

1) Please provide the number of undergraduate and graduate students year-by-year for the last ten years.

Academic Year	Undergraduate (Arts, Sciences, Engineering, and Music)	Graduate (Master's, Doctoral)	Professional (Nursing, MD, MBA)	Total
2007 - 08	4,781	2,860	1,130	8,771
2006 - 07	4,539	2,754	1,117	8,410
2005 - 06	4,395	2,635	1,103	8,133
2004 - 05	4,326	2,427	1,156	7,909
2003 - 04	4,342	2,371	1,302	8,015
2002 - 03	4,453	2,230	1,327	8,010
2001 - 02	4,445	2,125	1,407	7,977
2000 - 01	4,243	2,048	1,412	7,703
1999 - 00	4,220	2,014	1,488	7,722
1998 - 99	4,218	2,019	1,520	7,757
1997 - 98	4,365	2,182	1,496	8,043

Sources: University Registrar UR-10 Reports, Simon Business School Registrar

2) Please provide the total cost of undergraduate tuition (including all fees) -- both sticker and average, mean and median -- year-by-year for the last ten years. Please provide the amount of tuition assistance (not including loans or work study) that the university has provided to undergraduate students year-by-year for the last ten years.

The University admits undergraduates in three of its schools – The College of Arts, Sciences and Engineering; the Eastman School of Music; and the School of Nursing.

"Sticker" by School:

Undergraduate Tuition and Required Fees						
Academic Year	Arts, Sciences & Engineering		Eastman School of Music		School of Nursing	
	(\$)	Increase	(\$)	Increase	(\$)	Increase
2007 - 08	35,188	5.3%	29,286	5.0%	31,866	4.0%
2006 - 07	33,426	6.8%	27,882	5.0%	30,642	5.0%
2005 - 06	31,297	8.0%	26,550	4.0%	29,170	4.0%
2004 - 05	28,982	5.1%	25,527	4.0%	28,052	2.1%
2003 - 04	27,583	5.8%	24,543	4.6%	27,488	5.4%
2002 - 03	26,077	5.3%	23,457	4.3%	26,077	5.3%
2001 - 02	24,754	4.5%	22,499	4.3%	24,754	4.5%
2000 - 01	23,695	3.8%	21,565	3.7%	23,695	3.8%
1999 - 00	22,829	3.9%	20,804	4.0%	22,829	3.9%
1998 - 99	21,981	4.6%	20,011	4.7%	21,981	4.6%
Ten Year Average:		5.3%		4.4%		4.3%

Source: University Bursar

Recent adoption of tiered tuition rates (based on the entering year) in the music school warranted the use of continuing student rate.

Financial Aid: Institutional and Undergraduate Average/Mean

Academic Year	Total		Per Undergraduate		
	Tuition Assistance (\$ millions)	Increase	Charge for Attendance (\$)	Tuition Aid (\$)	Amount Paid (\$)
2006 - 07	64.4	12.6%	32,792	13,994	18,799
2005 - 06	57.2	13.9%	30,731	12,931	17,800
2004 - 05	50.2	3.6%	28,588	11,566	17,022
2003 - 04	48.5	-5.1%	27,248	11,131	16,117
2002 - 03	51.1	2.7%	25,795	11,506	14,289
2001 - 02	49.7	4.2%	24,514	11,210	13,304
2000 - 01	47.7	-2.9%	23,455	11,251	12,203
1999 - 00	49.2	2.4%	22,602	11,430	11,172
1998 - 99	48.0	4.5%	21,766	11,264	10,501
1997 - 98	45.9	0.0%	20,821	10,428	10,394
Ten Year Average:		3.6%			

Sources: NYSED 4.1, University Bursar, University Registrar UR-10 Reports

The data are not available to calculate median cost.

For the most recent year, please provide the percentage of students receiving university grants (for example 25%; 50%; 75% and 100% of tuition and fees). Please provide the average grant amount.

