

March 19, 2014

MEMORANDUM

TO: State Board of Regents  
FROM: David L. Buhler  
SUBJECT: USHE – Annual Money Management Report for the Fiscal Year Ending June 30, 2013

Issue

Pursuant to *Utah Code 51-7-13(3)(a)(c)*, *Utah Code 51-8-303(6)*, and Board of Regents policy R541, the State Board of Regents shall receive from each institution monthly, and annually, reports detailing the deposit and investment of funds in its custody or control, and submit annually to the Governor and the Legislature a summary report of all investments by institution under its jurisdiction. This report is compiled and summarized from the investment reports submitted by the institutions and meets the requirements of the statutes.

On a monthly and annual basis each institution prepares investment reports that are reviewed and approved by the Treasurer of the Institution attesting to the compliance to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the State Money Management Act, and submitted for approval to each of the Institution's Board of Trustees (the responsibility for approving these reports has been delegated by the Board of Regents).

The annual report is also reviewed by the internal auditor(s) of each institution to verify compliance with state statutes, Regents policy, institutional policy, federal regulation, strength of controls, and to certify the completeness and accuracy of the reports. Institutional reports (monthly and annual) are on file in the Commissioner's Office. The attached tables and graphs are a summary of what was approved by each institution and demonstrate the relative size of institutional investments and the asset allocations in place at each school. This report is presented to the Board of Regents as an information item prior to being submitted to the Governor and Legislature.

Background

In order to provide the required audited reports to the Governor and the Legislature, this report is prepared after the state auditors complete their annual audit with the institutions. The investment figures used in this report tie to the audited "Statement of Net Assets" found in the financial statements for each institution. While that impacts the timeliness of this annual report, monthly reports are reviewed by institutional Trustees and the Office of the Commissioner each month.

The reports show the total USHE investments by class, based on the specific governing regulations. These classes are: (1) Endowments - governed by UPMIFA and regents policy R541. (2) Foundations - governed by a Foundation Board of Trustees/Directors operating under the requirements of non-profit 501(c)(3)s. (3) Other Funds - all funds not endowment or foundation operating under the guidelines and requirements of Utah Code 51-7, and Utah Money Management Act. These funds are required to be invested in a qualified depository.

The attached tables and graphs show the funds invested by category, class, and institution. Pages 1-2 display Endowment Funds, pages 3-4 Foundation Funds, pages 5-6 Other Funds, and page 7 displays trends in the total value of all fund's invested by each Institution over the previous three year period.

#### Additional Information

In response to Regents' questions, the Commissioner's staff has worked with USHE controllers in providing additional information regarding the oversight and review of the investment process, including asset allocation, compliance with laws and regulations, return on assets, and risk management. The following has been provided by the institutions describing their processes and procedures for evaluating the performance of their respective investments, as well as the various benchmarks that are used in the evaluation process, including notes describing the use of outside industry professionals to assist in the management of institutional investments.

#### Oversight and Review

The responsibility for oversight, management and reporting of assets invested, including the management of the portfolio, selection of investment products, and investiture/divestiture decisions have been delegated by the Board of Regents to an institution's Board of Trustees. To assist in this work, the institutions have given operational responsibility for this oversight to investment committees. These committees vary by institution, but may include trustees, institutional officers, designated treasurers, institution employees, members of the business community, and investment professionals. The various committees evaluate their respective investments relative to returns, risk mitigation, institutional needs, reasonableness, effectiveness, overall position, prudence, and management cost, while maintaining compliance with statutes, policies, authorities, and regulations. Reports of the positions, instruments, and balances are produced on a monthly and a quarterly basis by the designated treasurer, approved by committees, and presented to the institutional President and Board of Trustees for review and approval.

#### Performance Measurement

Institutional use of outside professionals varies amongst institutions. In some cases, they are utilized to directly manage pieces of investment portfolios, and may include Commonfund, Wells Fargo, LCG Associates, Albourne America, and Strata Financial Services. In other cases, individuals who are recognized as investment professionals may sit on the investment committees.

