0.92%) were among the worst performers.

The MSCI World ex-U.S. Index returned -0.66% during the quarter.

The global economic recovery continued in July and August with further easing of Covid restrictions. However, the gains accumulated over the first two months were offset by the market decline during September.

In Europe, markets were resilient as the hospitalization rate dropped despite a new Covid wave, while vaccination distribution rates continued to grow. The BoE announced a shift in its policy, suggesting that a rate rise could come in early next year. The ECB announced a slower pace of its asset purchases but have not set a clear path towards higher interest rates.

The Japanese market continued its recovery throughout the quarter despite the state of emergency in Tokyo. Japanese equities were supported by strong earnings reports and by increasing hopes of stimulus and economic reopening as Covid cases declined.

Emerging markets equities, as represented by the MSCI Emerging Market Index, posted a quarterly return of -3.97%.

UW System Trust Funds: Market Discussion & Commentary

Quarter Ended September 30, 2021

The selloff in Chinese equities over the quarter dominated the news and weighed down significantly on emerging markets performance. The introduction of new regulations targeting specific sectors in China sparked investors' concerns about future earnings' growth potential. After this initial trigger, further negative news continued to come from China - supply chain disruption, a power shortage, and the potential systematic risk that the Evergrande crisis might pose. China is the largest market in the MSCI Emerging Markets Index at 34%.

On the positive side, as energy prices soared, Colombia, Saudi Arabia, Kuwait, and other net energy exporter markets rallied over the quarter. India posted strong gains over the period as a stream of new IPOs boosted the sentiment and the economy continued to recover and vaccination rates improved considerably.

The gains made by net energy exporters countries and India were overshadowed by the negative performance of Brazil and China. Brazil was also one of the worst performers over the quarter as the central bank responded with higher interest rate to the increase in inflation.

Fixed Income Performance

The UW System's Government/Credit index fund returned +0.07% for the quarter, while the Bloomberg Barclays U.S. Government/Credit Index posted a return of +0.04%.

The US 10-year Treasury opened September at 1.31% and increased throughout the month, closing 18 bps higher in yield at 1.49%. In the Federal Open Market Committee (FOMC) meeting in September, there was no changes to the Federal Funds rate. Chair Powell stated that the decision to taper asset purchases could come as soon as the next meeting. He described the committee support for the timing and pace of tapering as very broad. The Chair made clear that the reduction in asset purchases will not be a signal for rate hikes. The conditions for raising rates are more stringent than those for tapering asset purchases. Vaccination progress will likely continue to reduce the effects of the public health crisis, but risks to the economic outlook remain with the increased spread of the Delta variant.

Despite volatilities in equities and spikes in interest rates over the quarter, corporate spreads remained resilient with the Bloomberg US Credit Index tightening by 2bps to 80 bps in September, outperforming duration-matched Treasuries by 20bps. Perhaps some of this optimism was fuelled by expectations that earnings would remain robust with Wall Street analysts forecasting an earnings growth rate of 27.6% in the third quarter, which if realized, would be the third highest growth rate since 2010 according to FactSet data. In issuance, the primary market was incredibly active with a new record being set for the most deals in one day (21 versus the previous record of 18). Overall supply came in at \$184.3B which was higher than expectations but well digested by the market. From a sub-sector perspective, the best-performing sectors within the Bloomberg US Credit Index were oil field services, refining, airlines, independent energy and railroads. The worst-performing were sovereigns, gaming, metals and mining, transportation services and cable satellite issuers. Amongst rating cohorts, AAA performed the best while BBB experienced the lowest excess returns.

Inflation Sensitive Performance

The Bloomberg Barclays U.S. TIPS Index returned +1.75% for the quarter ended September 30th. The UW System's TIPS portfolio returned +1.72%.

In Q3, breakeven levels in the US remained relatively unchanged. Over the quarter, 10-year real rates decreased ~2 bps while 10-year nominal rates sold off ~2 bps. The movement contributed to a ~4 bps expansion in 10-year inflation expectations to ~2.38%. Inflation data over the quarter printed softer but remained elevated. July Headline CPI increased by 0.5% MoM, but core CPI printed softer than expected at 0.3% MoM. August headline and core CPI came in below expectations and were the weakest prints since the first half of 2021. Headline inflation increased 0.3% MoM while core rose 0.1% MoM. Details showed the price level in reopening sensitive categories posted the weakest MoM gain since March 2021. A significant factor for the underwhelming numbers was the decline in reopening-sensitive categories such as airline fares and hotel rates. However, core services components, such as Rents and Owners' Equivalent Rent (OER), continued to firm. The labor market recovery was strong but showed signs of slowing due to increasing difficulties filling vacant positions and the looming uncertainties around the Delta variant. Non-farm payroll roared ahead in July, adding ~943k jobs. Hiring in August slowed down as the headline number printed well below the consensus, adding only 235k jobs vs. the estimated 733k. This marked the smallest gain since early 2021. The Federal Open Market Committee (FOMC) signalled a widely expected tapering of the quantitative easing program (QE), and 9 of 18 FOMC members now expect a rate hike in 2022, pushing the dot plot to an even split. The statement noted that "If progress continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted." The statement showed the Federal Reserve's (Fed) readiness for tapering in the coming months.

The UW System's REIT portfolio returned -0.73% during the quarter. The FTSE EPRA NAREIT Developed Index returned -0.90% in Q3.

The FTSE EPRA NAREIT Developed Index returned -0.90% in Q3 after gaining +9.4% in Q2 2021 bringing the YTD return to 14.5%. Residential REITs were the top performing REIT sector in the third quarter with a total return of +7.2%. Within residential REITs, manufactured homes and apartments were the drivers, both returning +8.2% in Q3. Manufactured homes and apartment sectors outperformed others. Other sectors with positive returns above 2% in Q3 include industrial (+3.0%), timber (+2.7%) and self-storage REITs (+2.6%).

Retail REITs have been seeing steady gains as well this year despite the sector dropping -0.3% in Q3 but is up +32.1% YTD. Within retail REITs, shopping centers and regional malls have had strong performance. Much of their gains were driven by reduced lockdowns in February and April, but returns have been fairly steady YTD with a slight drop off in September. In Q3, shopping centers and regional malls returned +1.3% and +1.4%, respectively, while YTD shopping centers have returned +45.5% and regional malls have returned +56.6%.

Real Estate holds a weight of 2.7% in the MSCI World Index and accounted for -0.53% of the total return contribution in Q3 which was in the middle of the sector pack with Financials (+1.6%) and Tech (+1.5%) being the best performers, while Materials (-5.3%) and Industrials (-2.2%) were the worst. In the FTSE EPRA NAREIT Developed Index, at the country level, the US and Sweden were the largest contributors to positive performance while Hong Kong largely contributed to negative returns as well as Germany in Q3.

