

March 23, 2016

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – Annual Money Management Report for the Fiscal Year Ending June 30, 2015

Issue

Pursuant to *Utah Code 51-7-13(3)(a)(c)*, *Utah Code 51-8-303(6)*, and Board of Regents policy R541, each USHE institution is required to submit monthly and annual reports detailing the deposit and investment of funds in its respective custody or control to the State Board of Regents. The Board then submits to the Governor and the Legislature an annual summary report of all investments by institution. This report serves as the annual summary report and meets the requirements outlined in statute.

Background

On a monthly and annual basis, institutions prepare investment reports that are reviewed and approved by both the institution treasurer and internal auditor(s). The treasurer attests that the institution is in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the State Money Management Act. The internal auditor(s) verifies compliance with state statutes, Regents' policy, institutional policy, federal regulation, strength of controls, and certifies the completeness and accuracy of the investment reports. Completed reports are submitted to the institution's Board of Trustees for review and approval (as delegated by the Board of Regents) and forwarded to the Commissioner's Office for review and record keeping.

Statute requires that the summary report to the Governor and Legislature represent audited values. To meet this requirement, this report is prepared after the state auditors complete the institutions' annual financial audits. The investment figures used in this report tie to the audited "Statement of Net Assets" found in the institutions' financial statements.

The attached report demonstrates the relative size of institutional investments and the asset allocations in place at each school by investment category. The categories are:

- Endowment Investments - governed by UPMIFA and Regent Policy R541;
- Foundation Investments - governed by a Foundation Board of Trustees/Directors operating under the requirements of non-profit 501(c)(3)s;
- Other Investments - all funds not endowment or foundation operating under the guidelines and requirements of Utah Code 51-7, and Utah Money Management Act.

### Additional Information

The Commissioner's staff has worked with USHE controllers to provide additional information regarding the oversight and review of the investment process to address Regent questions regarding: asset allocation, compliance with laws and regulations, return on assets, and risk management. The following information has been provided by the institutions describing their processes and procedures for evaluating the performance of their respective investments, the various benchmarks used in the evaluation process, and clarifying 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) has been delegated by the Board of Regents to an institution's Board of Trustees. To assist with this charge, the institutions have created investment committees to help with the operational responsibilities. The membership of these committees varies by campus, but may include trustees, institutional officers, designated treasurers, institution employees, members of the business community, and/or investment professionals. The committees are asked to evaluate the 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. In some cases, outside professionals (i.e. Commonfund, Wells Fargo, LCG Associates, Albourne America, and Strata Financial Services) are hired to manage pieces of investment portfolios. In other cases, individuals who are recognized as investment professionals may sit on the investment committees.

Institutions use industry standard benchmarks to measure the return on their investments, allocation of assets, and risk level. The benchmark tools may 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 to professionals on staff.

### Foundations

Foundations are managed 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, the foundations are completely separate entities from the

institution. 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 and no action is required.