Industry standard benchmarks are used by the various institutions to measure the return on their investments, allocation of assets, and risk level. These include S&P 500, Russell 3000, Morgan Stanley (MSCI) for equity funds, UBS index, Barclays Capital Index, London Interbank Offered Rate (LIBOR), and peer group comparisons. Several institutions participate in a national survey by NACUBO – Commonfund Study of Endowments (which includes all major colleges and universities in the U.S.). The results of this

annual study are a key indicator of how their investment practices and results compare to other major universities. The NACUBO study also provides insights into current investment trends and ways to improve overall results. Dixie State University has chosen to place the bulk of their investments with the University of Utah, thus getting the benefit of all the investment strategies the University of Utah has access to, as well as professionals on staff.

### Foundations

The Foundations are governed in a similar manner, having a board and committee that oversee and direct the investments of each foundation. The foundations are subject to federal regulations. In the case of Dixie State University and Utah Valley University, their foundations are completely separate entities from the institutions. Dixie State University does not maintain any institutional investments within their foundation. Snow College does not have a foundation.

Utah State University's foundation is considered to be a part of the university or "dependent foundation", which is dedicated to maximizing support from private donations. As such, foundation funds are invested as part of the university endowment according to current university guidelines, oversight protocols, performance evaluation standards, and according to the same investment policies as all other university funds.

### Commissioner's Recommendation

This is an information item only; no action is required.

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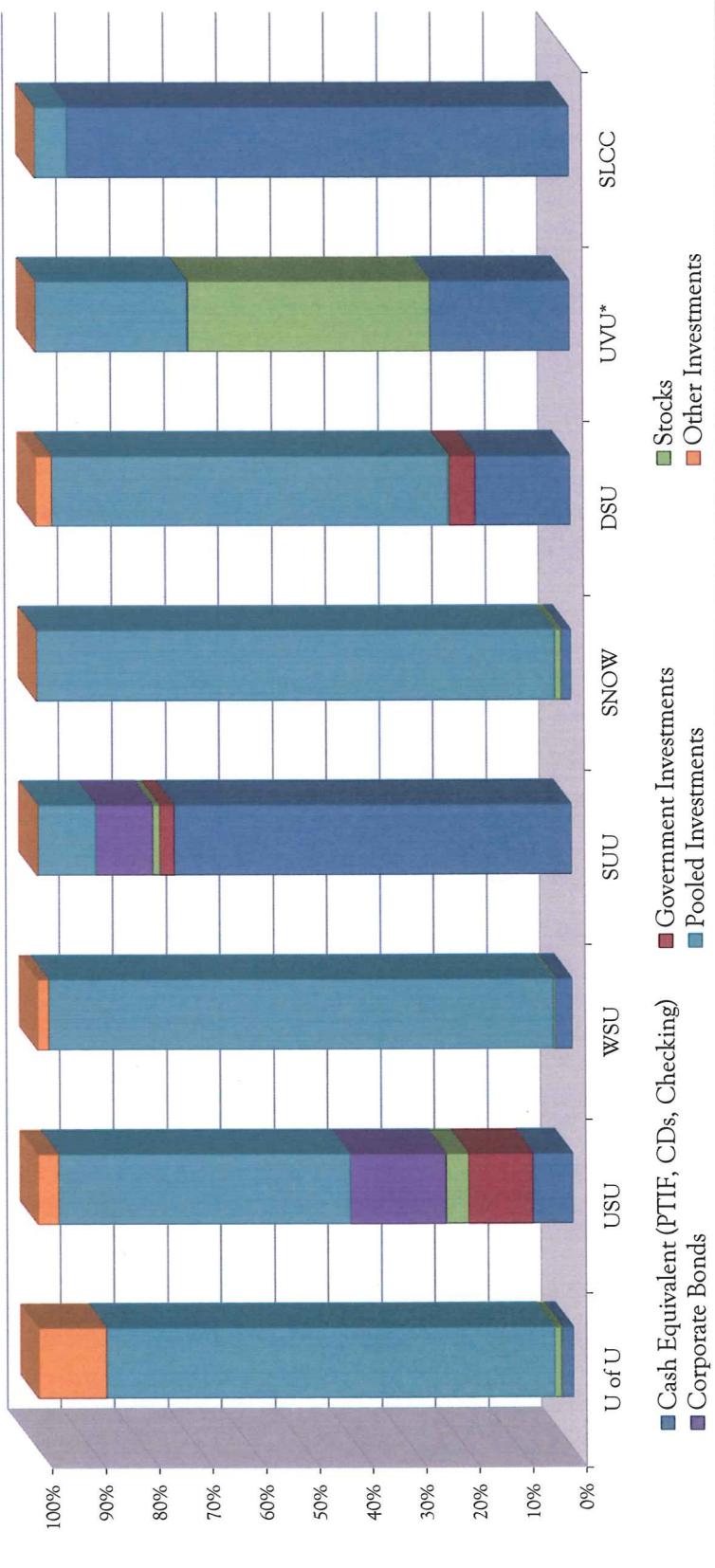
David L. Buhler  
Commissioner of Higher Education

