2011-2012 ENDOWMENT REPORT

ENDOWMENTS BY THE NUMBERS

41% Chairs & Professorships
40% Endowed Scholarships
19% General Program, Research, Faculty Development, Lectureships & Multi-purpose Endowments
POOLED INVESTMENT FUND OVERVIEW

Endowment gifts for the benefit of Oklahoma State University are placed in the Pooled Investment Fund (PIF), which is managed by the OSU Foundation. As of June 30, 2012, the OSU Foundation PIF consisted of 2,540 separate endowments. During FY 2012, $35.6 million in new endowment gifts were received. The total market value on June 30, 2012, of the endowment accounts was $466.2 million, which included the chair and professorship accounts and scholarship accounts established through the Pickens Chair and Professorship and Pickens Legacy Scholarship matching programs.

The primary objective of the PIF is to generate an increasing stream of income to meet the rising costs of education, research and campus life while maintaining the purchasing power of its individual endowments over time. The chart below represents the fair market value of the endowment for each fiscal year over a 10-year period.

PROGRAM SUPPORT

The Pooled Investment Fund supports University programs as designated by the donors. Programs supported by the spending policy distributions include scholarships, fellowships, professorships, chairs, building operations and research activities.

Many important university activities could not be achieved without the financial support from endowment funds. OSU is fortunate to have endowments that support programs system-wide.
INVESTMENT PERFORMANCE

The PIF’s performance is calculated on a total return basis, which measures the performance of equity, fixed income and alternative investments. Total return, for purposes of this report, is the combination of income, dividends, gains and losses for the fiscal year net of investment management fees. Investment performance is determined on the PIF as a whole rather than on each separate endowment. Depending upon the timing of additions to an individual endowment, returns on specific endowments may vary from the following result.

ASSET ALLOCATION AND PORTFOLIO COMPOSITION

The Pooled Investment Fund incorporates a long-term view of the financial markets to determine the appropriate asset allocation guidelines.

ASSET ALLOCATION
JUNE 30, 2012

SUB-ASSET ALLOCATION
JUNE 30, 2012
SPENDING POLICY

A goal of the Pooled Investment Fund is to achieve investment performance that supports stable endowment spending from year to year in order to provide steady predictable funding for programs.

During FY 2012, the Board of Trustees approved spending amounts were calculated as the prior year’s spending amount adjusted by inflation. The adjustment for inflation is made by dividing the Consumer Price Index (CPI) as of August of the current year by the CPI of August of the previous year. The calculated spending amount was adjusted by adding an amount equal to 5 percent of new gifts or reinvested cash received by Sept. 30. The spending policy is reviewed by the Investment Committee at least annually. The Committee can, and has made, annual adjustments to the formula to increase the distribution when exceptional investment performance is achieved.

The graph at right represents the funds available to the University from the Pooled Investment Fund’s spending distribution for the six-year period FY08–FY13.

GLOSSARY OF TERMS RELATED TO FINANCIAL SUMMARY

Chairs/Professorships: Funds utilized to support teaching and research efforts of an endowed faculty position.

Distribution of Funds: Utilization of cash available that supports the purpose of the endowment.

Endowed Gifts During Fiscal Year: Gifts made to your endowment during the fiscal year.

Endowment Gift Value: The original contribution to your endowment plus previous additional gifts to your endowment.

Market Value of Endowment: Fair market value of your endowment at the beginning and end of the fiscal year.

Net Investment Income, Gains (Losses): Realized and unrealized gains and losses after expenses of consulting, custodial and endowment management fees. The latter is the fee paid to the OSU Foundation for management of the Pooled Investment Fund. For FY11 this fee was 21 percent of the average daily balance of the market value of the Pooled Investment Fund.

Other Additions: Additions other than gifts or net investment income to your endowment (i.e. mineral interest, income from real property, and short-term earnings paid on cash balances).

Other Program Support: Funds utilized to support endowed programs other than scholarships/fellowships and chairs/professorships. Examples would be lectureships, research initiatives, building or operational support.

Reinvested Cash: Funds transferred from cash available to your endowment.

Scholarship/Fellowships: Funds utilized to support educational endeavors of a student.

Spending Gifts During Fiscal Year: Gifts made to your fund to be used for current spending rather than endowed.

Spending Policy Distribution: Funds provided by your endowment for support of OSU during the fiscal year as determined by the Spending Policy. The Policy allows for the use of both realized income and appreciation as components of spending distribution.

Total Cash Available for Spending: Funds available for expenditure resulting from application of the Spending Policy, carryover balances from previous fiscal year(s) or other additions to the fund.

Total Historical Gift Value: The summation of all gifts to your endowment.

Total Endowment Balance: Sum of the market value of the endowment and the cash available for spending.