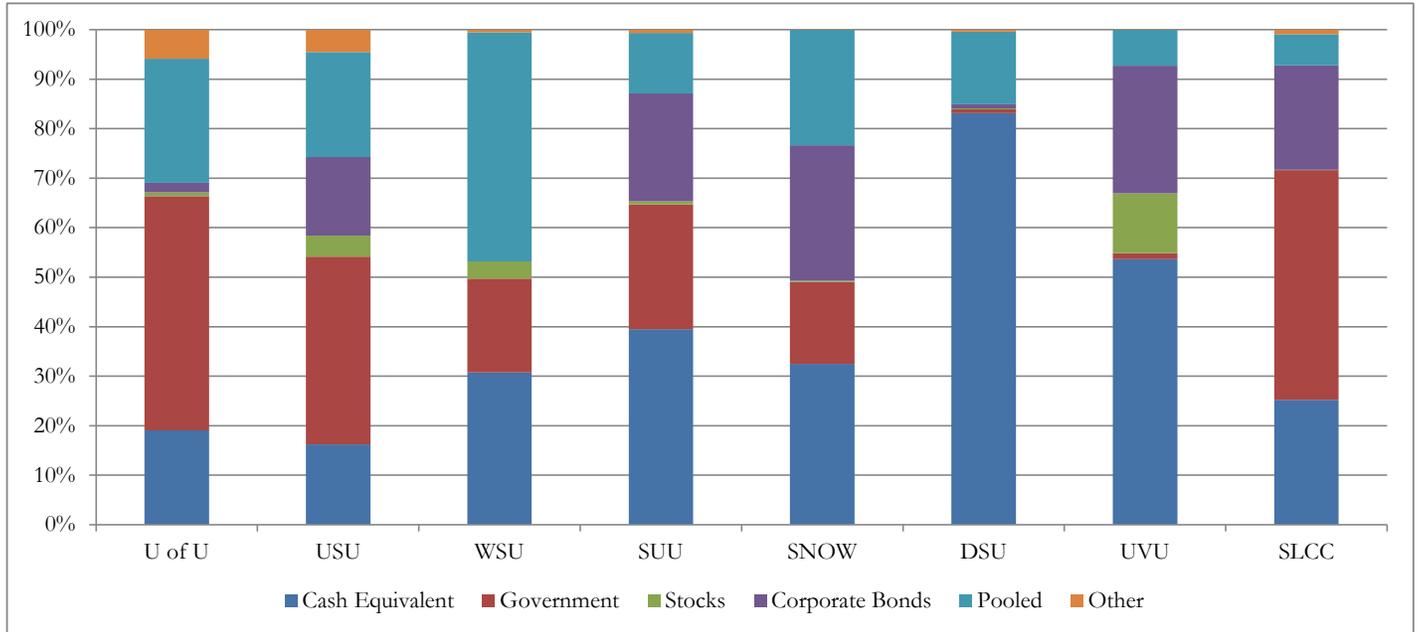
DLB/KLH/BLS/MWM  
Attachments

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David L. Buhler  
Commissioner of Higher Education

# 2015 Summary of USHE Investments

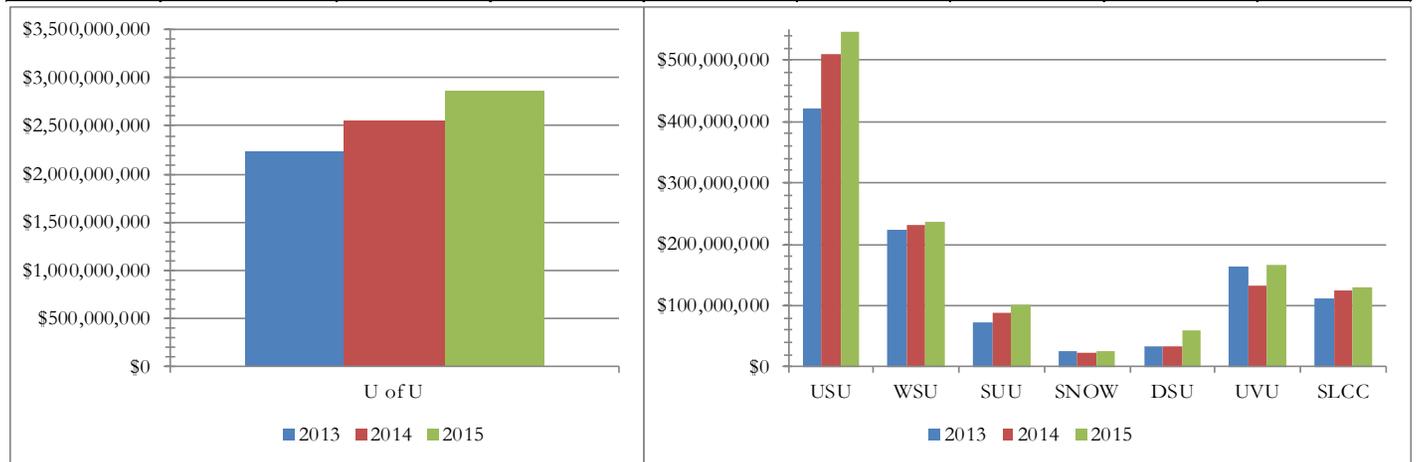
Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	19.03%	16.19%	30.73%	39.47%	32.50%	83.11%	53.65%	25.23%
Government	B	47.33%	37.94%	18.95%	25.20%	16.49%	0.81%	1.20%	46.42%
Stocks	C	0.76%	4.23%	3.51%	0.69%	0.28%	0.17%	12.11%	0.03%
Corporate Bonds	D	1.95%	15.89%	0.00%	21.78%	27.36%	0.82%	25.75%	21.12%
Pooled	E	25.08%	21.22%	46.25%	12.21%	23.38%	14.66%	7.29%	6.28%
Other	F	5.85%	4.52%	0.56%	0.65%	0.00%	0.43%	0.00%	0.92%