DLB/GLS/BLS/MWM  
Attachment

## ENDOWMENT FUNDS BY CATEGORY AS A PERCENT OF TOTAL

GRAPH 1: This graph indicates the June 30, 2013 investment allocation of endowment funds for each USHE institution.

INVESTMENT CATEGORY	E N D O W M E N T	I N V E S T M E N T S					
CLASS	U of U	WSU	SUU	SNOW	DSU	UVU*	SLCC
Cash Equivalent (PTIF, CDs, Checking)	2.25%	7.50%	3.20%	74.42%	1.91%	17.84%	26.19%
Government Investments	0.00%	12.10%	0.00%	2.71%	0.00%	4.87%	0.00%
Stocks	1.28%	4.22%	0.35%	1.24%	1.15%	0.20%	45.33%
Corporate Bonds	0.00%	17.99%	0.00%	10.70%	0.00%	0.12%	0.00%
Pooled Investments	83.89%	54.43%	94.44%	10.73%	96.95%	74.12%	28.37%
Other Investments	12.59%	3.76%	2.01%	0.17%	0.00%	2.97%	0.00%



\* UVU manages endowment within foundation.

## SCHEDULE OF ENDOWMENT FUNDS

TABLE 1: This table indicates the June 30, 2013 total endowment funds invested for each USHE institution, by investment sub-category. Endowment funds are invested according to policy guidelines of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Regents Policy R541.

INVESTMENT SUB-CATEGORY	CLASS	S U M M A R Y O F U	E N D O W M E N T U S U	S U U	S N O W	D S U	U V U	SLCC
Savings/Checking/Money Mkt Accounts	A	\$ 5,829,940	\$ 3,765,437	\$ 979,798	\$ 475,045	\$ 116,169	\$ 1,065,681	\$ 3,523,655
Certificates of Deposit	A	\$ -	\$ 7,601,211	\$ -	\$ 179,426	\$ -	\$ 298,564	\$ 566,889
Utah PTIF Accounts	A	\$ 8,614,952	\$ 4,024,087	\$ 2,111,075	\$ 9,017,920	\$ -	\$ 523,575	\$ -
Obligations of US Government	B	\$ -	\$ 21,846,884	\$ -	\$ 352,484	\$ -	\$ 515,262	\$ -
Obligations of State/Local Government	B	\$ -	\$ 2,983,388	\$ -	\$ -	\$ -	\$ -	\$ -
Stocks	C	\$ 8,216,174	\$ 8,661,470	\$ 337,200	\$ 160,852	\$ 69,950	\$ 21,088	\$ 7,081,276
Corporate Bonds	D	\$ -	\$ 36,932,355	\$ -	\$ 1,389,512	\$ -	\$ -	\$ 18,971
Mutual Funds	E	\$ 536,733,086	\$ 94,212,626	\$ -	\$ 1,394,046	\$ 5,910,446	\$ 7,843,563	\$ 4,431,087
Commonfund Accounts	E	\$ 2,353,510	\$ 17,151,945	\$ 91,295,693	\$ -	\$ -	\$ -	\$ -
Alternative Investments	F	\$ 80,879,191	\$ 7,723,743	\$ -	\$ 22,624	\$ -	\$ 314,543	\$ -
Other Investments	F	\$ -	\$ -	\$ 1,942,404	\$ -	\$ -	\$ -	\$ -
<b>Total</b>		<b>\$ 642,626,853</b>	<b>\$ 205,265,146</b>	<b>\$ 96,666,170</b>	<b>\$ 12,991,909</b>	<b>\$ 6,096,565</b>	<b>\$ 10,582,276</b>	<b>\$ 15,621,878</b>
<b>USHE Total</b>		<b>\$ 996,316,887</b>						
<b>Percent To Total</b>		<b>64.50%</b>	<b>20.60%</b>	<b>9.70%</b>	<b>1.30%</b>	<b>0.61%</b>	<b>1.06%</b>	<b>1.57%</b>
								<b>0.65%</b>

