

October 16, 2009

UW SYSTEM TRUST FUNDS 2009 PROXY VOTING SEASON RESULTS

EXECUTIVE SUMMARY

BACKGROUND

As provided in Regent Policy 31-10, to the extent that public equity securities are held in separately managed accounts, UW System Trust Funds actively votes its shareholder proxies on “non-routine” items related to corporate governance and social issues including the environment, discrimination, and substantial social injury (as addressed in Regent Policies 31-5, 31-6, 31-7, 31-13, and 31-16). Voting recommendations for such proxies were provided to the Business and Finance Committee for their approval earlier this year. The report given here provides information on the actual results of those specific voting efforts, as well as an overview of the year’s proxy season in its entirety.

REQUESTED ACTION

This item is for informational purposes only.

DISCUSSION

The 2009 proxy season saw the filing of 361 proposals related to social issues, with nearly half of them coming to votes. Through the end of June, 174 social issue proposals resulted in shareholder votes, 143 were withdrawn, and 44 were allowed to be omitted by the SEC. Final or preliminary vote results are in for 123 of the voted proposals, of which 32 received greater than 15 percent shareholder support. Until the past several years, few social issue proposals have reached the 15 percent support mark.

As in 2008, the categories of proposals that have won strong support included the following requests of companies: expand or report on their fair employment policies; track and reduce their greenhouse gas emissions; disclose and monitor their political contributions. Each of these categories received, on average, the support of 20 percent or more of votes cast. In contrast, categories of proposals that received low shareholder support for the 2009 proxy season included the following: that tobacco companies restrict their marketing or support smoking bans; that companies end animal testing or adopt humane testing standards. Each of these categories averaged less than five percent support.

Proponents have already withdrawn 143 resolutions in 2009, topping the all-time high of 129 set last year. While some proponents have traditionally been willing to withdraw resolutions for little more than the promise of continued discussion, more and more withdrawals are taking place after the target companies agreed to fully implement the proposals. All but a few of the total withdrawals this year represented concessions made by the target companies. Most notable

among the withdrawal categories were proposals regarding health care and equal employment, where proponents managed 23 and 22 withdrawals, respectively.

The number of resolutions the SEC agreed companies could omit was down from the recent year average. Companies have been allowed to omit 45 social issue resolutions, down from 60 in 2008. The “ordinary business” exclusion, perhaps the most common way a company gets a resolution omitted by the SEC, accounted for nearly half of the 2009 social issues omissions.

UW Trust Funds submitted voting instructions for 60 proposals (including “non-routine” corporate governance proposals), compared with 47 and 60 proposals for the past two years, respectively. Of the proxies submitted for voting by the Trust Funds, 28 came to votes, 22 were withdrawn, nine were omitted and one is pending.

The primary submissions for the UW Trust Funds on social issues involved the environment and global climate change (20), health care reform (six), human rights (five), and equal employment opportunity (three). For corporate governance issues, the UW’s only submissions involved political donations (12).

The full report, *2009 Proxy Voting Season Results*, giving more detail on the actual voting results and the entire proxy season, is attached.

RELATED REGENT POLICIES

Regent Policy 31-10: Procedures and Guidelines for Voting Proxies for Trust Funds.

Regent Policy 31-5: Investments and the Environment

Regent Policy 31-6: Investment of Trust Funds

Regent Policy 31-7: Interpretation of Policy 31-6 Relating to Divestiture

Regent Policy 31-13: Investments and Social Responsibility

Regent Policy 31-16: Sudan Divestment

UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

2009 Proxy Voting Season Results

Introduction

This report summarizes the results of the shareholder proposals for the 2009 proxy season. The UW System Trust Funds actively participates in voting on issues involving “non-routine” items related to corporate governance, and social issues including the environment, discrimination, or substantial social injury as addressed in Regent Policies 31-5, 31-6, 31-7, 31-13, and 31-16.