Total investment allocation by each Institution, as of June 30, 2015.

## 3 Year Comparison of All Fund Investments

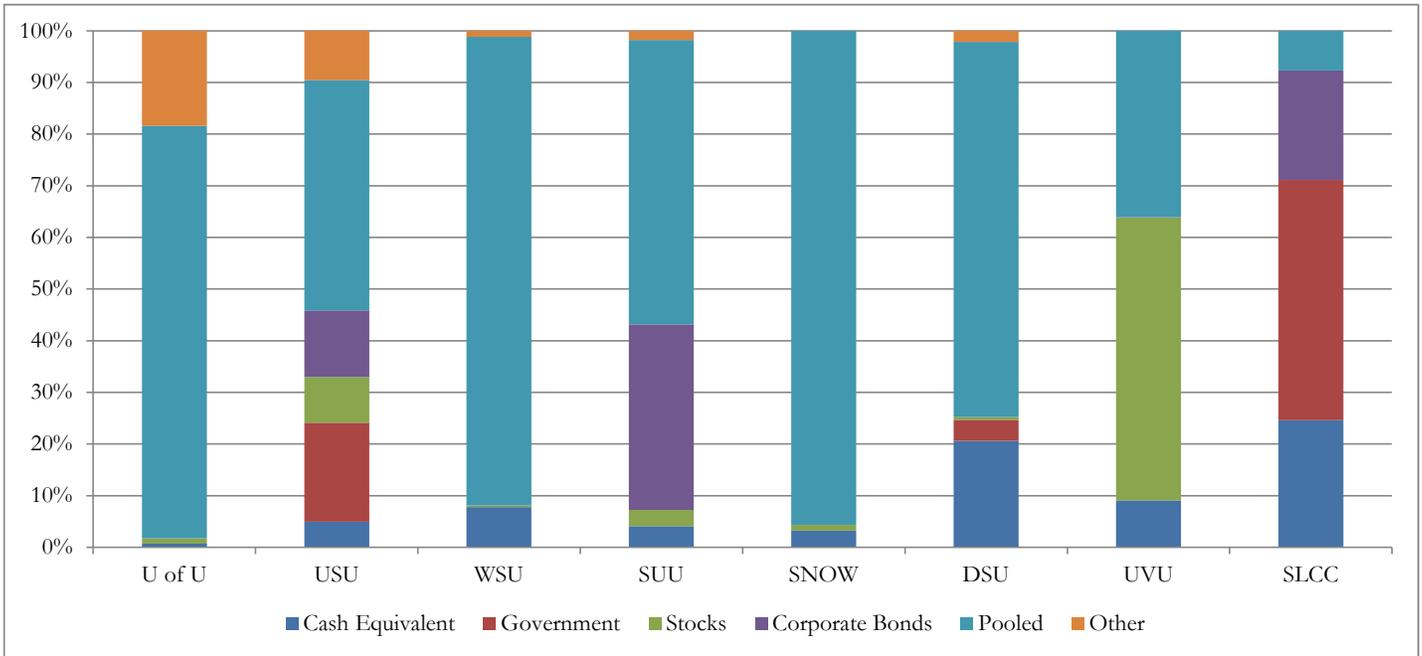
Fiscal Year	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
2013	\$2,240,501,558	\$422,597,007	\$223,170,316	\$72,756,488	\$24,496,566	\$32,184,385	\$164,018,161	\$111,988,861
2014	\$2,545,034,680	\$509,842,614	\$232,592,681	\$88,984,557	\$23,122,032	\$33,786,167	\$133,041,637	\$123,847,089
2015	\$2,859,459,437	\$546,753,230	\$236,918,384	\$100,292,070	\$25,550,512	\$58,654,708	\$167,209,635	\$130,853,504