TABLE LEGEND

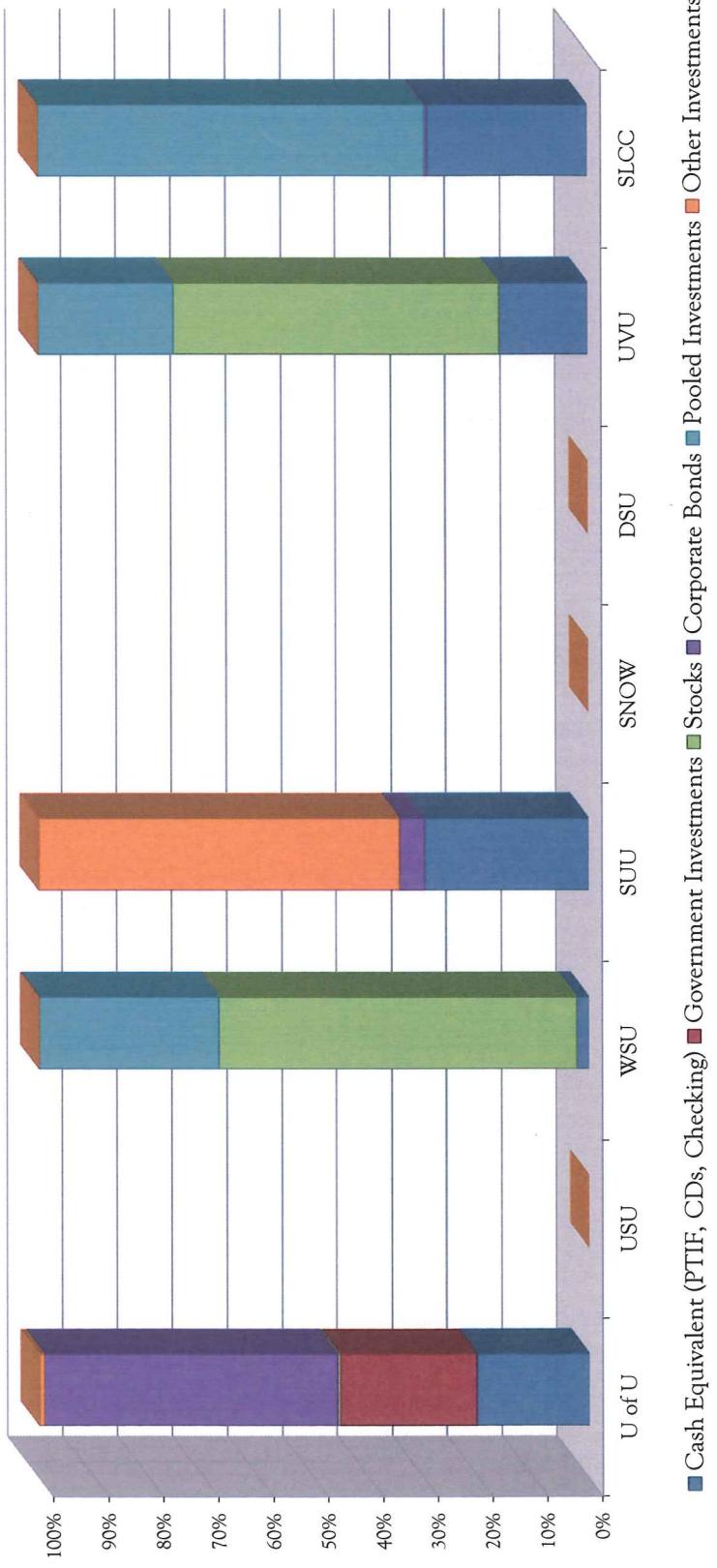
Category	Definition	Category	Definition
A	Cash or Cash Equivalent	D	Corporate Bonds
B	Government Investments	E	Pooled Investments
C	Stocks	F	Other Investments

For informational purposes, we have shown the endowment investments by institution, at the sub-category level. These categories roll up into six classifications. See legend for detail.

