



MEMORANDUM

TAB D

April 10, 2020

USHE Annual Money Management Report – FY 2019

As required by statute and Regents Policy R541, *Management and Reporting of Institutional Investments*, USHE institutions submit monthly and annual reports detailing the deposit and investment of funds. The Board of Regents subsequently submits an annual summary report of all investments by institution to both the Governor and the Legislature. The attached report serves as the annual summary report and meets the requirements outlined in policy and statute.

Commissioner's Recommendation

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

Attachment



USHE Annual Money Management Report – FY 2019

Background

On both a monthly and annual basis institutions prepare investment reports that are reviewed and approved by the institution treasurer and internal auditors. The treasurer certifies 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 verifies compliance with state statutes, Regents' policy, institutional policy, federal regulation, strength of controls, and confirms 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 annual summary report to the Governor and Legislature represent audited values. To meet this requirement, this report is prepared after the state auditors complete their annual financial audit of the institutions. The investment figures used in this report tie to the audited "Statement of Net Assets" found in the institution's 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 Regents Policy R541;
- Foundation Investments - governed by a Foundation Board of Trustees/Directors operating under the requirements of non-profit 501(c)(3)s; and
- 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 vary by campus, but may include trustees, institutional officers, designated treasurers, institution employees, members of the business community, and/or investment professionals. 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.

Investment 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

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, the foundation is a completely separate entity from the institution. Dixie State University does not maintain any institutional investments within their 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.

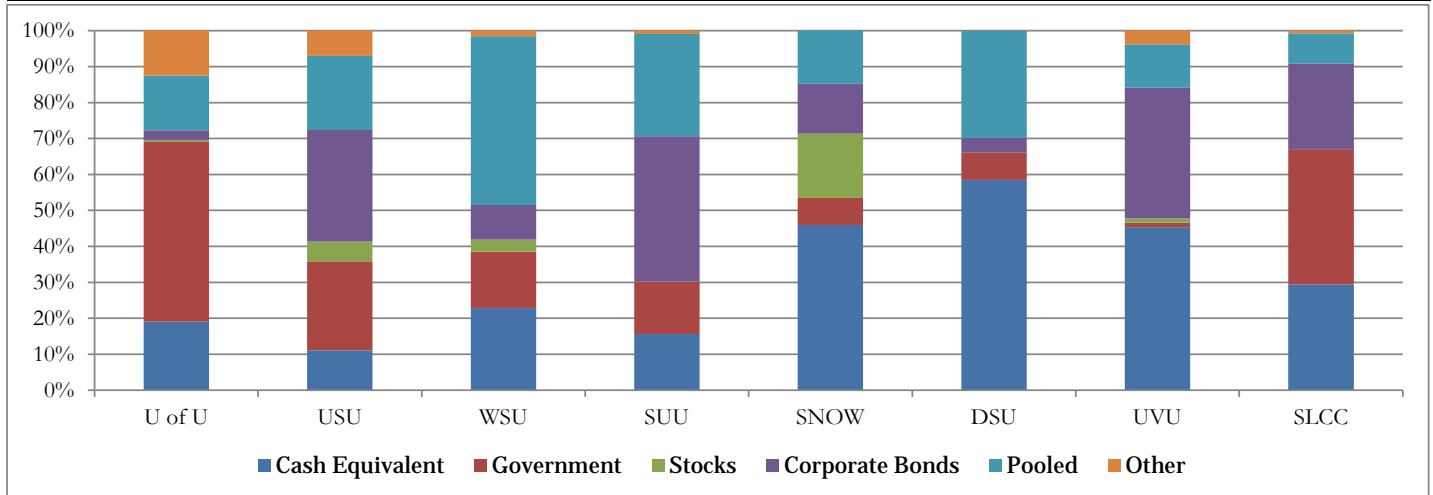
Note

During FY 2019 SUU saw a decrease in their total investments of \$3,235, 301. When SUU has a shortfall they will liquidate their investments to cover operations, such as payroll and operating expenses. During the year there were a couple of factors that lead to the increased use of cash. The first was an \$8.7M cash outlay for capital assets in excess of net cash state appropriations and capital gifts and grants. Some of the major items were for the purchase of the Warthen home (new President's residence), Athletic Training & Performance Center, Business building and Geosciences building. Secondly, there were \$2M in payments for debt service for lease/purchase of aircraft and hangers for the aviation program. It should be noted that the appropriations or gifts for some of these projects may have been received in a prior year. This can result in a timing difference between when the money is received and when the actual cash outlay occurs.