The University provided 91% of undergraduates with financial aid in the past academic year. The average amount was \$14,160.

3) Please explain your university's financial aid policy. How do you inform students and parents of that policy? What outreach efforts does your university take to recruit potential low-income students? How is low-income defined? What is the amount spent on these efforts?

UNDERGRADUATES: The University admits undergraduate students in three of its schools - the College of Arts, Sciences and Engineering; the Eastman School of Music; and the School of Nursing. The following answers address financial aid policies for undergraduates.

The College of Arts, Sciences and Engineering

The goal of the College of Arts, Sciences and Engineering is to meet the full demonstrated need of all admitted undergraduate students. The need of each student is based on the application of the "common principles of institutional methodology," as developed by the College Scholarship Service of the College Board, and the federal methodology, as legislated by Congress. Need is met through a combination of our own merit- and need-based scholarships and grants, as well as state and federal need-based grants, loans, and work opportunities.

An above average (18%) number of students enrolling at Rochester are eligible for Pell grants. This includes significant percentages of both inner-city students and rural low-income students. Because of surrounding geography, we believe Rochester enrolls a larger share of low-income rural students than similar universities located in urban areas along the Atlantic coast. Admitted students who are residents of the state of New York, and who fall within the lowest income guidelines, have an opportunity to be completely funded to attend the College of Arts, Sciences and Engineering if admitted under the Higher Education Opportunity Program. Operating this program for 25 new students each year is a long-term, major and successful commitment on the part of the University and involves several offices.

In order to inform families of our commitment to the goal of meeting full need, this information is published in print and on our website. In particular, a succinct, eye-catching brochure has been created, which admissions officers distribute at college fairs, high school visits, and other recruiting events across the country. The brochure is also mailed to all 12,000+ applicants to the College of Arts, Science and Engineering.

The College of Arts, Sciences and Engineering's Admissions and Financial Aid offices engage in extensive annual outreach to local, statewide, and nationwide to prospective low-income and to underrepresented student populations. Locally, for example, the Admissions Office hosts a summer football camp for 200 inner city males, as well as an annual day for 300 young Latinas and their families to celebrate their heritage. Admissions counselors also visit every public high school in the City of Rochester to spread the word to 9th graders about the newly created Rochester Promise

Scholarship, which offers four-year, \$100,000 scholarships to undergraduate students who graduated from the Rochester City School District. The Rochester City School District has the highest concentration of low-income students in New York State. We reach out to community-based organizations, middle schools, and high schools throughout the academic year and summer. Many ask us to sponsor their group, which we do, for visit to campus, which usually involves a meal, a tour and learning about the College of Arts, Sciences and Engineering's academic options, and guidance on applying for admission and financial aid. Admissions and Financial Aid also offer pre-college planning workshops to self-selected 9th and 11th graders, free of charge, who come to campus to learn about the college search and selection process.

Statewide, low-income and underrepresented students who are seniors in high school are invited to campus for an overnight visit. Transportation is provided for metro New Yorkers and reimbursement is provided for those who come by way of a train or bus. In New York City, we partner with eight inner-city, high poverty concentration high schools whereby their seniors visit the University of Rochester free of charge as admitted students. These students also receive, if admitted, a specially created College Bound Scholarship, worth \$5,000 or \$10,000 each year. Annually, the College for Every Student (CFES) program gives Rochester an opportunity to meet college advisors from challenged high schools in New York City to create opportunities for their students. The University provides a stipend of \$300 per admitted student to support this effort. The University works closely with the Roberto Clemente High School and Wadleigh Secondary School in New York City on their students' college search and selection process. We also partner with organizations such as A Better Chance in reaching out to other low-income students.

Nationally, the Urban League/University of Rochester Scholarship is promoted via the Urban League offices across the country, giving applicants to the College of Arts, Sciences and Engineering an opportunity to compete for a \$15,000 annual scholarship to the University. Our admissions counselors arrange annual meetings with community based organizations in dozens of distant cities from Los Angeles to Miami to Chicago. Over the course of the summer, some of these organizations visit campus with their students; the University provides financial assistance for rooms, campus meals and transportation. For several years Rochester has been the northeastern home base for the annual Lorenzo de Zavala Youth in Government program created by the National Hispanic Institute.