## FOUNDATION FUNDS BY CATEGORY AS A PERCENT OF TOTAL

GRAPH 2: This graph indicates the June 30, 2013 investment allocation of foundation funds for each USHE institution.

INVESTMENT CATEGORY	F	O	U	N	D	A	T	I	O	N	I	N	V	E	S	T	M	E	N	T	S
	C	L	A	S	U	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S
Cash Equivalent (PTIF, CDs, Checking)																					
Cash																					
Equivalents																					
CDs																					
Checking																					
Government Investments																					
Stocks																					
Corporate Bonds																					
Pooled Investments																					
Other Investments																					



## SCHEDULE OF FOUNDATION FUNDS

TABLE 2: This table indicates the June 30, 2013 total foundation funds invested for each USHE institution. Foundation investments are approved by the Foundation's Board of Trustees. They operate under requirements of nonprofit 501 (c)(3) foundations.

INVESTMENT SUBCATEGORY	CLASS	U of U	USU	VWSU	SUU	SNOW	DSU	UVU	SLCC
Savings/Checking/Money Mkt Accounts	A	\$ 9,504,662	\$ -	\$ 205,128	\$ 1,367	\$ -	\$ -	\$ 1,537,804	\$ 2,274,193
Certificates of Deposit	A	\$ 12,145,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,922
Commercial Paper	A	\$ 19,105,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utah PTIF Accounts	A	\$ -	\$ -	\$ 56,142	\$ 115,743	\$ -	\$ -	\$ 1,144,867	\$ -
Obligations of US Government	B	\$ 46,680,939	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Obligations of State/Local Government	B	\$ 2,843,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stocks	C	\$ 897,168	\$ -	\$ 7,437,488	\$ -	\$ -	\$ -	\$ 9,838,520	\$ -
Corporate Bonds	D	\$ 106,189,070	\$ -	\$ -	\$ 17,834	\$ -	\$ -	\$ -	\$ 41,994
Mutual Funds	E	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,089,196	\$ 5,700,664
Commonfund Accounts	E	\$ -	\$ -	\$ 3,737,693	\$ -	\$ -	\$ -	\$ -	\$ -
Alternative Investments	F	\$ 1,578,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Investments	F	\$ -	\$ -	\$ -	\$ 257,000	\$ -	\$ -	\$ -	\$ -
<b>Total</b>		<b>\$ 198,944,836</b>	<b>\$ -</b>	<b>\$ 11,436,451</b>	<b>\$ 391,944</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,610,387</b>	<b>\$ 8,113,773</b>
<b>USHE Total</b>	<b>\$ 235,497,391</b>								
<b>Percent To Total</b>	<b>84.48%</b>		<b>0.00%</b>	<b>4.86%</b>	<b>0.17%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>7.05%</b>	<b>3.45%</b>