Between FY 2018 and 2019 DSU saw a decrease in their total investments of \$8,059,368, from \$59,103,497 in 2018 to \$51,044,129 in 2019. The 2018 FY amount included about \$14,000,000 in new bond funds whose purpose was to be used in new building construction. The use of these funds is the reason for the decrease in total investments for DSU between FY 2018 and 2019.

2019 Summary of USHE Investments

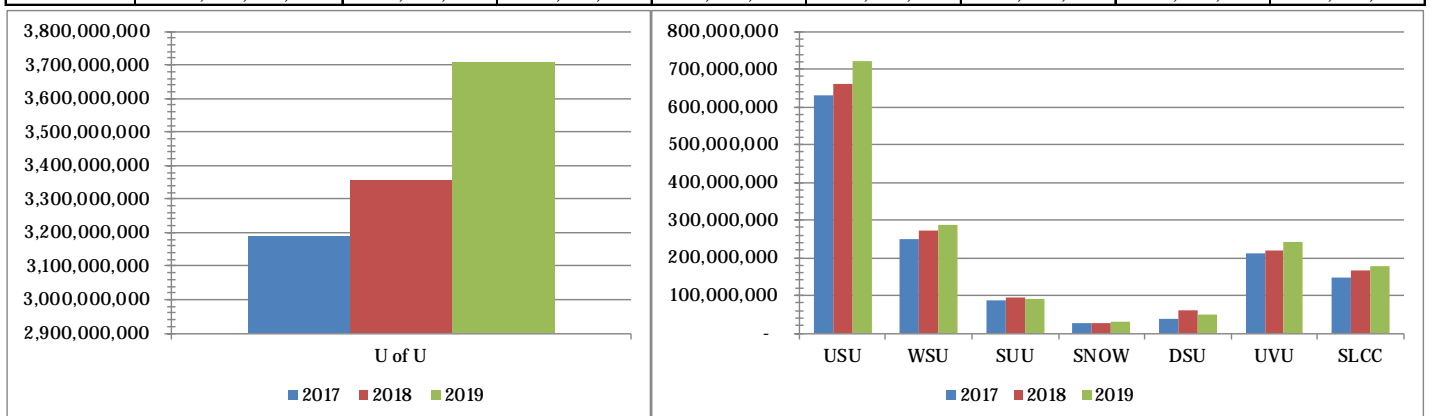
Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	19.12%	11.10%	22.82%	15.60%	45.98%	58.46%	45.36%	29.45%
Government	B	49.95%	24.72%	15.69%	14.57%	7.50%	7.62%	1.24%	37.57%
Stocks	C	0.59%	5.53%	3.36%	0.01%	17.89%	0.04%	1.15%	0.00%
Corporate Bonds	D	2.65%	31.05%	9.65%	40.48%	13.83%	4.09%	36.34%	23.80%
Pooled	E	15.22%	20.54%	46.93%	28.40%	14.81%	29.76%	12.12%	8.42%
Other	F	12.47%	7.06%	1.55%	0.94%	0.00%	0.03%	3.78%	0.76%



Total investment allocation by each Institution, as of June 30, 2019.

