HOW DOES AN ENDOWED FUND WORK?
You have probably heard of a mutual fund. Endowed funds at the University work much like a mutual fund: each new fund is assigned shares or units in the overall University endowment pool at the previous quarter’s market value. When a fund is established for a specific purpose (such as scholarships, program assistance, etc.) the available income, distributed according to the spending policy, is directed to that purpose. The annual income distribution is allocated to each endowment account in the overall investment pool based on the number of shares assigned to the account as of July 1 of the given year. Any earnings above the spending rate are retained in the investment account to steadily grow the endowment and thus the earning potential. When there are additions to an endowed account during the fiscal year, shares are assigned based upon the market value per share of the entire investment pool at the end of the previous quarter.

WHAT IS THE MARKET VALUE OF AN ACCOUNT?
The market value of an endowed account is the value of each endowment’s share of the pool’s investment portfolio at the end of a specific time period.

HOW OFTEN ARE MARKET VALUES CALCULATED?
Market values are calculated by the University on a monthly basis.

WHEN IS INCOME AVAILABLE FROM AN ACCOUNT?
New funds will begin to receive income after 12 months of existing in the pool. This policy allows for new funds to season and start to gain investment returns before being spent. To ensure immediate spendable income, additional gifts can be directed to the operating side of an endowment.

WHAT IS THE SPENDING POLICY AND SPENDING RATE?
The purpose of the endowment is to provide funding, in perpetuity, for programs of the university. The amount of this funding each year, referred to as the spending allowance, is determined by the Boards’ Spending Policy. The Boards have selected a spending rate of 4.00% of the average of the trailing 12 quarter-end endowment market values as being appropriate for sustaining the purchasing power of the endowment and yet still providing the funding for which the endowment was established. Adjustments will be made when appropriate.

WHY DOES AN ENDOWMENT ONLY GET TO SPEND A FIXED PERCENTAGE ANNUALLY?
The goal of creating an endowment is to ensure funding in perpetuity. A fixed percentage for spending helps to ensure adequate protection of the endowment’s future purchasing power.

WHAT IS AN UNDERWATER FUND?
An underwater fund is one in which the current market value is below the original gift value that opened the fund.

DOES AN ACCOUNT STILL GENERATE SPENDABLE INCOME IF IT IS UNDERWATER?
Yes. In June 2009 the NJ Legislature adopted UPMIFA – the Uniform Prudent Management of Institutional Funds Act. This act regulates numerous facets of fund management, including fund expenditures. Therefore, even during less than favorable economic periods, it allows for prudent spending to support the University. Spending distributions for funds more than 15% underwater will be suspended until those funds recover below this 15% threshold.
WHAT IS THE GIFT ASSESSMENT FEE?
Currently there is a one-time 2.5%, 5% or 10% fee charged on outright gifts, depending on the size of the gift. 2.5% for gifts of $10,000,000 or more, 5% for gifts of $10,000 or more, 10% for gifts of $9,999 or less.

WHAT IS THE ENDOWMENT ADMINISTRATIVE FEE?
The annual Endowment Administrative Fee represents a 0.95% charge based on the 12-quarter average market value of the endowment pool at the last closed fiscal year.

WHY ARE THERE FEES ASSOCIATED WITH MAKING A GIFT AND CREATING AN ENDOWMENT?
The University Board of Governors established these fees in order to support fundraising activities, the growth of the Endowment, and the University. Rutgers is not alone in charging gift and endowment fees. It is common amongst institutions of higher education to assess fees that assist in the running a fundraising endeavor, in addition to other University goals.

WHAT IS THE UNIVERSITY’S ENDOWMENT?
As of June 30, 2018, the university’s endowment was valued at $1,330,010,691.

WHY DOES A PUBLIC UNIVERSITY NEED AN ENDOWMENT?
There is a misconception that a public University, or state University, is funded fully or in large measure by the State. This is not true. In fact, in 2017, only 22% of Rutgers budget was covered by State of New Jersey funding; that’s down from 1989, when 69.9% was covered by the state. As a result, Rutgers and institutions like it must rely on fundraising to assist with meeting the priorities of the institution and the balance of the budget.

WHO MANAGES THE ENDOWMENT?
The Board of Governors and the Board of Trustees have oversight of the Endowment. These boards delegate their responsibility to the University’s Joint Committee on Investments (“JCOI”) and appoint committee members. The JCOI sets overall policy, monitors, and oversees the Endowment Office which administers, implements strategy, and makes recommendations.

WHAT PERCENTAGE OF THE ENDOWMENT IS RESTRICTED?
About 60 percent of the university's endowment funds are permanently restricted, and 43 percent of these restricted funds are dedicated to scholarships and fellowships.
WHAT PERCENTAGE OF THE UNIVERSITY’S OPERATING BUDGET IS FUNDED BY THE ENDOWMENT?
Less than 1%.

WHAT IS THE OVERALL PURPOSE AND INVESTMENT PHILOSOPHY FOR UNIVERSITY ENDOWMENT ASSETS?
The Endowment’s primary purpose is to achieve a total return averaging at least the spending rate of 4% plus inflation and costs. Returns experienced in excess of this provide for the long-term growth of the Endowment. The Endowment’s time horizon is considered to be infinite with a focus on long-term performance.
Our mission is to achieve strong returns at an acceptable level of risk while adhering to the highest fiduciary standards and upholding a commitment to the core values of Rutgers University.

**Time Horizon**
The endowment has a long-term investment horizon and serves as a perpetual asset to the University.

**Return**
The long-term objective is to achieve a total return averaging at least the spending policy plus inflation, net of fees and expenses. Returns in excess of this amount will provide for the long-term growth of the endowment.

**Risk**
The overall level of risk in the endowment will be primarily mitigated by attention to asset allocation. The focus is on overall portfolio risk, not risk related to specific asset classes.

**Liquidity**
The endowment has a long-term investment horizon with relatively low liquidity needs. For this reason, the endowment can tolerate short- and intermediate-term volatility provided that long-term returns meet or exceed its investment objective.

HOW IS THE ENDOWMENT INVESTED?
Please visit [http://www.support.rutgers.edu/investment-policy](http://www.support.rutgers.edu/investment-policy) for detailed information on how the endowment is invested.

WHY DO I HAVE TO SIGN A FUND AGREEMENT IF I AM ESTABLISHING AN ENDOWED FUND?
The fund agreement is your insurance that the University will make every effort to comply with the intentions of your gift. This also provides a historical record of the purpose of the fund, for future administrators to adhere to.

HAVE MORE QUESTIONS?
If you have more questions, please feel free to contact the Department of Donor Relations by calling (848) 932-8514. We look forward to helping in any way we can.