Asset Allocation

Public Markets allocations ended the quarter with 59.4% in equities, versus a target of 57%; 18.5% in fixed income versus a target of 20%; and 22.1% in inflation sensitive assets versus a target of 23%.

UW System Trust Funds: Market Overview

Quarter Ended September 30, 2021

Economic Indicators	Quarter Ending	YTD	1 Year	3 Year	5 Year	10 Year
US CPI - U All Urban Consumers Index	0.96%	5.31%	5.39%	2.81%	2.59%	1.92%

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

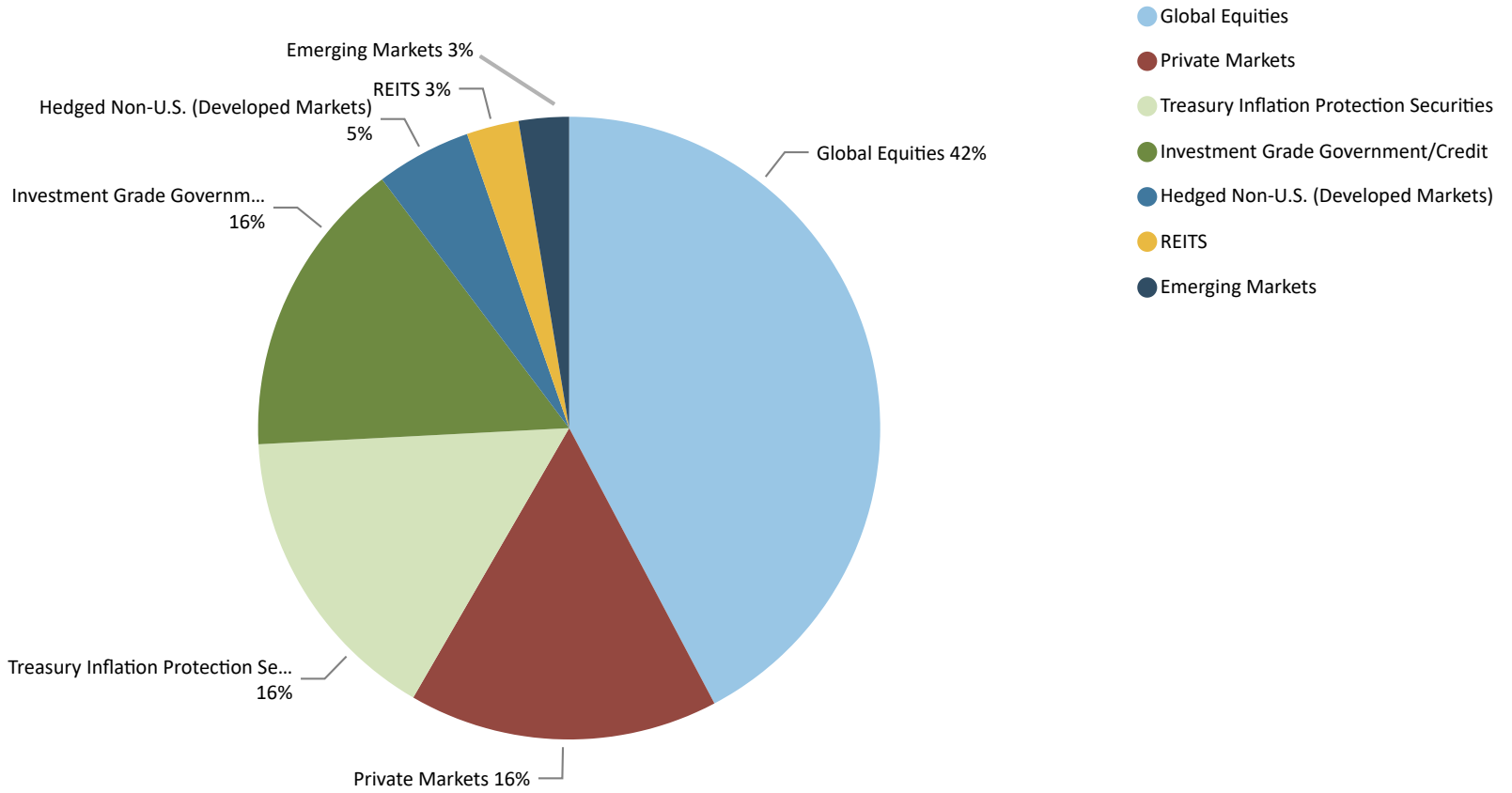
Market Indicators	Quarter Ending	YTD	1 Year	3 Year	5 Year	10 Year
U.S. Large Cap Stocks (S&P 500 Index)	0.58%	15.92%	30.00%	15.99%	16.90%	16.63%
U.S. Small Cap Stocks (Russell 2000 Index)	-4.36%	12.41%	47.68%	10.54%	13.45%	14.63%
U.S. Broad Market Stocks (Russell 3000 Index)	-0.10%	14.99%	31.88%	16.00%	16.85%	16.60%
International Stocks (MSCI World ex US Index)	-0.66%	9.19%	26.50%	7.87%	8.88%	7.88%
International Stocks - Local Currency (MSCI World ex US Index)	1.15%	14.48%	27.19%	7.37%	8.98%	9.87%
Emerging Markets Stocks (MSCI EM Net Index)	-8.09%	-1.25%	18.20%	8.58%	9.23%	6.09%
Global Stocks (MSCI ACWI Net Index)	-1.11%	11.42%	28.92%	12.38%	13.06%	11.96%
Government/Credit (Bloomberg Barclays Capital Gov/Credit)	0.04%	-1.93%	-1.13%	5.94%	3.24%	3.24%
U.S. TIPS (Bloomberg Barclays U.S. TIPS Index)	1.75%	3.51%	5.19%	7.45%	4.34%	3.12%
Real Estate (FTSE EPRA/NAREIT Developed Net Index)	-0.90%	14.46%	29.64%	6.18%	4.53%	8.34%