An attachment to this report gives the detailed listing of the specific UW Trust Funds votes for the 2009 season, as well as the overall results for each shareholder proposal. The proxy research and voting statistics included in this report were obtained from the Risk Metrics Sustainability Risk Monitor publication. It is worth noting that the Trust Funds can only vote proxies for shares held within separate accounts, not for commingled funds. Currently, 25 percent of the Long Term Fund equities are held in separate accounts, down from 28 percent in 2008.

Regarding the outcome for a given shareholder proposal, there are three possibilities: the resolution comes to a vote, is withdrawn, or is omitted. If the proposal *comes to a vote* the following guidelines apply: first-year proxy proposals must win at least three percent support to qualify for resubmission an additional year, second-year proposals must get at least six percent, and proposals in their third year or more must receive at least ten percent. Any proposal which fails these support levels may not be resubmitted at the company for another three years. It is important to note that shareholder proposals are phrased as a request and are intended to open a dialogue between shareholders and company management; that is, they are generally not binding on the company regardless of the level of support received. A *withdrawn* proposal generally indicates that an agreement was reached between the proponent and the company, usually in the form of a concession made by the company. For most shareholder activists, success in working out agreements that enable them to withdraw resolutions is a greater victory than a high vote of support. A proposal may be *omitted* by the Securities and Exchange Commission (SEC) at the request of the involved company. The SEC’s shareholder proposal rule lists 13 substantive reasons why shareholder resolutions can be omitted, ranging from vagueness to irrelevance.

2009 Proxy Season Summary

The 2009 proxy season saw the filing of 361 proposals related to social issues, with nearly half of them coming to votes. Through the end of June, 174 social issue proposals resulted in shareholder votes, 143 were withdrawn, and 44 were allowed to be omitted by the SEC (a summary table is included below). Final or preliminary vote results are in for 123 of the voted proposals, of which 32 received greater than 15 percent shareholder support. Until the past several years, few social issue proposals have reached the 15 percent support mark.

As in 2008, the categories of proposals that won strong support included the following requests of companies: expand or report on their fair employment policies; track and reduce their

greenhouse gas emissions; disclose and monitor their political contributions. Each of these categories received, on average, the support of 20 percent or more of votes cast.

In contrast, categories of proposals that received low shareholder support for the 2009 proxy season included the following: that tobacco companies restrict their marketing or support smoking bans; that companies end animal testing or adopt humane testing standards. Each of these categories averaged less than five percent support.

Proponents have so far withdrawn 143 resolutions in 2009, topping the previous all-time high of 129 set last year. While some proponents have traditionally been willing to withdraw resolutions for little more than the promise of continued discussion, more and more withdrawals are taking place after the target companies agreed to fully implement the proposals. All but a few of the total withdrawals this year represented concessions made by the target companies. Most notable among the withdrawal categories were proposals regarding health care and equal employment, where proponents managed 23 and 22 withdrawals, respectively. The majority of the equal employment withdrawals involved changes in the language of the company's equal employment policy. In the health care category, a typical withdrawal represented a promise by the company to examine comprehensive health care reform. Also withdrawn were 20 proposals regarding sustainability, an area in which companies have been consistently responsive. The majority of these involved a promise by the company to produce a detailed sustainability report. Other notable withdrawals include proposals asking companies to disclose their political contributions, a campaign which has been conducted over the past five years. Seventeen companies agreed to fully disclose political contributions this proxy season.

The number of resolutions the SEC agreed companies could omit was down from the recent year average. Companies have been allowed to omit 45 social issue resolutions, down from 60 in 2008. The "ordinary business" exclusion accounted for nearly half of the 2009 social issues omissions. The ordinary business exclusion is perhaps the most common way a company gets a resolution omitted by the SEC; by claiming that they are already implementing what the resolution requests, or by claiming that the resolution addresses ordinary business. The SEC considers ordinary business matters too routine to be governed by shareholders. The remainder of the omissions came from the SEC concluding the resolutions fell into one of the other 12 substantive exclusion rules allowed under the SEC's shareholder proposal rule.

A summary of the overall number and status of the social issue proposals over the past five years is given in the following table:

Social Issues Proposals 2005-2009*					
	2005	2006	2007	2008	2009
Filed	331	329	346	373	361
Omitted	60	55	63	60	44
Withdrawn	103	97	109	129	143
Voted On	168	177	174	184	174
*For shareholder meetings January 1 through June 30.					