Summary of all funds invested by each Institution over the previous three years. Data shows the trends that the Institutions are seeing in the value of their respective investments. In an attempt to present all Institutions at the appropriate visual scale, the University of Utah is displayed separately.

# Endowment Investments

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	0.69%	4.98%	7.76%	4.09%	3.23%	20.61%	9.06%	24.64%
Government	B	0.00%	19.13%	0.00%	0.00%	0.00%	4.05%	0.00%	46.51%
Stocks	C	1.09%	8.89%	0.35%	3.12%	1.12%	0.58%	54.77%	0.00%
Corporate Bonds	D	0.00%	12.87%	0.00%	35.94%	0.00%	0.00%	0.06%	21.15%
Pooled	E	79.80%	44.62%	90.75%	55.08%	95.65%	72.62%	36.11%	7.70%
Other	F	18.42%	9.51%	1.14%	1.77%	0.00%	2.14%	0.00%	0.00%



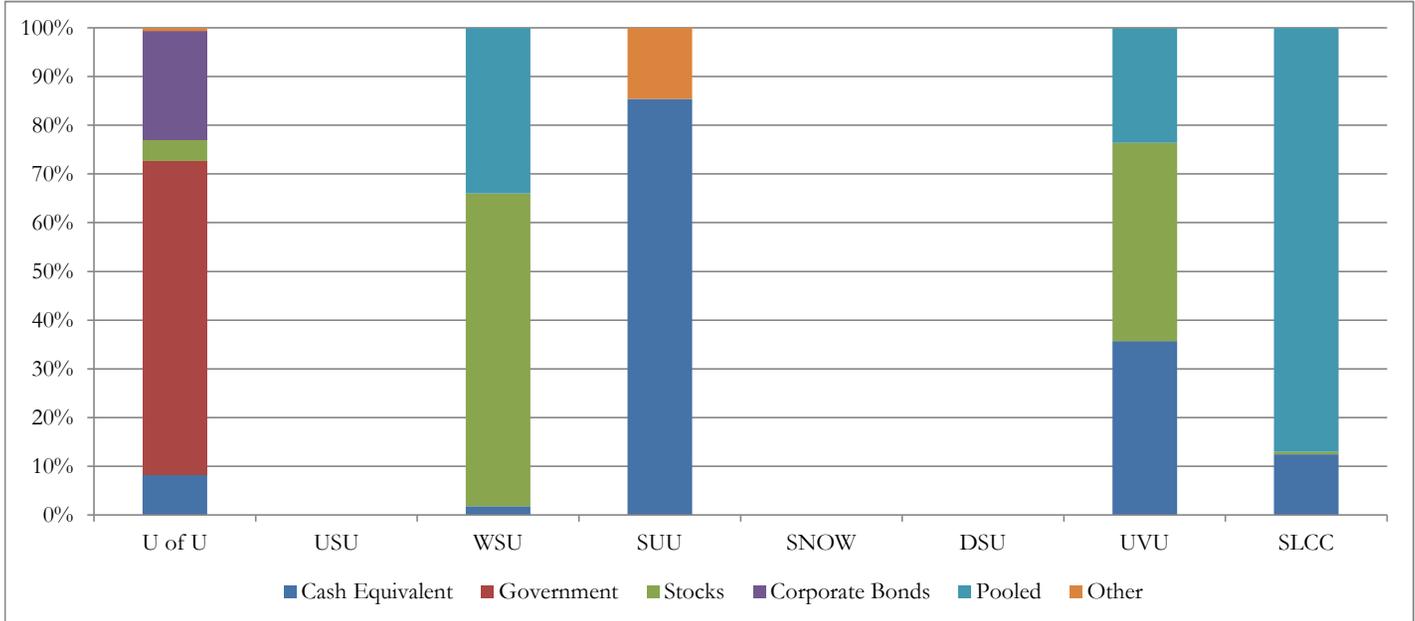
Investment allocation of endowment funds by category, as of June 30, 2015.

