

UW System Board of Regents
Meeting of the Business & Finance Committee
University of Wisconsin- Madison
Symphony Room, Gordon Dining & Event Center
770 W. Dayton Street
Madison, Wisconsin
& via Zoom Video Conference
December 7, 2023

The Meeting of the Business and Finance Committee was called to order at 8:46 AM by Chair, Regent Ashkok Rai.

A. Calling of the Roll

Present: Regents Adams, Atwell, Colon, Jones, Kreuser, Peterson, Rai
Absent: Regent Staton

B. Declaration of Conflicts

The Chair asked Committee Members to identify any conflicts of interest. There were none.

C. Approval of the Minutes of the November 9, 2023, Meeting of the Business and Finance Committee

Corrections: None

Motion made by: Regent Peterson

Motion seconded by: Regent Jones

Questions/ Comments:

Upon the direction of Regent Rai, a voice vote was taken, and the Committee unanimously approved the minutes of the November 9, 2023, Business and Finance Committee meeting.

D. UW System Draft 2023 Annual Financial Report.

Presentation of the draft UW Financial Report was made by Rod Dole, Director of Financial Reporting, Financial Administration, Ginger Hintz, AVP for Finance & Controller, Financial Administration, and Julie Gordon, Senior Associate Vice President for Finance.

First, the Committee reviewed the draft UW Annual Financial Report for 2023 prepared by the Office of Finance. The report notes that UW System's Total Net Position as of June 30 stood at \$6.4 billion, a decrease of \$56.3 million from the prior year. The main factors contributing to this change include transfers to the Intermediate Term Cash Management Fund, an increase in the total value of capital assets, and a decrease in the value of pension plan investments managed by the Department of Employee Trust Funds.

While operating revenues increased nearly 7%, expenses increased by 16.5%. Although nearly half of the increase in expenses relates to non-cash adjustments in retirement benefit programs, this imbalance underscores the importance of the budget management practices undertaken by the campuses in alignment with our Strategic Plan.

Questions/ Comments: Regent Atwell was thankful for the presentation and questioned the need for Deloitte to verify the financial statements at the individual campuses rather than verify this information internally. Julie Gordon shared that various stakeholder groups appreciate the external validation and like-to-like comparison. Regent Jones confirmed that Julie and her staff are working with each institution so there should be no surprises at the end of the year. Julie shared that V.P. Sean Nelson; President Rothman and the finance team are meeting individually with each campus to understand their financial position and processes. They are working through each of the institutions including those who do not have deficits to identify how they will maintain their financial position. Regent Colon confirmed that the funding reduction identified was related to COVID relief funds. Regent Rai asked how this information will be shared with the Regents in support of their oversight duty. Sean indicated that the final reports and any recovery plans will be provided to the Board upon completion. Regent Rai requested a timeline for the committee's review of the reports.

E. UW Institutional Service Agreements for International Recruitment

1. UW-Eau Claire Contractual Agreement with Shorelight, LLC
2. UW-Green Bay Contractual Agreement with Shorelight, LLC
3. UW-Platteville Contractual Agreement with Shorelight, LLC
4. UW-Superior Contractual Agreement with Shorelight, LLC
5. UW-Stout Contractual Agreement with Kings Education

Tracy Davidson, Associate Vice President for Academic Affairs, UW Administration presented five service agreements for international recruitment agent aggregator services. UWs Eau Claire, Green Bay, Platteville, and Superior will work with Shorelight LLC, while UW-Stout will engage Kings Education in efforts to increase international student enrollment. These agreements follow the Board's approval in November of similar arrangements with two other universities that are utilizing this approach that was conceived as part of a multi-campus Internationalization Plan.

Regent Rai pointed out that representatives from the universities involved were also present at the meeting to answer questions. They included:

- Renee Wachter, Chancellor, UW-Superior
- Louisa Rice, Interim Associate Vice Chancellor for Academic Affairs, UW-Eau Claire

- Courtney Sherman, Associate Provost for Academic Affairs, UW-Green Bay
- Wayne Weber, Interim Provost and Vice Chancellor of Academic Affairs, UW-Platteville
- Erik Guenard, Vice Chancellor for Business, Finance and Administrative Services, UW-Stout.

Questions/ Comments: Regent Atwell voiced his support of the effort to enroll international students but noted the competition for these students among universities, both within UW and nationally. Tracy Davidson observed that these companies work with the students to manage the sea of institutions to find the best fit for each student's needs. Regent Adams shared that she appreciates the strategic approach to the international recruiting effort. She asked whether there is a similar effort being taken to recruit underrepresented students within the state. Tracy shared that this is an important element of the strategic plan. Regent Adams expressed her hope to see a significant investment to recruit in-state students. Regent Rai suggested it may be helpful to explore whether there are third party aggregators that similarly work to recruit other categories of students. He asked and received unanimous consent that resolution E.1. through E.5. be considered in a singular action and asked for a motion to adopt the resolutions.