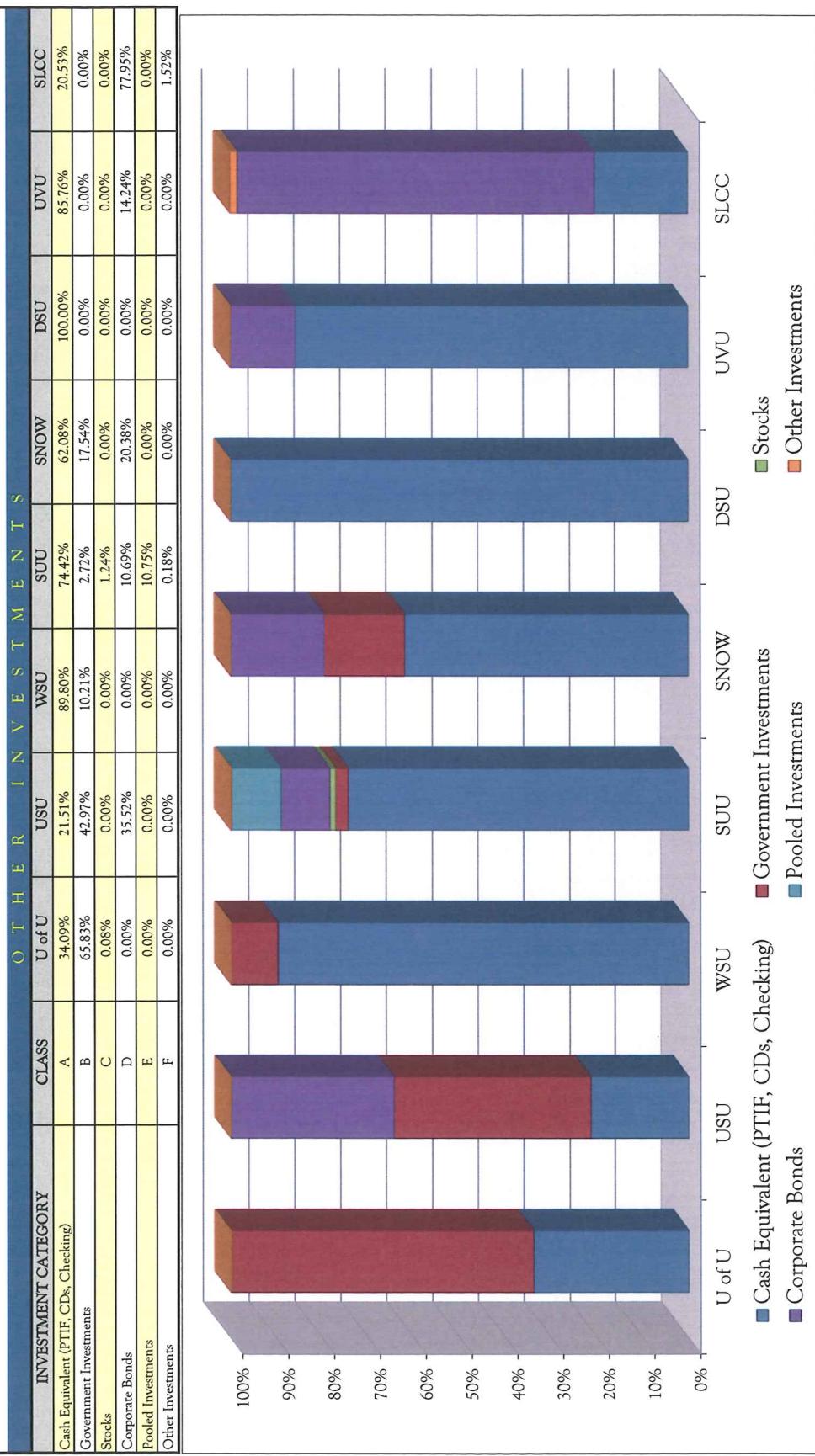
TABLE LEGEND

Category	Definition	Category	Definition
A	Cash or Cash Equivalent	D	Corporate Bonds
B	Government Investments	E	Pooled Investments
C	Stocks	F	Other Investments

For informational purposes, we have shown the foundation investments by institution, at the sub-category level. These sub-categories roll up into six categories (see legend for detail). Please note that DSU's foundation is not part of the institution. USU reports their foundation as part of their financial statements. UVU's foundation is separate from the institution, though is reported here as a courtesy. Snow College does not have a foundation.

## OTHER FUNDS BY CATEGORY AS A PERCENT OF TOTAL

GRAPH 3: This graph indicates the June 30, 2013 investments allocation of other funds for each USHE institution.



## SCHEDULE OF OTHER FUNDS

TABLE 3: This table indicates the June 30, 2013 total other funds invested for each USHE institution. The guidelines and requirements for these investments follow Utah Code 51-7- Utah Money Management Act. These funds are required to be invested in a qualified depository.