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Saving/Checking/Money Mkt Accounts	A	\$2,438,032	\$2,505,810	\$633,070	\$367,339	\$201,902	\$1,898,109	\$356,643	27,250.00
Repurchase Agreements	A	-	-	-	-	-	-	-	-
Certificates of Deposit	A	-	\$3,353,091	-	\$26,335	-	\$0	\$566,889	-
Commercial Paper	A	-	-	-	-	-	-	-	-
Utah PTIF Accounts	A	\$3,720,189	\$7,090,813	\$8,376,606	\$516,237	-	\$528,914	-	\$1,583,526
Obligations of US Government	B	-	\$43,112,797	-	-	-	\$477,397	-	2,930,602.00
Obligations of State/Local Government	B	-	\$6,638,813	-	-	-	-	-	110,120.00
Stocks	C	\$9,799,667	\$23,123,652	\$409,700	\$693,008	\$70,188	\$68,777	\$5,585,323	-
Corporate Bonds	D	-	\$33,476,554	-	\$7,990,868	-	-	\$5,974	1,383,049.00
Mutual Funds	E	\$714,887,619	\$93,753,593	-	\$12,246,981	\$5,974,186	\$8,550,701	\$3,682,392	\$503,832
Commonfund Accounts	E	\$2,343,362	\$22,291,924	\$105,387,196	-	-	-	-	-
Alternative	F	\$165,572,293	\$24,723,275	-	\$393,750	-	\$251,548	-	-
Other	F	-	-	\$1,327,400	-	-	-	\$64	-
<b>Total</b>		<b>\$898,761,162</b>	<b>\$260,070,322</b>	<b>\$116,133,972</b>	<b>\$22,234,518</b>	<b>\$6,246,276</b>	<b>\$11,775,446</b>	<b>\$10,197,285</b>	<b>\$6,538,379</b>
<b>Percent of Total</b>		<b>67.48%</b>	<b>19.53%</b>	<b>8.72%</b>	<b>1.67%</b>	<b>0.47%</b>	<b>0.88%</b>	<b>0.77%</b>	<b>0.49%</b>
<b>USHE Total</b>		<b>\$1,331,957,360</b>							

Schedule of total endowment funds invested by each Institution, as of June 30, 2015. Endowment funds are invested according to policy guidelines of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Regents Policy R541. Endowment investments by Institution are shown at the sub-category level, which roll up into the six categories in above.

# Foundation Investments

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	8.32%	0.00%	1.81%	85.41%	0.00%	0.00%	35.71%	12.46%
Government	B	64.34%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Stocks	C	4.35%	0.00%	64.22%	0.00%	0.00%	0.00%	40.67%	0.49%
Corporate Bonds	D	22.32%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pooled	E	0.00%	0.00%	33.97%	0.00%	0.00%	0.00%	23.60%	87.05%
Other	F	0.68%	0.00%	0.00%	14.60%	0.00%	0.00%	0.02%	0.00%



Investment allocation of foundation funds by Institution, as of June 30, 2015.