In addition, the following chart depicts a summary of the voting results for the past four proxy seasons by major social issue category.

Support Levels for Selected Social Issues					
Subject	2009 Resolutions ¹	Average Support 2009	Average Support 2008	Average Support 2007	Average Support 2006
Political Contributions	55	28.6%	25.2%	20.5%	19.6%
Health Care Reform	46	5.4%	4.3%	N/A ²	N/A ²
Environment: Global Warming	43	23.5%	23.0%	19.7%	11.7%
Equal Employment Opportunity	36	31.7%	23.4%	37.0%	15.6%
Environment: Pollutants/Other	35	14.2%	13.7%	10.3%	11.3%
Sustainability Reporting	30	17.8%	25.3%	20.4%	26.5%
Human Rights Issues	29	12.5%	13.2%	20.7%	13.4%
Animal Welfare	25	4.9%	N/A ²	6.3%	5.8%
Board Diversity	10	18.5%	N/A ²	19.9%	29.3%
Global Labor Standards	9	22.6%	10.5%	9.0%	9.9%
Military Issues	8	5.1%	N/A ²	7.3%	7.8%
Northern Ireland	4	10.1%	11.1%	12.9%	11.0%
Executive Pay and Social Performance	7	5.8%	9.9%	11.1%	9.6%
Tobacco Production and Marketing	7	2.8%	3.1%	1.7%	3.5%

¹ Includes only those resolutions which came to votes.

² Not available, as preliminary or final vote results are available for fewer than two-thirds of the proposals in this category.

A brief discussion of the major social issue proposals for the 2009 season is now provided below.

The Environment

Environment-related proposals once again received the most filings of any social issue area. Investors this year filed 78 environment-related proposals, on par with the 80 filed last year. The diverse proposals ranged from global warming, to the use of renewable energy, to environmental controversies overseas.

By far, the largest segment of environmental proposals focused on climate change, with over half of the total environmental resolutions filed. Proponents urging companies to take action to reduce their greenhouse gas emissions or support renewable energy initiatives saw increased success for the third straight year. Climate-related proposals have averaged 24 percent support in 2009, compared with 23 and 20 percent in 2008 and 2007, respectively. One specific proposal regarding climate change has received the highest support level ever for an environment-related resolution. The proposal, asking Idacorp to set reduction goals for greenhouse gas emissions, received a whopping 52 percent support. The previous record of 40 percent was set last year. Three additional climate change proposals, at Massey Energy, Mirant, and Dover, also beat the previous record, with all achieving greater than 40 percent support.

The People for the Ethical Treatment of Animals (PETA) launched a new climate change campaign this year regarding emissions from factory farming. Resolutions at Tyson Foods and Hormel asked the companies to disclose greenhouse emissions relating to factory farming. Both proposals received less than three percent support, below the threshold needed for resubmission.

An additional group of environmental proposals focused on the use of natural resources and protecting natural habitats. A proposal at ConocoPhillips asked the company to review the environmental impact of the Alberta, Canada oil sands operation. The resolution was the highest scoring proposal for this group, receiving 30 percent support.

Health Care Reform

Labor activists continued the campaign they began last year after finding a way past the traditionally SEC-blocked universal health care option. Over the years, the SEC staff had frustrated shareholder activists trying to address health care reform by considering company universal health care plans to be fundamentally related to employee benefits, which have always been considered an “ordinary business” matter for management. This current group of health care reform resolutions primarily asked companies to adopt an approach to comprehensive health care reform based on the five principles listed in a 2004 report from the Institute of Medicine, an arm of the National Academy of Sciences. The principles assert that health care coverage should be universal, continuous, and affordable to individuals and families. The proposal was submitted at 41 companies, up from 27 last year.

Health care reform proponents were able to work out agreements that led to withdrawals of nearly half of the proposals submitted. Notable withdrawals included resolutions at 3M, American Express, Du Pont, Exxon Mobil, Home Depot, and Kellogg. However, as was true in the first year of the campaign, none of the proposals that came to votes earned more than single-digit support. Average support for the voted resolutions was five percent, the same as in 2008. The highest support came from a resolution at Boeing, which received eight percent support.