3 Year Comparison of All Fund Investments

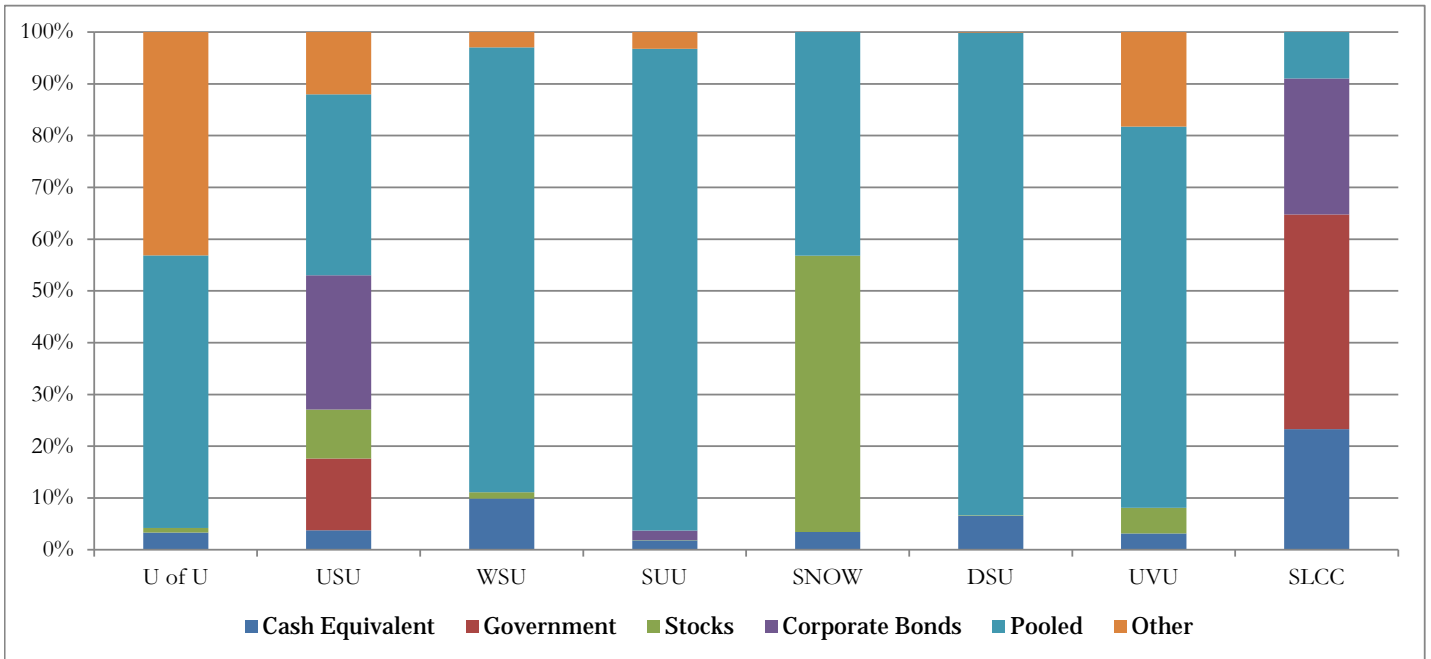
Fiscal Year	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
2017	3,187,691,039	631,850,447	248,951,130	88,322,515	26,218,129	38,885,320	212,504,957	145,567,320
2018	3,355,923,908	659,092,628	271,168,629	94,504,351	25,809,903	59,103,497	218,862,656	167,551,537
2019	3,706,327,030	721,201,869	286,767,866	91,269,050	31,323,819	51,044,129	241,645,821	176,672,968



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	3.30%	3.73%	9.87%	1.81%	3.41%	6.53%	3.17%	23.31%
Government	B	0.00%	13.91%	0.00%	0.00%	0.00%	0.00%	0.00%	41.45%
Stocks	C	0.89%	9.42%	1.26%	0.03%	53.41%	0.13%	4.92%	0.00%
Corporate Bonds	D	0.00%	25.96%	0.00%	1.85%	0.00%	0.00%	0.00%	26.26%
Pooled	E	52.67%	34.96%	85.93%	93.10%	43.18%	93.24%	73.64%	8.98%
Other	F	43.15%	12.02%	2.95%	3.21%	0.00%	0.11%	18.28%	0.00%