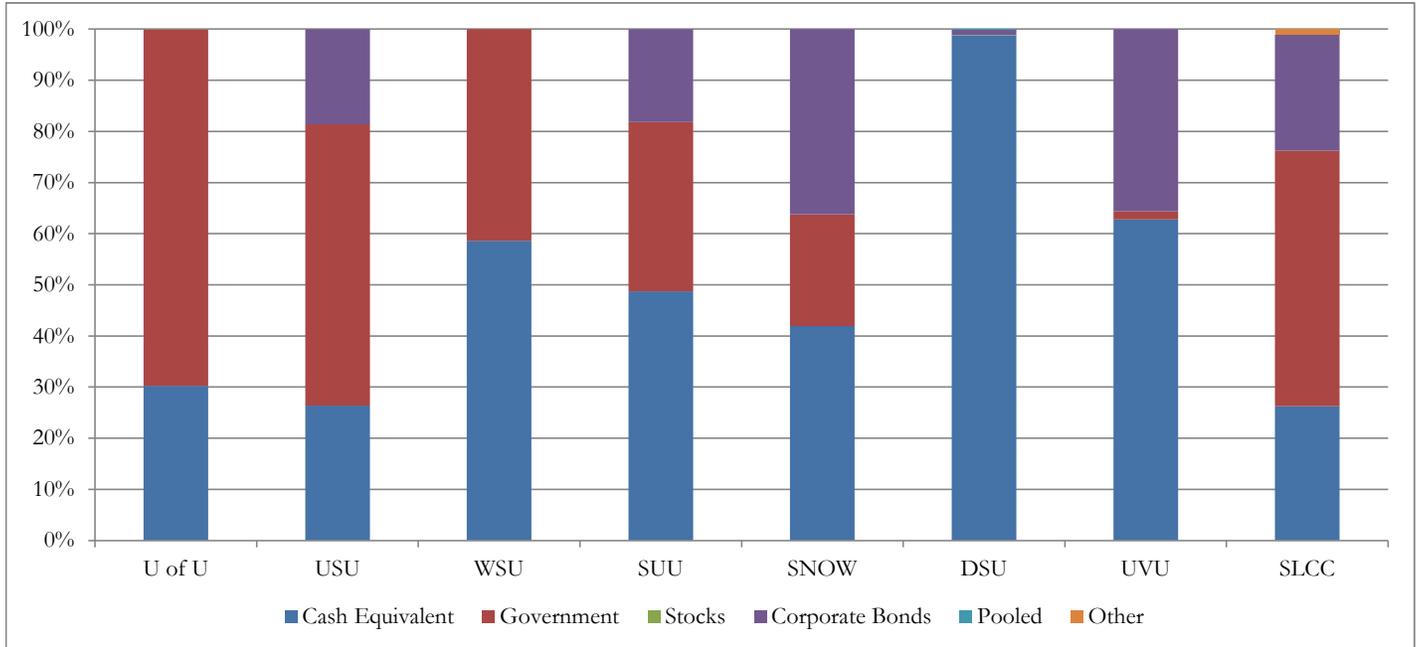
Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Saving/Checking/Money Mkt Accounts	A	\$2,202,328	-	\$79,734	\$1,503,876	-	-	\$667,804	\$1,104,032
Repurchase Agreements	A	-	-	-	-	-	-	-	-
Certificates of Deposit	A	\$18,626,642	-	-	-	-	-	-	-
Commercial Paper	A	-	-	-	-	-	-	-	-
Utah PTIF Accounts	A	-	-	\$143,054	-	-	-	\$12,199,944	-
Obligations of US Government	B	\$160,652,036	-	-	-	-	-	-	-
Obligations of State/Local Government	B	\$450,369	-	-	-	-	-	-	-
Stocks	C	\$10,879,969	-	\$7,905,250	-	-	-	\$14,655,623	\$43,261
Corporate Bonds	D	\$55,883,041	-	-	-	-	-	-	-
Mutual Funds	E	-	-	-	-	-	-	\$8,502,544	\$7,712,288
Commonfund Accounts	E	-	-	\$4,181,361	-	-	-	-	-
Alternative	F	\$1,710,000	-	-	-	-	-	-	-
Other	F	-	-	-	\$257,000	-	-	\$6,156	-
<b>Total</b>		<b>\$250,404,385</b>	<b>\$0</b>	<b>\$12,309,399</b>	<b>\$1,760,876</b>	<b>\$0</b>	<b>\$0</b>	<b>\$36,032,071</b>	<b>\$8,859,581</b>
<b>Percent of Total</b>		<b>80.94%</b>	<b>0.00%</b>	<b>3.98%</b>	<b>0.57%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>11.65%</b>	<b>2.86%</b>
<b>USHE Total</b>		<b>\$309,366,312</b>							