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

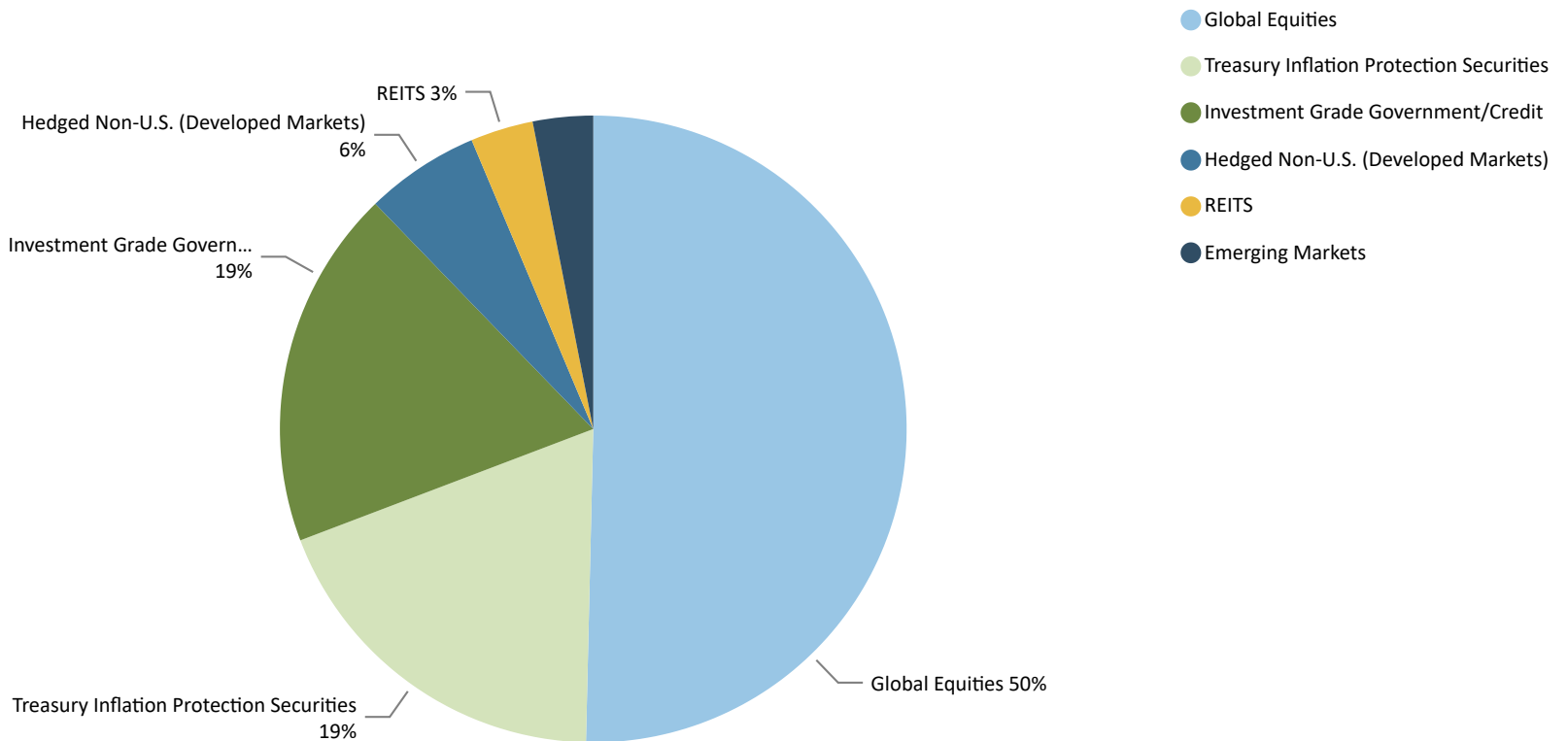
UW System Trust Funds: Asset Allocation

Quarter Ended September 30, 2021

UW System Long Term Fund



UW System Long Term Fund - Public Markets Only



* 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 and accruals. Excluded amount is immaterial.

UW System Trust Funds: Actual Versus Target Asset Allocation
Quarter Ended September 30, 2021

Asset Class/Strategy	Current Allocation (\$)	Current Allocation (%)	Target Allocation (%)	Min./Max. Guidelines
Total Public Markets	\$492,806,363	100.0%	100.0%	
Public Equities¹	\$292,585,736	59.4%	57.0%	51-63%
Global Equities	\$248,229,368	50.4%	48.0%	44-52%
Hedged Non-U.S. Equities (Developed Markets)	\$29,059,216	5.9%	6.0%	5-7%
Emerging Markets Equities	\$15,297,152	3.1%	3.0%	2-4%
Fixed Income	\$91,360,339	18.5%	20.0%	18-22%
Investment Grade Government/Credit	\$91,360,339	18.5%	20.0%	18-22%
Inflation Sensitive	\$108,860,288	22.1%	23.0%	20-26%
TIPS (Treasury Inflation Protection Securities)	\$92,895,245	18.9%	20.0%	18-22%
REITS (Real Estate Investment Trusts)	\$15,965,043	3.2%	3.0%	2-4%
Private Markets²	\$94,489,028			
Terrace Holdings II	\$94,489,028			
Other Cash and Accruals³	\$171			
Long Term Fund Total Assets⁴	\$587,295,563			

