



## STRENGTH FOR THE FUTURE: PENN STATE'S STEWARDSHIP OF ENDOWED GIFTS

When alumni and friends make endowed gifts to The Pennsylvania State University, they want their philanthropy to have an impact for generations to come. Penn State shares this belief in the importance of long-term financial strength, and the University takes pride in being a responsible steward of the support that we receive. For decades, we have followed policies and practices that preserve the value of endowed gifts, while ensuring that the intentions of our donors – to provide valuable resources for Penn State students and programs – are fulfilled.

- Penn State's investment management has yielded long-term asset growth across financial ups and downs, such as the 1990s bull market, the steep decline at the turn of the century, and the subsequent recovery. The majority of the endowment's assets are equity-type investments that, over the long term, generate returns in excess of inflation. Between 1987 and 2007, the endowment has earned an average of 9.9 percent per year, net of new gifts and fees.
- This real, inflation-adjusted growth results from a well-diversified portfolio invested for sustainable spending. The entire portfolio provides income sufficient to fund annual program spending. The University's spending policy balances out the peaks and troughs in the investment market, reserving a portion of the earnings in the good years to accommodate less profitable periods.
- The University's investment decisions are overseen by the Penn State Investment Council (PSIC), a group of financial professionals with a broad range of experience and perspectives. PSIC is responsible for reviewing asset allocation, new asset classes, investment strategies, and manager performance. Current members of PSIC include Timothy J. Crowe, managing director, Anchor Point Capital, LLC; Carmen Gigliotti, managing director, DuPont Capital Management; Edward R. Hintz, president, HHR Asset Management, LLC; Arthur D. Miltenberger, vice president and chief financial officer (retired), R.K. Mellon & Sons; J. David Rogers, chief investment officer, J.D. Capital Management, LLC; and Linda B. Strumpf, vice president and chief investment officer, Ford Foundation.

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- Each endowed gift to Penn State is formalized through the creation of guidelines, specific to that endowment, which provide an opportunity for donors to express their intentions for how the gift is to be directed and used by the University. Guidelines are created for student, faculty, and program support and indicate the particular college, campus, or program to benefit from the endowed fund. Prepared by the professional staff within Penn State's Office of Gift Planning, guidelines serve as a map for spending and stewarding donor funds, and the University regards these documents as a commitment which endures for the life of the endowment.
- Penn State has implemented a program of internal audits to review the compliance of individual offices and the University as a whole with our stated financial policies and procedures. The audit process also assesses Penn State's success in carrying out the intentions of individual donors, as formalized in the specific guidelines for each endowment. In 2007, an internal audit confirmed that we are taking appropriate measures to ensure the security of financial information, the proper use of endowed gifts, and the timely investment of donor funds.
- The University is in the final stages of implementing a new system, known as e-Steward, that allows financial and development officers within each unit to monitor individual endowed gifts. The e-Steward system tracks investment growth and spending, helping to ensure that gifts and income are credited appropriately and that funds are directed as designated by the donor in the endowment's guidelines. This system can also be used to provide up-to-date reports to donors about the impact of their endowed gifts.

While these investment policies and practices represent a standard against which other institutions measure the success of their own endowment programs, Penn State is committed to continuous review and improvement of our financial operation. We welcome the insights and suggestions of our donors as we strive to provide the best possible stewardship for endowed support.