Schedule of total foundation funds invested by each Institution, as of June 30, 2015. Foundation investments are approved by the Foundation's Board of Trustees, which operates under the requirements of nonprofit 501(c)(3) foundations. Foundation investments are shown at the sub-category level, which roll up into the six categories in above. The following should be noted:

- Foundation information for USU is reported as part of their financial statements.
- Snow College does not have a Foundation. ▪ DSU's Foundation is not part of the Institution.
- UVU's Foundation is separate from the Institution, but is reported here as a courtesy.

# Other Investments

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	30.23%	26.37%	58.61%	48.71%	41.97%	98.82%	62.76%	26.25%
Government	B	69.71%	55.00%	41.39%	33.13%	21.82%	0.00%	1.66%	49.98%
Stocks	C	0.06%	0.00%	0.00%	0.00%	0.00%	0.06%	0.00%	0.00%
Corporate Bonds	D	0.00%	18.63%	0.00%	18.16%	36.21%	1.02%	35.58%	22.73%
Pooled	E	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%	0.00%	0.00%
Other	F	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.04%



Investment allocation of other funds (not endowment or foundation) by Institution, as of June 30, 2015.

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Saving/Checking/Money Mkt Accounts	A	149,275,937	18,873,947	3,951,373	14,871,488	492,759	26,016,053	8,701,388	249,085
Repurchase Agreements	A	62,900,000	4,022,698	-	-	-	-	-	-
Certificates of Deposit	A	-	59,530	21,440,911	983,718	210,145	-	-	-
Commercial Paper	A	-	-	-	-	-	-	-	-
Utah PTIF Accounts	A	304,875,440	52,636,584	38,187,440	21,311,551	7,398,767	20,306,092	67,221,916	30,052,227
Obligations of US Government	B	1,188,411,689	138,765,216	44,895,289	25,276,428	2,294,438	-	-	55,616,534
Obligations of State/Local Government	B	3,751,584	18,906,136	-	-	1,917,853	-	2,008,841	2,089,848
Stocks	C	1,079,240	-	-	-	-	28,379	-	-
Corporate Bonds	D	-	53,418,797	-	13,853,491	6,989,864	479,868	43,048,134	26,247,298
Mutual Funds	E	-	-	-	-	-	48,870	-	-
Commonfund Accounts	E	-	-	-	-	-	-	-	-
Alternative	F	-	-	-	-	-	-	-	1,200,552
Other	F	-	-	-	-	410	-	-	-
<b>Total</b>		<b>1,710,293,890</b>	<b>286,682,908</b>	<b>108,475,013</b>	<b>76,296,676</b>	<b>19,304,236</b>	<b>46,879,262</b>	<b>120,980,279</b>	<b>115,455,544</b>
<b>Percent of Total</b>		<b>68.84%</b>	<b>11.54%</b>	<b>4.37%</b>	<b>3.07%</b>	<b>0.78%</b>	<b>1.89%</b>	<b>4.87%</b>	<b>4.65%</b>
<b>USHE Total</b>		<b>2,484,367,808</b>							

Schedule of total other investments by each Institution, as of June 30, 2015. 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. Amounts are shown at the sub-category level, which roll up into the six categories listed in above.