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 September 30, 2021

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

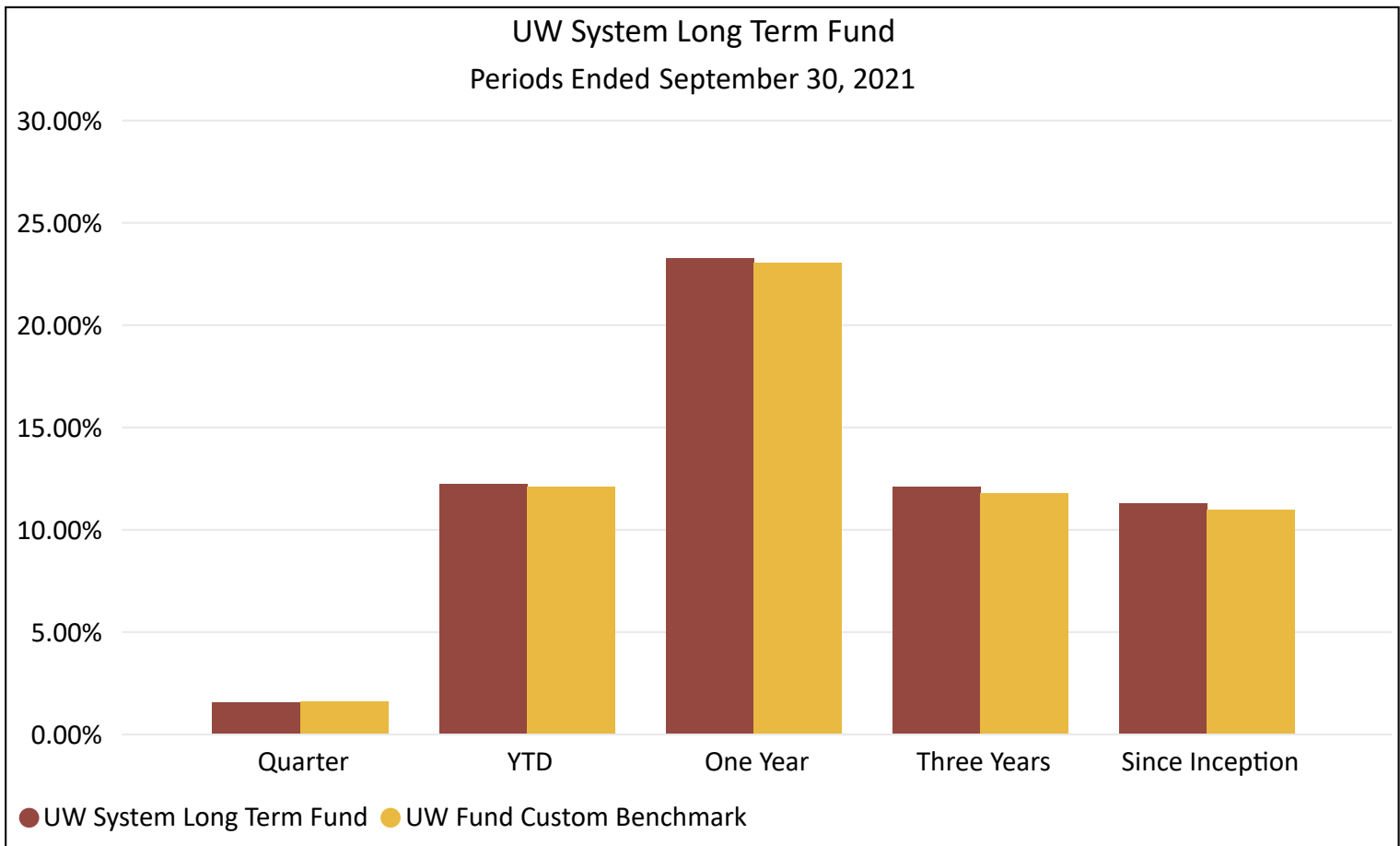
Fund and Benchmark Performance Data	Quarter Ending	Year to Date	One Year	Three Years	Five Years	Since Inception
UW System Long Term Fund	1.52%	12.16%	23.19%	12.06%		11.23%
UW Fund Custom Benchmark	1.53%	12.04%	22.99%	11.75%		10.92%
CPI + Spending Rate ³	1.95%	8.44%	9.59%	6.91%	6.68%	6.84%
Income Cash Fund (SIF) ⁴	0.01%	0.04%	0.07%	1.12%	1.13%	1.24%

1 The UW System Long Term Fund's return is a gross of fees return. Inception date is 4/1/2018.

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 September 30, 2021

Asset Class/Strategy	Quarter	YTD	One Year	Three Years	Since Inception
UW System Long Term Fund					
Gross of Fees	1.52%	12.16%	23.19%	12.06%	11.23%
Net of Fees	1.52%	12.15%	23.16%	12.01%	11.18%
Net of All Fees	1.51%	12.11%	23.10%	11.95%	11.11%
UW Fund Custom Benchmark ¹	1.53%	12.04%	22.99%	11.75%	10.92%
Public Equities					
Gross of Fees	-1.21%	11.32%	28.68%	12.06%	11.62%
Net of Fees	-1.22%	11.30%	28.66%	12.04%	11.59%
UW Public Equity Benchmark ²	-1.18%	11.13%	28.34%	11.86%	11.38%
Blackrock MSCI ACWI Index Fund B ³					
Gross of Fees	-1.05%	11.62%	29.20%	12.76%	12.36%
Net of Fees	-1.06%	11.60%	29.18%	12.74%	12.34%
MSCI ACWI IM Net Index	-1.11%	11.42%	28.92%	12.38%	11.96%
Blackrock EAFE Currency Hedged Equity Index Fund B ³					
Gross of Fees	1.49%	14.67%	28.35%	9.01%	9.83%
Net of Fees	1.48%	14.64%	28.30%	8.97%	9.79%
MSCI EAFE Net 100% USD Hedged Index	1.47%	14.60%	28.21%	8.99%	9.75%
Blackrock Emerging Markets Free Fund B ³					
Gross of Fees	-8.22%	-1.49%	17.71%	8.32%	4.29%
Net of Fees	-8.23%	-1.52%	17.65%	8.26%	4.24%
MSCI Emerging Markets Net Dividend Index	-8.09%	-1.25%	18.20%	8.58%	4.47%
Fixed Income					
Blackrock Government/Credit Bond Index Fund B ³					
Gross of Fees	0.07%	-1.86%	-1.04%	6.08%	5.14%
Net of Fees	0.06%	-1.88%	-1.06%	6.06%	5.12%
Bloomberg Barclays U.S. Government/Credit Bond Index	0.04%	-1.93%	-1.13%	5.94%	4.99%
Inflation Sensitive					
Gross of Fees	1.36%	5.14%	8.50%	7.87%	6.95%
Net of Fees	1.35%	5.12%	8.48%	7.85%	6.92%
Inflation Sensitive Benchmark ⁴	1.42%	4.93%	8.23%	7.50%	6.57%
Blackrock U.S. Treasury Inflation Protected Securities Fund B ³					
Gross of Fees	1.72%	3.55%	5.28%	7.65%	6.55%
Net of Fees	1.72%	3.54%	5.26%	7.64%	6.53%
Bloomberg Barclays U.S. TIPS Index, Series L	1.75%	3.51%	5.19%	7.45%	6.33%
Blackrock Developed Real Estate Index Fund B ³					
Gross of Fees	-0.73%	15.19%	30.65%	6.92%	7.53%
Net of Fees	-0.75%	15.12%	30.55%	6.83%	7.44%
FTSE EPRA/NAREIT Developed Net Index	-0.90%	14.46%	29.64%	6.18%	6.69%
Private Markets					
Terrace Holdings II ⁵					
Gross of Fees	13.09%	43.89%	56.48%	22.26%	20.80%
Net of Fees	13.09%	43.89%	56.39%	22.06%	20.60%
UW Private Equity Benchmark ⁶	13.09%	43.89%	56.39%	22.06%	20.60%

* 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 Effective 3Q 2021, the valuation frequency for Blackrock mutual funds has been modified from monthly to daily. To correct for the impact of large cash flows, the performance was restated from April 2020 to July 2021 and the revised numbers are included in the 9/30/2021 performance. Note that no impact to performance occurred at the mandate level.

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

5 The Private Markets valuation update occurs on a lag. The portfolio's performance is updated when SWIB receives an updated quarterly statement, which may not occur in every quarter. The net of fees and net of all returns are net of StepStone manager fees.

6 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.