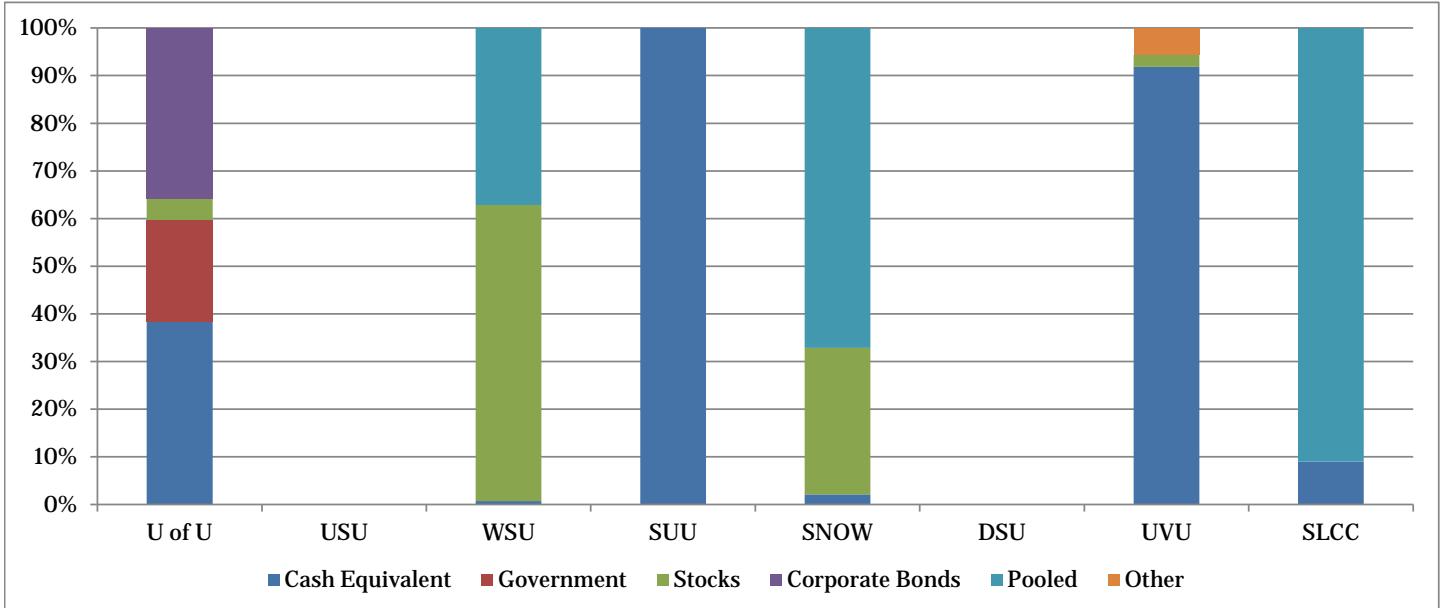
Investment allocation of endowment funds by category, as of June 30, 2019.

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Saving/Checking/Money Mkt Accounts	A	24,379,170	12,310,280	3,694,831	111,911	352,437	377,274	1,260,653	161,827
Repurchase Agreements	A	-	-	-	-	-	-	-	-
Certificates of Deposit	A	-	-	-	-	-	-	-	-
Commercial Paper	A	-	-	-	-	-	-	-	-
Utah PTIF Accounts	A	10,928,666	3,486,377	11,226,839	373,542	-	685,819	-	1,714,397
Obligations of US Government	B	-	43,537,422	-	-	-	-	-	3,336,612
Obligations of State/Local Government	B	-	15,394,491	-	-	-	-	-	-
Stocks	C	9,551,605	39,908,477	1,901,040	8,823	5,523,215	21,041	1,956,578	-
Corporate Bonds	D	-	109,973,281	-	493,918	-	-	-	2,114,197
Mutual Funds	E	564,243,335	119,244,796	-	24,926,801	4,465,165	15,188,156	29,297,066	722,839
Commonfund Accounts	E	-	28,856,059	129,928,451	-	-	-	-	-
Alternative	F	462,224,516	50,906,211	-	859,860	-	17,434	5,703,022	-
Other	F	-	-	4,456,806	-	-	-	1,568,254	-
Total		1,071,327,292	423,617,394	151,207,967	26,774,855	10,340,817	16,289,724	39,785,573	8,049,872
Percent of Total		61.31%	24.24%	8.65%	1.53%	0.59%	0.93%	2.28%	0.46%
USHE Total		1,747,393,494							

Schedule of total endowment funds invested by each institution, as of June 30, 2019. 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 above.