INVESTMENT SUB-CATEGORY	CLASS	S U M M A R Y	O F O T H E R I N V E S T M E N T S	SLCC
	U of U	WSU	SUU	DSU
Savings/Checking/Mkt. Accounts	A	\$ 176,973,771	\$ 14,116,455	\$ 940,367
Repurchase Agreements	A	\$ 47,000,000	\$ 4,771,470	\$ 8,817,285
Certificates of Deposit	A	\$ 19,251,031	\$ 15,006,324	\$ 534,367
Utah PTIF Accounts	A	\$ 233,685,342	\$ 12,841,636	\$ -
Obligations of US Government	B	\$ 917,213,405	\$ 80,580,150	\$ 19,465,099
Obligations of State/Local Government	B	\$ 3,741,565	\$ 12,813,283	\$ 104,202,381
Stocks	C	\$ 1,064,755	\$ -	\$ -
Corporate Bonds	D	\$ -	\$ 77,202,523	\$ 18,766,230
Mutual Funds	E	\$ -	\$ -	\$ 75,927,954
Alternative Investments	F	\$ -	\$ -	\$ -
Other Investments	F	\$ -	\$ -	\$ 1,481,308
Total		\$ 1,393,929,869	\$ 217,331,861	\$ 131,785,896
USHE Total	\$ 2,059,899,065			\$ 97,408,998
Percent To Total	67.91%	10.55%	5.59%	4.73%
			2.88%	6.40%
			0.89%	1.05%

Category	Definition	Category	Definition
A	Cash or Cash Equivalent	D	Corporate Bonds
B	Government Investments	E	Pooled Investments
C	Stocks	F	Other Investments

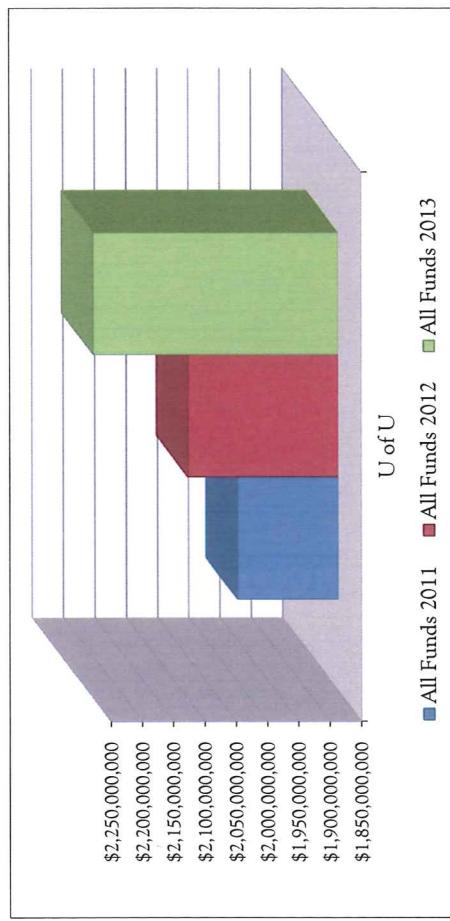
For informational purposes, we have shown the Other investments by institution, at the sub-category level. These sub-categories roll up into six categories (see legend for detail).

TABLE LEGEND	
A	Cash or Cash Equivalent

## SCHEDULE OF ALL FUNDS INVESTED 3 YEAR COMPARISON

TABLE 4 and GRAPH 4: Shows a comparison of all funds invested by institution over the previous three years. This comparison shows the trends that the institutions are seeing in the value of their respective investments. The University of Utah is displayed separately from the other institutions, so that other institution can visually scale properly.

ALL FUNDS INVESTED BY FISCAL YEAR						
FISCAL YEAR	U of U	WSU	SUU	SNOW	DSU	UVU
All Funds 2011	\$ 2,010,652,147	\$ 351,992,785	\$ 191,879,049	\$ 48,218,157	\$ 42,157,128	\$ 31,590,771
All Funds 2012	\$ 2,089,624,250	\$ 378,734,912	\$ 214,618,438	\$ 57,234,472	\$ 30,964,305	\$ 31,856,354
All Funds 2013	\$ 2,240,501,558	\$ 422,597,007	\$ 233,170,316	\$ 72,756,489	\$ 24,496,566	\$ 32,184,385



■ All Funds 2011 ■ All Funds 2012 ■ All Funds 2013