APPENDIX

Developed Real Estate Index Fund B

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

Investment objective and strategy

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

Performance

Total return % as of 09/30/2021 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	5 Year	Since Inception
Fund return %	-0.73	15.18	30.64	6.87	5.30	5.59
Benchmark return %	-0.90	14.46	29.64	6.18	4.53	4.84
Difference	0.17	0.72	1.00	0.69	0.77	0.75

Performance disclosure:

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

* Period returns for less than one year are cumulative

Investment details (as of 09/30/2021)

Benchmark	FTSE EPRA/NAREIT Developed Index
Total fund assets	\$0.54 billion
Fund inception date	11/18/2014

Characteristics (as of 09/30/2021)

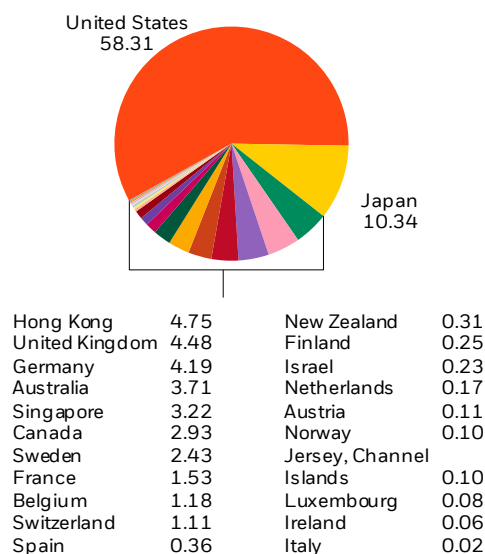
	Fund	Benchmark
Number of securities	355	375
Dividend yield	3.08	3.09

Top 10 holdings (as of 09/30/2021)

	Country	Fund (% assets)
Prologis REIT Inc	United States	4.86
Equinix REIT Inc	United States	3.71
Public Storage REIT	United States	2.36
Simon Property Group REIT Inc	United States	2.22
Digital Realty Trust REIT Inc	United States	2.13
Vonovia SE	Germany	1.83
Welltower Inc	United States	1.82
AvalonBay Communities REIT Inc	United States	1.60
Alexandria Real Estate Equities RE	United States	1.56
Equity Residential REIT	United States	1.56

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

Country allocation (% as of 09/30/2021)



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.

Important Notes

The Developed Real Estate Index Fund B is not in any way connected to or sponsored, endorsed, sold or promoted by the London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"), European Public Real Estate Association ("EPRA"), or National Association of Real Estate Investments Trusts ("NAREIT") (together, the "Licensor Parties"). The Licensor Parties do not accept any liability whatsoever to any person arising out of the use of Developed Real Estate Index Fund B or the underlying data.

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The Fund is also subject to other key risks, as described in the Fund's Collective Investment Fund Profile. Some or all of those risks may adversely affect the value of units in the Fund, yield, total return and the Fund's ability to meet its investment objective. See the Collective Investment Fund Profile for additional information.

Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's units, when redeemed, may be worth more or less than the original cost. Any opinions expressed in this publication reflect our judgment at this date and are subject to change. No part of this publication may be reproduced in any manner without the prior written permission of BTC. 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. Risk controls, asset allocation models and proprietary technology do not promise any level of performance or guarantee against loss of principal.

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BES-0161

MSCI EAFE Currency Hedged Equity Index Fund B

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

Investment objective and strategy

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

Performance

Total return % as of 09/30/2021 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	5 Year	Since Inception
Fund return %	1.49	14.64	28.32	8.99	10.83	10.80
Benchmark return %	1.47	14.60	28.21	8.99	10.81	10.78
Difference	0.02	0.04	0.11	0.00	0.02	0.02

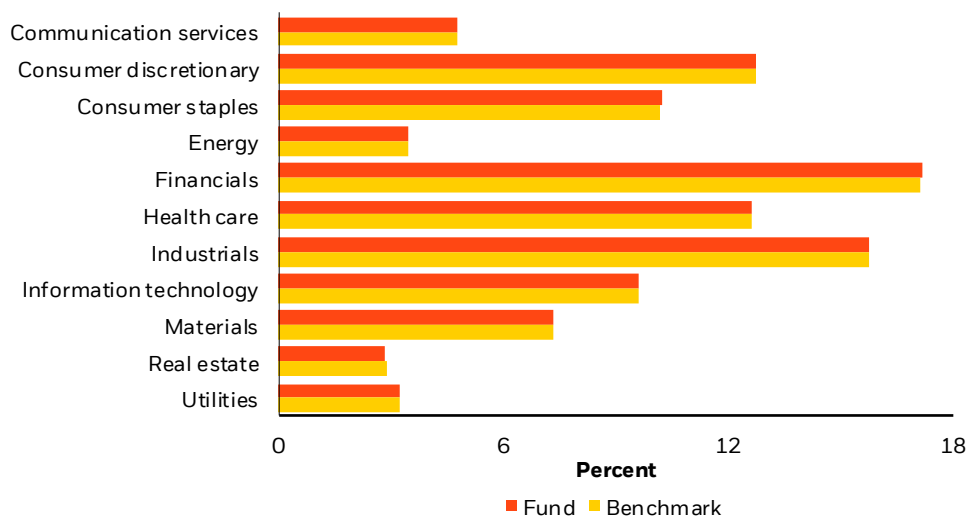
Performance disclosure:

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* Period returns for less than one year are cumulative

Sector allocation

% of Fund or Benchmark as of 09/30/2021



Sources: BlackRock, MSCI Inc.

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Investment details (as of 09/30/2021)

Benchmark	MSCI EAFE 100% Hedged to USD Net Dividend Return Index
Total fund assets	\$0.18 billion
Fund inception date	04/30/2016

Characteristics (as of 09/30/2021)

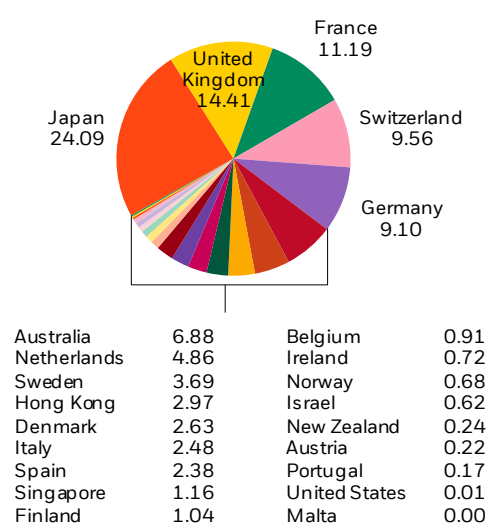
	Fund	Benchmark
Number of securities	846	845
Dividend yield	2.37	2.37

Top 10 holdings (as of 09/30/2021)

	Country	Fund (% assets)
Nestle SA	Switzerland	2.02
ASML Holding NV	Netherlands	1.83
Roche Holding Par AG	Switzerland	1.50
LVMH	France	1.15
Toyota Motor Corp	Japan	1.10
AstraZeneca PLC	United Kingdom	1.09
Novartis AG	Switzerland	1.06
Novo Nordisk Class B	Denmark	0.95
Unilever PLC	United Kingdom	0.82
SAP	Germany	0.82

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Country allocation (% as of 09/30/2021)



Important Notes

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The Fund is also subject to other key risks, as described in the Fund's Collective Investment Fund Profile. Some or all of those risks may adversely affect the value of units in the Fund, yield, total return and the Fund's ability to meet its investment objective. See the Collective Investment Fund Profile for additional information.