Motion made by: Regent Atwood

Motion seconded by: Regent Adams

Motion carried unanimously (voice vote)

F. Approval of University Insurance Association (UIA) Board Restructuring

The committee then approved a recommendation presented by Daniel Chanen, Associate Vice President and Chief Human Resource Officer, related to the University Insurance Association, a separate corporation established in the 1930s to provide life insurance benefits. The proposal transfers ownership of the UIA plan to the Board of Regents, as advised by General Counsel based on a 1994 Wisconsin Attorney General opinion. In addition, it authorizes the termination of the UIA plan at the end of CY 2024, dependent on establishing a special enrollment period for active employees, and a conversion period for retirees. Active employees will have the option to enroll in other plans, including State Group Life Insurance, which offers employer contributions and is considered the highest-value program for UW employees.

Questions/ Comments: Regent Adams asked if we know the number of employees that remain employed to the older ages. Dan Chanen shared that a good number of employees are retained. Regent Atwell confirmed that we are being asked to absorb the liabilities for the plan that is ending. Dan shared that the reserves are anticipated to more than cover this. Regent Jones noted that he would like the Regents to be made aware of any other subsidiaries under the Board.

Motion made by: Regent Peterson

Motion seconded by: Regent Adams

Motion carried unanimously (voice vote)

G. Annual Report on Faculty Turnover for FY23

Daniel Chanen, Associate Vice President and Chief Human Resource Officer presented the committee with the Annual Report on Faculty Turnover which provides a summary of faculty departures attributed to retirement, resignation, and non-renewed contracts. The 330 faculty who left the UW in FY23 represent 6.1% of all faculty, a slight increase from the 5.4% mark in FY22. Of those departures, 57% retired and 41% resigned.

Questions/ Comments: Regent Rai asked if there is a reason why there is not a report on staff turnover. Dan Chanan replied that when the transition is made to Workday under the ATP project, he is hopeful they will have a better means to track that information. He added that there are situations where a transfer will occur between institutions and how that is reflected needs to be defined. There are improvements that are needed. Regent Rai pointed out that employee turnover is costly, and he is looking forward to being able to evaluate the topic in the future. Dan assured him he could commit to providing a report in four years.

H. Intermediate Term Cash Management Fund: Approval of Investment Policy Statement

Next, the committee approved the Investment Policy Statement for the Intermediate Term Cash Management Fund, presented by Charles Saunders, Chief Investment Officer, Office of Trust Funds. The Fund was established to increase revenue-generating opportunities for cash balances through intermediate term investments. The Statement outlines the investment objectives, asset allocations, and the roles and duties of those responsible for management of the Fund in accordance with Regent Policy Document 31-18, which was approved by the Board in November.

Motion made by: Regent Jones

Motion seconded by: Regent Colon

Questions/ Comments: None

Motion carried unanimously (voice vote)

J. Trust Funds Quarterly Investment Report

The committee's agenda order was altered with the presentation of the Q3 report on the Trust Funds assets managed by the State of Wisconsin Investment Board. The report was provided by Chuck Saunders and Robert Thornton, Asset & Risk Allocation Business Director, State of Wisconsin Investment Board.

As of September 30, those assets totaled \$560 million. For the quarter, the Long-Term Fund decreased in value by 2.56%, slightly outperforming its benchmark, while the Income Cash Fund gained 1.33% for the period.

Questions/ Comments: Regent Peterson asked about the type and amount of distributions made from this fund. Charles shared that 1% is distributed every quarter. Regent Kreuser asked if there is a report which details the distribution of funds. Sean Nelson shared that a report of that distribution could be provided, which Regent Kreuser expressed would be helpful. Regent Rai suggested that an annual report would help the committee better understand campus allocations. Charles shared that the fund produces about \$20 million annually for distribution to the campuses to support operations.

I. Intermediate Term Fund Quarterly Investment Report

The committee returned to Item I. of the agenda. Charles Saunders shared the Q3 report of the Intermediate Term Fund. As of September 30, Fund assets totaled \$645 million. For the quarter, the ITF decreased in value by 0.9%, slightly lagging its benchmark by 0.1%. Charles shared an overview of the volatility of the market and the effect on the value of the fund.

Questions/ Comments: Regent Peterson again asked for an explanation on the distribution. Charles shared that this applies to UW-Madison only. Regent Rai shared that UW-Milwaukee is looking to participate as well at a future date. Charles shared that the handling of this fund is used to support cash balances, with distributions determined on an as-needed basis.

In closing, Regent Rai reiterated his request for an update and timeline at a future meeting on the financial work being provided in consultation with Deloitte.

The meeting adjourned at 10:08 AM.

Respectfully submitted,

Brenda L. Joyce
Recording Secretary