Long-Term Investment Portfolio
Asset Allocation
(as of June 30, 2017)

Current
Long-Term Target

Cash & Equivalents
Global Fixed Income
Real Assets
Private Equity
Marketable Alternatives
Public Equity

Long-Term Investment Portfolio
Comparative Rates of Return
(as of June 30, 2017)

FSU Foundation Endowment

Market Value (millions)

Trailing 10-Year Trailing 5-Year Trailing 3-Year Trailing 1-Year

Cover: Rendering of the future Earth, Ocean and Atmospheric Science building courtesy of architectural firm Bohlin Cywinski Jackson and Florida State University.

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For more information about our investment and spending policies, contact:

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FLORIDA STATE UNIVERSITY
FOUNDATION
Investment and Spending Policies
In the event an endowment falls underwater by greater than 25% of its historic dollar value (the aggregate value of all contributions to an endowment fund at the time they were made), the Foundation, with input from the appropriate University unit, will perform an in-depth analysis of the fund in order to make a determination on future spending distributions. This analysis will include, but not be limited to, the following factors:

- Level of impairment of the fund;
- Discussions with the appropriate dean or department head;
- The need of the affected fund for continued support;
- Cash balance available for use by the affected fund;
- Consultation with the donor (if possible); and
- Identification of any temporary alternative funding sources.

Following the analysis of a fund, the Foundation will make a decision on future spending distributions relative to that fund.

For all endowed funds less than 20% underwater, spending distributions for the following fiscal year are determined on an annual basis by the appropriate dean or department head utilizing the endowed fund balances, and other pertinent information, as of December 31 of each year.

In the event an endowment falls underwater by greater than 25% of its historic dollar value (the aggregate value of all contributions to an endowment fund at the time they were made), future spending distributions, and the assessment of administrative fees, will be suspended until the fund goes back above the 25% level. Exceptions to this requirement are intended to be extremely rare and can only be granted with the approval of the provost.

The intent of this policy is to attempt to continue to provide spending distributions to support the scholarships, programs and faculty as designated by the donor and in accordance with Florida laws, while also allowing the endowment to recover more quickly from economic downturns.

Administrative Fee
The Foundation assesses an administrative fee sufficient to offset its operating expenses. As of July 1, 2016, the fee equals 1.9% annually.

Growth/Inflation
The earnings allocated to an endowment are based on each fund’s prorated share of the total investment pool. The amount allocated is the net of market performance, less the administrative fee for Foundation operating expenses. Earnings in excess of spending and the administrative fee are added to the endowment balance. This “growth” is then available to provide the cushion to fund spending and fees during periods of poor market performance. Likewise, the endowment balance will decrease when earnings are not sufficient to cover spending and fees. Growth is also anticipated from the addition of new gifts.

In order to maintain purchasing power, the following equation must be true:

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\text{Total Long-Term Return} - \text{Total Withdrawals (spending/administrative fees)} \geq \text{Inflation}
\]

Fiduciary Responsibilities
An independent CDA firm annually audits endowment accounts held by the Foundation. Management reports are provided to the Foundation board and FSU officials. All requests for disbursements are reviewed for compliance with the Foundation’s disbursement policy and donor guidelines. Financial statements are forwarded monthly to responsible parties for each endowment.

Frequently Asked Questions

Q. What is the minimum gift amount that can create an endowment?
A. $25,000 is the minimum amount required to create an endowment that can participate in the investment pool.

Q. Can an endowment be created with funds other than endowed gifts?
A. Yes. A dean or director can identify non-endowed funds to be used to establish an endowment. The same $25,000 minimum applies, and once placed in the pool, funds cannot be withdrawn.

Q. When are endowments transferred into the investment pool?
A. Endowments are transferred into the investment pool on the first day of the quarter following receipt of the gift.

Q. Upon entering the investment pool, when will a new endowment receive its first distribution?
A. Spending distributions and earnings allocations are made at the end of each quarter. For example, an endowed gift that is received in February will be added to the investment pool on April 1 and will receive its first distribution/allocation on June 30.

Q. How is the spending distribution calculated?
A. The Foundation uses a smoothing formula based on a rolling three-year average of the quarterly market values. Ending market values for the last 12 quarters are averaged and the result is then multiplied by the stated 4% spending rate (1% per quarter) to determine the total amount to be distributed. This amount is then allocated to participating funds based on their pro-rata share of the total investment pool.

Q. Can the spending distribution for an endowment ever go down from one quarter to the next?
A. Yes. However, while the market value reported each quarter might be quite volatile, the spending amount, which is based on a three-year moving average, tends to change very gradually.

Q. What happens when endowment earnings exceed the amount needed for spending and administrative fees?
A. Each endowment receives its proportionate share of the investment pool’s total return. Earnings in excess of the spending distribution and the administrative fee are added to the balance of the endowment and are available to provide funding for the spending allowance and the administrative fee during future periods of poor market performance.

Q. What effect do low or negative returns have on the Foundation’s endowments?
A. Whenever the investment return is less than the spending distributions and the administrative fee, the balance of the endowment is reduced accordingly. Due to the spending distributions and the administrative fee, the value of the endowment can go down even when investment returns are positive. The Foundation’s spending policy is based on its projection that, in the long-term, the average investment rate of return will equal or exceed the sum of the rates for spending, the administrative fee and inflation.