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BES-0161

MSCI Emerging Markets Free Fund B

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

Investment objective and strategy

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

Performance

Total Return % as of 09/30/2021 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception
Fund return %	-8.22	-1.50	17.69	8.32	9.03	5.96	7.80
Benchmark return %	-8.09	-1.25	18.20	8.58	9.23	6.09	7.91
Difference	-0.13	-0.25	-0.51	-0.26	-0.20	-0.13	-0.11

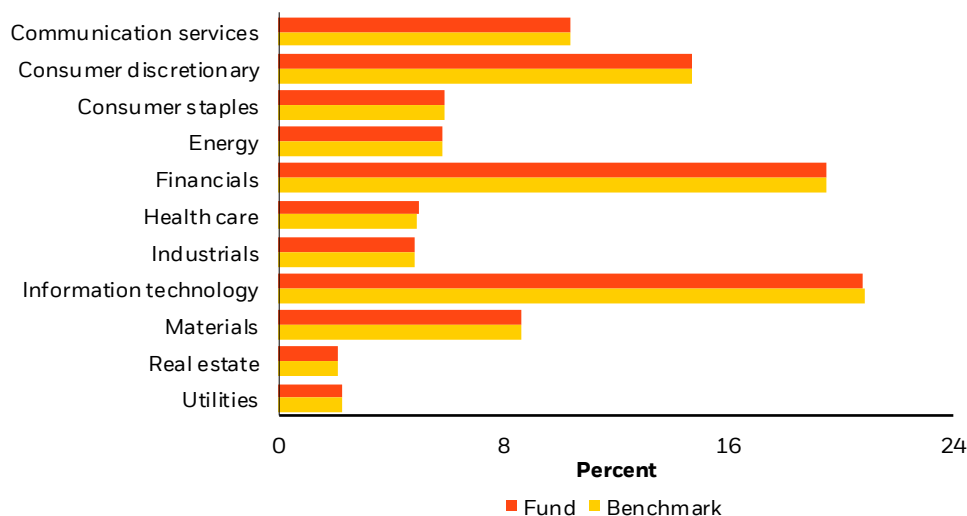
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Sector allocation

% of Fund or Benchmark as of 09/30/2021



Sources: BlackRock, MSCI Inc.

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Investment details (as of 09/30/2021)

Benchmark	MSCI Emerging Markets Net Dividend Return Index
Total fund assets	\$4.49 billion
Fund inception date	07/31/2000

Characteristics (as of 09/30/2021)

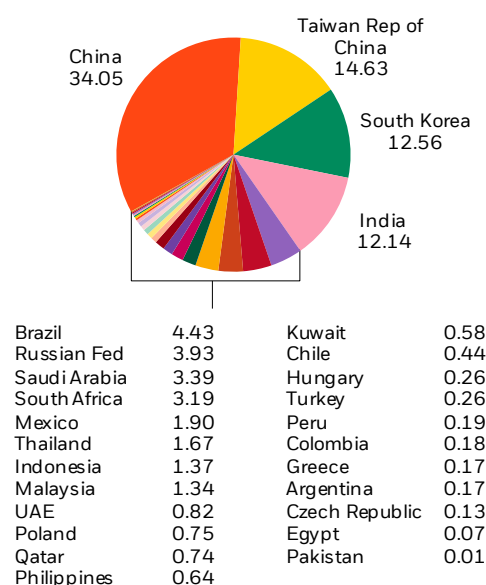
	Fund	Benchmark
Number of securities	1,430	1,418
Dividend yield	2.05	2.05

Top 10 holdings (as of 09/30/2021)

	Country	Fund (% assets)
Taiwan Semiconductor Manufacturing	Taiwan Rep of China	6.44
Tencent Holdings Ltd	China	4.32
Samsung Electronics Ltd	South Korea	3.76
Alibaba Group Holding Ltd	China	3.50
Meituan	China	1.61
Reliance Industries Ltd	India	1.22
Infosys Ltd	India	0.97
China Construction Bank Corp H	China	0.87
Housing Development Finance Corpor	India	0.80
JD.com ADR Representing Inc	China	0.79

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Country allocation (% as of 09/30/2021)



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BES-0161

MSCI ACWI IMI Index Fund B

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

Investment objective and strategy

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

Performance

Total Return % as of 09/30/2021 (return percentages are annualized as of period end)

	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception
Fund return %	-1.07	11.59	29.17	12.70	13.40	12.34	10.18
Benchmark return %	-1.11	11.42	28.92	12.38	13.06	11.96	9.82
Difference	0.04	0.17	0.25	0.32	0.34	0.38	0.36

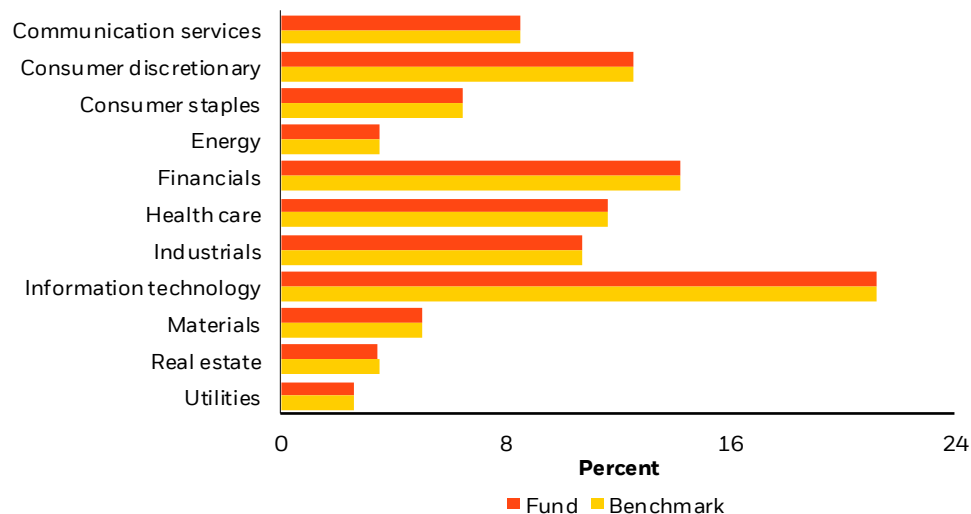
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Sector allocation

