TO: Vice Provosts, Vice Presidents, Chancellors, Deans, Directors, and Chairs

FROM: V’Ella Warren, Senior Vice President
Treasurer of the Board of Regents

RE: Fiscal Year 2009 Invested Funds’ Distributions

The table below details the Invested Funds’ distribution rates for FY ’09. The Invested Funds are the commingled operating monies of the University, and as such enable the University to meet its financial obligations as they come due. Campus depositors have access to their funds upon demand with principal guaranteed by the University. When the Board of Regents established the current Invested Funds structure in 1989, Invested Funds’ balances totaled less than $200 million. Today, the Invested Funds exceeds $1.3 billion.

Two years ago, the Treasury Office commenced a thorough examination of the Invested Funds policies and procedures with the goal of stabilizing distributions and enhancing portfolio returns. From this study, a target annual distribution rate of 4.25% was established by the Senior Vice President (SVP). Returns in excess of 4.25% would be reserved to maintain the payout in low return years. To that end, $14.4 million was added to the reserve last year.

The Invested Funds was not immune to the worsening global financial crisis in FY ’09. The portfolio lost 5% of its value in FY ’09. But rather than forgo the payout to campus altogether, the SVP, in consultation with Planning and Budget, lowered the distribution rate to 2% with funding made possible through reserve balances set aside in prior years. With interest rates at historic lows, a 2% distribution rate is in line with current economic reality.

A return to the 4.25% payout for campus depositors remains a key objective. In the current economic environment, it could be 2 to 3 years before interest rates reach a level which would accommodate a 4.25% payout. That said, the University’s liquidity position remains strong. You will continue to have ready access to your funds and guaranteed principal from the University.

**FY ’09 Invested Funds Distribution Rates**

<table>
<thead>
<tr>
<th>Primary Funds in Rate Pool</th>
<th>Rate</th>
<th>Rate Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>UWMC plant funds, self-sustaining units, endowment suspense, gifts for construction, student fee accounts</td>
<td>2.0%</td>
<td>Campus Depositors’ Rate</td>
</tr>
<tr>
<td>Current Use Gift Accounts</td>
<td>3.0%</td>
<td>Advancement Rate</td>
</tr>
<tr>
<td>Royalty Accounts</td>
<td>0.0%</td>
<td>Base Rate</td>
</tr>
</tbody>
</table>

Consistent with UW policy to support Advancement efforts, current use gift account balances will be used to calculate a 3% allocation to Advancement budgets. Royalty accounts will no longer receive an Invested Funds distribution.

Distributions for FY ’09 were made in late June. If you have questions, please contact Judy Peterson at (206) 543-3524.

cc: Department Administrators