Sustainability

Sustainability is generally defined as meeting the needs of the present without compromising the ability of future generations to meet their needs. Advocates of sustainability reporting contend that companies which focus on and manage sustainability will improve their long-term shareholder value. The sustainability issue has received strong shareholder support since it first appeared in 2002. For the second straight year, sustainability resolutions produced the highest percentage of withdrawals by social issue category, with 20 of the total 30 sustainability resolutions reaching withdrawn agreements. The withdrawals generally involved the target company's agreement to write a detailed sustainability report. The six sustainability resolutions which came to votes averaged 18 percent support.

Human Rights

The number of human rights proposals dipped slightly this year. Twenty-nine proposals were issued, down from 32 last year. The human rights category was diverse, with proposals ranging from general requests for a human rights policy to resolutions focused on internet censorship. Of the total human rights resolutions, 19 were voted, five were withdrawn, and five were omitted.

Voting results within the human rights category was mixed, even among very similar resolutions. For example, resolutions asking companies to establish or review human rights policies averaged 27 percent support at Chevron and Altria, while the same resolutions at Motorola and Occidental Petroleum received only seven percent support.

Global Labor Standards

The number of resolutions on global labor standards continued to fall this year. Only nine proposals were issued, down from 13, 17, and 28 the past three years, respectively. The category, however, has a history of producing favorable withdrawal agreements and achieved another this year at Xerox.

All of the global labor standards proposals involved resolutions asking companies to develop codes based on the International Labor Organization's (ILO) core standards and to provide for independent monitoring of compliance with those codes. The eight ILO standards that are designed as "core" call for non-discriminatory treatment of employees, equal pay for equal work, freedom of association, the upholding of employees' rights to engage in collective bargaining, and the banning child and forced labor. Of the total nine resolutions on global labor, seven were voted, one was withdrawn, and one was omitted. The resolutions which came to votes averaged 23 percent, up from 11 percent last year, although several are still awaiting final tally.

Equal Employment

The equal employment opportunity category was once again dominated by proposals asking companies to put in place workplace policies ensuring that there is no discrimination on grounds of sexual orientation. Thirty-six proposals were filed, the highest level ever for the

equal employment category. The category is also notable for the high percentage of withdrawal agreements achieved, with 22 of the total resolutions being withdrawn. The 12 equal employment resolutions which came to votes averaged 31 percent, up from 23 percent last year.

Political Contributions

The coordinated shareholder campaign to get companies to report on their political contributions and policies is in its sixth year. This year's campaign involved 55 proposals, up from 48 last year, and again exhibited strong shareholder support. Political contribution proposals have averaged 29 percent support so far in 2009, on par with the 26 percent support in 2008. The highest support came from proposals at CVS Caremark (40 percent), and Union Pacific (39 percent). Of the total political contribution resolutions, 35 were voted, 17 were withdrawn, and three were omitted.

Animal Welfare

Activists sponsored 25 resolutions this year, one short of last year's total. Of the total resolutions, 16 were voted, five were withdrawn, and four were omitted. The animal welfare category continued to generate very low levels of support, averaging only five percent support for the resolutions coming to votes.

Board Diversity

The number of resolutions on board diversity has steadily fallen since 2005, with only ten being filed this year. Of the total resolutions, six were withdrawn after agreements, four were voted, and one was omitted. Average support for the six resolutions coming to votes was 19 percent, in line with the category average from recent years.

Executive Pay

The number of resolutions on linking executive pay to social performance measures has dropped to almost zero in the last few years. Only six were proposed, compared with three and six for the past two years, respectively. Of the six resolutions, two came to votes, two are pending, one was withdrawn, and one was omitted. Worth noting was a proposal to link executive pay to social criteria at Exxon Mobil, which won 12 percent support.

Military Issues

Religiously-affiliated proponents continued, as they have since the 1970s, to propose a mix of military-related resolutions on arms sales and criteria for military contracts. There were eight resolutions on military issues, the same as in 2008. Five of the resolutions asked for reports on foreign military sales while the remaining three resolutions asked for reports on space weapon development.