% of Fund or Benchmark as of 09/30/2021



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Investment details (as of 09/30/2021)

Benchmark	MSCI ACWI IMI Net Dividend Return Index
Total fund assets	\$4.25 billion
Fund inception date	03/23/2010

Characteristics (as of 09/30/2021)

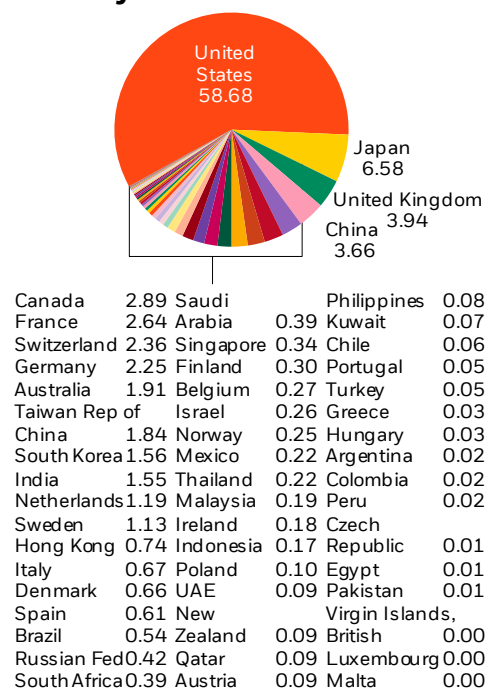
	Fund	Benchmark
Number of securities	9,285	9,224
Dividend yield	1.65	1.66

Top 10 holdings (as of 09/30/2021)

	Country	Fund (% assets)
Apple Inc	United States	3.08
Microsoft Corp	United States	2.63
Amazon Com Inc	United States	1.95
Facebook Class A Inc	United States	1.06
Alphabet Inc Class A	United States	1.05
Alphabet Inc Class C	United States	1.01
Tesla Inc	United States	0.83
Nvidia Corp	United States	0.67
Taiwan Semiconductor Manufacturing	Taiwan Rep of China	0.66
JPMorgan Chase & Co	United States	0.65

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Country allocation (% as of 09/30/2021)



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BES-0161

Government/Credit Bond Index Fund B

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

Investment objective and strategy

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

Performance

Total return % as of 09/30/2021 (Return percentages are annualized as of period end. Returns for periods less than one year are cumulative)

	Month*	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception
Fund return %	-1.05	0.06	-1.88	-1.07	6.03	3.34	3.34	5.77
Benchmark return %	-1.07	0.04	-1.93	-1.13	5.94	3.24	3.24	5.73
Difference	0.02	0.02	0.05	0.06	0.09	0.10	0.10	0.04

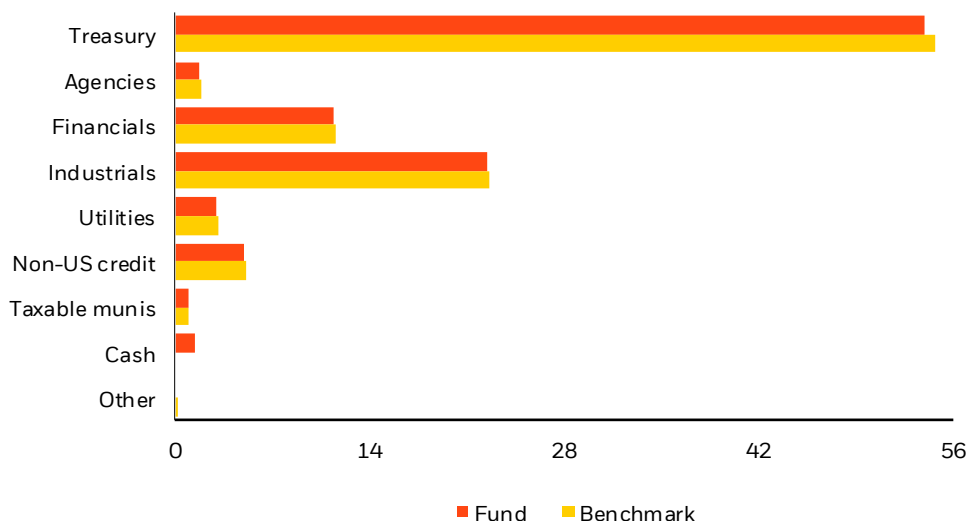
Performance disclosure:

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Sector allocation

% of Fund or Benchmark as of 09/30/2021



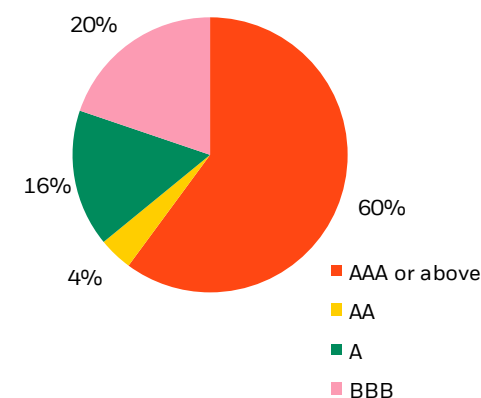
Investment details (as of 09/30/2021)

Benchmark	Bloomberg U.S. Government/Credit Bond Index
Total fund assets	\$0.29 billion
Fund inception date	03/31/1991

Characteristics (as of 09/30/2021)

	Fund	Benchmark
Number of securities	5,961	8,414
Market value (B)	\$0.29	\$18,513.20
Coupon (%)	2.65	2.37
Yield to maturity (YTM) (%)	1.48	1.47
Weighted avg life (yrs)	9.71	9.71
Effective duration (yrs)	7.39	7.40
Spread duration (yrs)	3.68	3.67
Option adjusted spread (bps)	35	34
Convexity (yrs)	1.12	1.09

Quality breakdown (as of 09/30/2021)



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.

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FIRate-0088

U.S. Treasury Inflation Protected Securities Fund B

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

Investment objective and strategy

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

Performance

Total return % as of 09/30/2021 (Return percentages are annualized as of period end. Returns for periods less than one year are cumulative.)