Foundation Investments

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	38.50%	0.00%	0.72%	100.00%	2.09%	0.00%	91.81%	9.02%
Government	B	21.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Stocks	C	4.44%	0.00%	62.10%	0.00%	30.77%	0.00%	2.52%	0.00%
Corporate Bonds	D	35.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pooled	E	0.00%	0.00%	37.18%	0.00%	67.14%	0.00%	0.00%	90.98%
Other	F	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.67%	0.00%



Investment allocation of foundation funds by Institution, as of June 30, 2019.

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Saving/Checking/Money Mkt Accounts	A	94,851,326	-	71,276	10,678	5,463	-	1,142,405	1,402,478
Repurchase Agreements	A	-	-	-	-	-	-	-	-
Certificates of Deposit	A	10,315,341	-	-	-	-	-	-	-
Commercial Paper	A	-	-	-	-	-	-	-	-
Utah PTIF Accounts	A	-	-	19,139	398,038	-	-	29,042,187	-
Obligations of US Government	B	57,882,194	-	-	-	-	-	-	-
Obligations of State/Local Government	B	-	-	-	-	-	-	-	-
Stocks	C	12,115,704	-	7,743,806	-	80,284	-	829,572	-
Corporate Bonds	D	98,023,539	-	-	-	-	-	-	-
Mutual Funds	E	-	-	-	-	175,161	-	-	14,151,524
Commonfund Accounts	E	-	-	4,636,671	-	-	-	-	-
Alternative	F	-	-	-	-	-	-	-	-
Other	F	-	-	-	-	-	-	1,862,287	-
Total		273,188,104	-	12,470,892	408,716	260,908	-	32,876,451	15,554,002
Percent of Total		81.61%	0.00%	3.73%	0.12%	0.08%	0.00%	9.82%	4.65%
USHE Total		334,759,073							

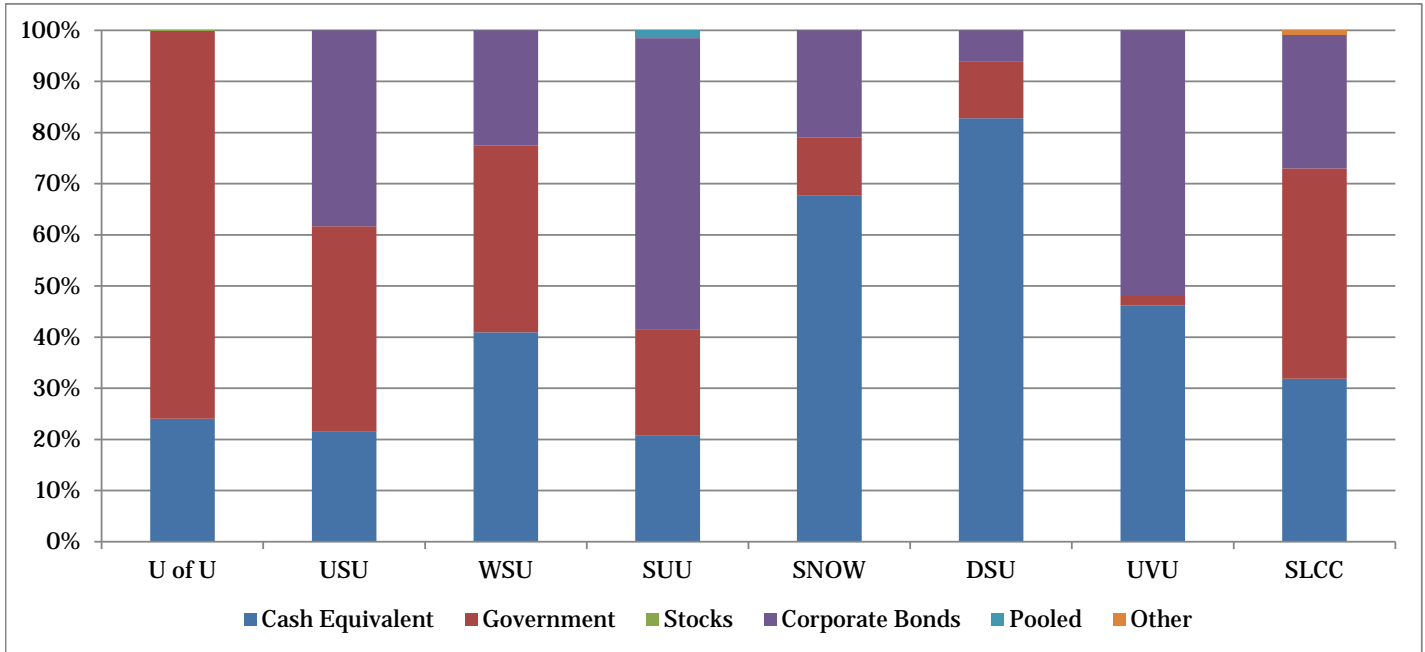
Schedule of total foundation funds invested by each institution, as of June 30, 2019. Foundation investments are approved by the Foundation's Board of Trustees, which operates under the requirements of nonprofit 501(c)(3) foundations. Foundation investments are shown at the sub-category level, which roll up into the six categories above. The following should be noted:

- USU Foundation is invested as part of the University Endowment, and is reported as part of their financial statements.
- DSU's Foundation is not part of the Institution.

Beginning in FY 2018, UVU's Foundation Board approved new bylaws that gives the University President approval authority on all Board Members. UVU Foundation is now a blended component of the University, (appearing as such in the FY 2018 Financial Statements). FY 2017 Financial Statements were restated in accordance with GASB Reporting Standards.

Other Investments

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Cash Equivalent	A	24.05%	21.60%	40.97%	20.82%	67.77%	82.80%	46.25%	31.85%
Government	B	75.94%	40.11%	36.56%	20.75%	11.33%	11.19%	1.78%	41.18%
Stocks	C	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Corporate Bonds	D	0.00%	38.29%	22.47%	56.88%	20.90%	6.01%	51.97%	26.09%
Pooled	E	0.00%	0.00%	0.00%	1.55%	0.00%	0.00%	0.00%	0.00%
Other	F	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.88%



Investment allocation of other funds (not endowment or foundation) by Institution, as of June 30, 2019.

Category of Investment	Class	U of U	USU	WSU	SUU	SNOW	DSU	UVU	SLCC
Saving/Checking/Money Mkt Accounts	A	92,182,294	38,229,142	8,473,646	1,890,170	1,842,255	5,177,505	10,485,799	2,060,926
Repurchase Agreements	A	81,500,000	-	-	-	1,688,293	-	-	-
Certificates of Deposit	A	-	-	-	1,033,442	-	-	-	-
Commercial Paper	A	-	-	-	-	-	-	-	-
Utah PTIF Accounts	A	394,309,849	26,040,097	41,951,370	10,420,550	10,512,455	23,600,026	67,672,483	46,687,230
Obligations of US Government	B	1,792,959,875	111,547,470	45,004,737	13,295,157	2,147,774	3,888,025	3,002,120	63,032,322
Obligations of State/Local Government	B	500,940	7,812,358	-	-	200,048	-	-	-
Stocks	C	358,676	-	-	-	-	-	-	-
Corporate Bonds	D	-	113,955,408	27,659,254	36,453,904	4,331,269	2,088,849	87,823,395	39,939,537
Mutual Funds	E	-	-	-	992,256	-	-	-	-
Commonfund Accounts	E	-	-	-	-	-	-	-	-
Alternative	F	-	-	-	-	-	-	-	1,349,079
Other	F	-	-	-	-	-	-	-	-
Total		2,361,811,634	297,584,475	123,089,007	64,085,479	20,722,094	34,754,405	168,983,797	153,069,094
Percent of Total		73.25%	9.23%	3.82%	1.99%	0.64%	1.08%	5.24%	4.75%
USHE Total		3,224,099,985							

Schedule of total other investments by each institution, as of June 30, 2019. 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 above.