None of the resolutions have earned more than single-digit support. Proposals on foreign military sales at Boeing and Caterpillar received support of seven percent and four percent,

respectively. Three resolutions which came to votes are still awaiting tally. As is typical for the military issues category, there were no withdrawals or omissions.

Northern Ireland

The New York City pension funds continued their campaign, now in its 25th year, to get companies to implement the MacBride principles against discrimination in the workplace in Northern Ireland. As more and more companies have signed on to the principles, only four resolutions were issued this year. Three of the four resolutions came to votes. Manpower received 12 percent support while Crane received nine percent. A resolution at BE Aerospace is awaiting the final tally while a withdrawal occurred at TJX Companies after the firm became a MacBride endorser.

2009 UW Trust Funds Proxy Results Summary

UW Trust Funds submitted voting instructions for 60 proposals (including “non-routine” corporate governance proposals), compared with 47 and 60 proposals for the past two years. Of the proxies submitted for voting by the Trust Funds, 28 came to votes, 22 were withdrawn, nine were omitted and one is pending.

The primary submissions for the UW Trust Funds on social issues involved the environment and global climate change (20), health care reform (six), human rights (five), and equal employment opportunity (three). For corporate governance issues, the UW’s only submissions involved political donations (12).

The highest support vote on an individual social issue came at Exxon Mobil. The resolution, asking the company to adopt a sexual orientation non-discrimination policy, received 39 percent support.

The *UW Trust Funds 2009 Proxy Season Voting List*, providing details on the individual voting results, is attached.