	Month*	Q3*	YTD*	1 Year*	3 Year	5 Year	10 Year	Since Inception
Fund return %	-0.72	1.76	3.55	5.25	7.57	4.49	3.24	5.30
Benchmark return %	-0.71	1.75	3.51	5.19	7.45	4.34	3.12	5.21
Difference	-0.01	0.01	0.04	0.06	0.12	0.15	0.12	0.09

Performance disclosure:

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Investment details (as of 09/30/2021)

Benchmark	Bloomberg U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L)
Total fund assets	\$5.11 billion
Fund inception date	03/05/2002

Characteristics (as of 09/30/2021)

	Fund	Benchmark
Number of securities	44	44
Market value (B)	\$5.11	\$1,235.61
Coupon (%)	0.67	0.67
Yield to maturity (YTM) (%)	1.07	1.06
Weighted avg life (yrs)	8.18	8.17
Effective duration (yrs)	7.71	7.70
Convexity (yrs)	1.14	1.14

Sources: BlackRock, Bloomberg Finance L.P.

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Third Quarter Newsletter

Portfolio Update

The current RegentFund team has been managing the portfolio since May 8, 2021. Since June, we added the following names to the portfolio: Comcast, Thermo Fisher, Lamar Advertising, and Kraft Heinz. During the third quarter, \$67,210.90 of income generated by the portfolio was swept in July; we expect \$90,163.95 of income to be swept in October 2021.

Performance

The BOR Portfolio returned -0.13% during the third quarter, 27bps below the benchmark's¹ return of 0.13%. Our underperformance for the quarter was mainly attributable to our issue selection (-24bps). The returns and relative performance of each asset type are shown in Table 1. Performance attribution is shown in Table 2.

Table 1. Contribution to Return by Asset Class

Asset Class	Third Quarter		
	Portfolio	Benchmark	Difference
IG Bonds	-0.10%	0.11%	(0.20%)
Treasurys	-0.09%	-0.05%	(0.05%)
HY	0.06%	0.08%	(0.02%)
Cash	0.00%	0.00%	0.00%
Total	-0.13%	0.13%	(0.27%)

Source: BNY Mellon, Bloomberg

*Numbers may not sum due to rounding

Table 2. Performance Attribution

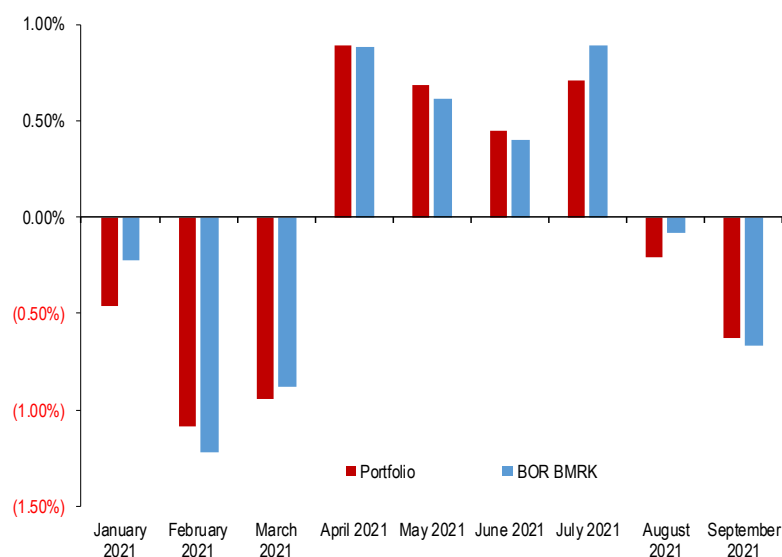
Active Return Attribution Summary	Third Quarter
Curve Carry	(0.03%)
Curve Change	(0.02%)
Total Curve Return	(0.05%)
Allocation	0.02%
Selection	(0.24%)
Total Excess Return	(0.27%)

Source: BNY Mellon, Bloomberg

*Numbers may not sum due to rounding

Since inception, the BOR Portfolio has underperformed the blended benchmark by 136bps. In 3Q21, the BOR portfolio underperformed by 27bps. Figures 1 & 2 and Table 3 display our monthly performance relative to the benchmark.

Figure 1. Monthly Performance vs. Benchmark



Source: BNY Mellon, Bloomberg

Table 3. Monthly Performance vs. Benchmark

Time Period	Portfolio	BOR BMRK	Difference
January 2021	(0.46%)	(0.22%)	(0.24%)
February 2021	(1.09%)	(1.22%)	0.13%
March* 2021	(0.95%)	(0.88%)	(0.06%)
April 2021	0.89%	0.88%	0.01%
May* 2021	0.68%	0.62%	0.07%
June* 2021	0.45%	0.40%	0.04%
July* 2021	0.71%	0.89%	(0.18%)
August* 2021	(0.21%)	(0.08%)	(0.13%)
September* 2021	(0.63%)	(0.67%)	0.04%
Time Period			
1Q21*	(2.48%)	(2.31%)	(0.17%)
2Q21*	2.03%	1.91%	0.12%
3Q21*	(0.13%)	0.13%	(0.26%)
YTD*	(0.63%)	(0.31%)	(0.32%)
2020*	7.11%	8.60%	(1.48%)
Since Inception*	13.98%	15.33%	(1.36%)

Source: BNY Mellon, Bloomberg

*Time-Weighted Returns, values may not sum due to rounding

¹ The benchmark is comprised of 66.5% Intermediate Corporates (C3A0), 19% Intermediate Governments (G3O2), 9.5% BB/B High Yield (H5A4) and 5% 1-3month Treasury Bills (BIL).

UW-MADISON PRESENTATION: “ADVANCING THE REAL ESTATE STRATEGY AND NEW MOU TO DRIVE ECONOMIC AND MISSION BENEFITS AT UW-MADISON”

REQUESTED ACTION

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

SUMMARY

In October 2021, the Board of Regents approved a new memorandum of understanding (MOU) between UW-Madison and University Research Park (URP). This advances UW-Madison’s ongoing efforts to implement innovative opportunities to advance and fund its public mission. UW-Madison is working with URP to operationalize the new MOU in ways consistent with the operating principles developed by the Revenue Innovation Study Group, with particular attention to campus commitments to the Native Nations.

Rob Cramer, interim Vice Chancellor for Finance & Administration, will provide insight into the process for moving parcels through the MOU phases. He will also discuss the compelling opportunity for innovation and corporate incubation spaces that accelerate the university’s research output. UW-Madison regularly ranks in the top 10 in research expenditures yet has substantial opportunity to grow in industry- and corporate-sponsored research. The presentation will also address stakeholder engagement on and off the UW-Madison campus.

This presentation will build on revenue innovations and real estate work previously shared with the Board of Regents over multiple meetings in 2020 and 2021. It will serve as a bridge from the approval of the MOU in October to a regular cadence of updates to the Board moving forward. UW-Madison expects to return to the Board of Regents in February 2022 with further advancements of the real estate strategy, including potential development opportunities.

Presenter

- Rob Cramer, Interim Vice Chancellor for Finance & Administration, UW-Madison