REFERENCES

1. Mathiasen, Carolyn. *Risk Metrics Group Risk Monitor*. June/July 2009.

UW TRUST FUNDS
2009 Proxy Season Voting List

Company	Mtg Date	Proposal	Policy	Vote	Result
EXELON	4/28	Report on global warming	31-5	Affirmative	3.9%
INTEL CORP	5/20	Report on water use	31-5	Affirmative	5.9%
CONOCO PHILLIPS	5/13	Adopt principles for health care reform	31-13	Affirmative	6.0%
CHEVRON	5/27	Report on environmental review process	31-5	Affirmative	7.0%
JC PENNY CO	5/15	Adopt principles for health care reform	31-13	Affirmative	7.0%
EXXON MOBIL CORP	5/28	Review executive perks and sponsorships	31-13	Affirmative	7.9%
APPLE INC	4/25	Issue sustainability report	31-5/31-13	Affirmative	8.0%
ALLERGAN	4/30	Review feasibility of non-animal test methods	31-13	Affirmative	8.4%
JP MORGAN CHASE	5/19	Report on predatory lending	31-6	Affirmative	8.4%
EXXON MOBIL CORP	5/28	Report on climate change leadership benefits	31-6	Affirmative	10.0%
AVON PRODUCTS	5/7	Review product safety and nanomaterials	31-5	Affirmative	10.7%
DYNEGY INC	5/22	Report on greenhouse gas emissions	31-5	Affirmative	17.2%
APPLE INC	4/25	Report on political contributions	CG	Affirmative	20.2%
BURLINGTON SANTA FE CORP	4/23	Report on political contributions	CG	Affirmative	23.6%
HALLIBURTON	5/20	Report on human rights policy	31-13	Affirmative	23.8%
WELLS FARGO	4/28	Report on political contributions	CG	Affirmative	27.2%
EXXON MOBIL CORP	5/28	Development of renewable energy alternatives	31-5	Affirmative	27.3%
HALLIBURTON	5/20	Report on political contributions	CG	Affirmative	27.3%
CONOCO PHILLIPS	5/13	Report on political contributions	CG	Affirmative	27.5%
CHEVRON	5/27	Adopt comprehensive human rights policy	31-13	Affirmative	28.0%
CHEVRON	5/27	Report on country selection standards	31-5	Affirmative	28.0%
EXXON MOBIL CORP	5/28	Set greenhouse gas emission reduction goals	31-6	Affirmative	29.0%
CONOCO PHILLIPS	5/13	Set greenhouse gas emission reduction goals	31-6	Affirmative	30.5%
CONOCO PHILLIPS	5/13	Review impact of oil sands operations	31-5	Affirmative	30.5%
AT&T	4/24	Report on political contributions	CG	Affirmative	31.8%
WYETH	4/29	Report on political contributions	CG	Affirmative	34.3%
ANADARKO PETROLEUM	5/19	Adopt sexual orientation anti-bias policy	31-6	Affirmative	38.0%
EXXON MOBIL CORP	5/28	Adopt sexual orientation anti-bias policy	31-6	Affirmative	39.3%
ALCOA	5/8	Report on global warming	31-5	Affirmative	Omitted
APPLE INC	4/25	Report on climate change impact assessment	31-5	Affirmative	Omitted
AT&T	4/24	Report on internet privacy	31-13	Affirmative	Omitted
CHEVRON	5/27	Review impact of oil sands operations	31-5	Affirmative	Omitted
COMCAST	5/13	Report on internet privacy	31-13	Affirmative	Omitted
CONOCO PHILLIPS	5/13	Report on community hazards	31-5	Affirmative	Omitted
EXXON MOBIL CORP	5/28	Report on political contributions	CG	Affirmative	Omitted
SPRINT NEXTEL	5/12	Report on internet privacy	31-13	Affirmative	Omitted
WELLS FARGO	4/28	Report on fair housing lending policy	31-6	Affirmative	Omitted
CISCO SYSTEMS	11/19	Report on internet privacy	31-13	Affirmative	Pending
BROADCOM CORP	6/1	Issue sustainability report	31-5/31-13	Affirmative	Withdrawn
CHEVRON	5/27	Set greenhouse gas emission reduction goals	31-6	Affirmative	Withdrawn
CONOCO PHILLIPS	5/13	Report policy on indigenous peoples	31-5/31-13	Affirmative	Withdrawn
DISCOVER FINANCIAL	4/21	Report on predatory lending	31-6	Affirmative	Withdrawn
EXELON	4/28	Report on political contributions	CG	Affirmative	Withdrawn
EXXON MOBIL CORP	5/28	Report on community hazards	31-5	Affirmative	Withdrawn
EXXON MOBIL CORP	5/28	Contribute to sustainable energy independence	31-5	Affirmative	Withdrawn
EXXON MOBIL CORP	5/28	Report on plans to drill in Artic National Refuge	31-5	Affirmative	Withdrawn
EXXON MOBIL CORP	5/28	Adopt principles for health care reform	31-13	Affirmative	Withdrawn
GENERAL ELECTRIC	4/22	Disclose mercury in florescent lightbulbs	31-5	Affirmative	Withdrawn
GLACIER BANCORP	4/29	Adopt sexual orientation anti-bias policy	31-6	Affirmative	Withdrawn
JP MORGAN CHASE	5/19	Adopt Eorudad Charter on responsible financing	31-6	Affirmative	Withdrawn

MACYS	5/20	Review toxicity of product formulation	31-5	Affirmative	Withdrawn
METLIFE	4/28	Report on response to climate change	31-5	Affirmative	Withdrawn
MORGAN STANLEY	4/21	Report on predatory lending policy	31-6	Affirmative	Withdrawn
PEABODY ENERGY	5/1	Adopt principles for health care reform	31-13	Affirmative	Withdrawn
PHILIP MORRIS	5/27	Adopt comprehensive human rights policy	31-13	Affirmative	Withdrawn
SOUTHWEST AIRLINES	5/20	Issue sustainability report	31-5/31-13	Affirmative	Withdrawn
STARBUCKS	3/18	Report on political contributions	CG	Affirmative	Withdrawn
STARBUCKS	3/18	Adopt principles for health care reform	31-13	Affirmative	Withdrawn
WELLS FARGO	4/28	Report on predatory lending	31-6	Affirmative	Withdrawn
WYETH	4/29	Adopt principles for health care reform	31-13	Affirmative	Withdrawn

Note: A "CG" designation represents a non-routine Corporate Governance proposal.