The definition of low income and the guidelines are defined by the state of New York. To view these guidelines, please visit:

<http://www.rochester.edu/College/OMSA/HEOP#fguide>

The College of Arts, Sciences and Engineering Admissions and Financial Aid Offices expend approximately \$180,000 in operating budget addressed to programming and dedicates an additional \$235,000 in salary and benefits for staff who each year are focused primarily on local, statewide, and national outreach efforts to low-income students.

Eastman School of Music

The Eastman School of Music is committed to making the cost of its education as affordable as possible to as many people as possible. Historically, the practice of awarding institutional monies was structured on a merit-based award system, as it has been in many premier music schools, but in the recent past, and as costs have risen, Eastman has been transitioning to a model of financial aid that incorporates elements of financial need. The need of each student is based on the federal methodology legislated by Congress.

At Eastman 99.9% of all admitted undergraduate students (all those who request financial aid) receive merit-based institutional aid. For the current academic year, the average award from institutional funds for Eastman undergraduates is \$16,700. Eastman undergraduate students on average were given financial aid of 47.5% of tuition and fees, or 49.4% without counting fees.

Students and their families are informed about Eastman's financial aid availability and process through printed publications such as the *Viewbook* and the website. Financial aid policies are also discussed in numerous admissions activities during the recruitment year, including, and perhaps most importantly, on each of the audition days at Eastman, and nationally, when approximately 67% of the School's applicant pool interview and audition.

Eastman's recruitment efforts are guided by the goal of enrolling the most excellent group of music students nationally and internationally. Top music students, both at the undergraduate and graduate levels, are among the most heavily recruited students by top tier music schools. As noted above, these students also receive significant financial support.

Eastman's 933 students come from 44 US states and 43 countries. The admissions budget for all kinds of recruitment activities is approximately \$38,000. Recruiting and enrolling this relatively small, but diverse student body of the highest quality can only be achieved by a combination of a world-class education in music and a significant financial aid investment on the part of the school in these talented students' futures.

Eastman faculty are eligible to apply for institutional funds for professional development and recruitment activities. Faculty outreach is a critical part of recruitment because top tier music students often are looking to study with particular master teachers. The combined budgets for underwriting this type of faculty activity is approximately \$97,000 annually. There is also money available to underwrite student performance and outreach activities in a wide variety of venues and for a wide variety of audiences, which has an important but indirect recruitment effect for prospective students.

The Eastman admissions team recruits nationally in most of the large metropolitan areas of the country, travelling to recruit at performing arts fairs, recognized community music schools and arts high schools, youth orchestras and summer music festivals. For the past two years, the Eastman School, in partnership with the Juilliard School and Ithaca College, has hosted a Music Fair at Eastman for Upstate New York students, attracting approximately 70 local and national music institutions and departments each year, and approximately 800 attendees; this fair is a valuable opportunity to allow access and information among these populations.

Eastman recognizes the expense faced by prospective students who are often required or expected to travel nationally to audition or interview at schools of their choice. The Eastman School allows prospective students the option of not travelling to the school for a live audition for many of its programs (unlike some other premier institutions), and is committed to travelling nationally to audition prospective students in their local areas, within budget, staff and time limitations. The School also has an application fee waiver program for eligible prospective students, and has subsidized the audition costs for top prospective students with significant financial need.

The Eastman School has several programs that assist in recruiting low-income students. A notable example is the William Warfield Pathways Program, a partnership program between the City of Rochester School District, local music educators and Eastman's Community Music School. The Pathways program fully subsidizes the pre-college music instruction available at Eastman for talented students from the City Schools. Existing for approximately 10 years, it is now fully endowed at ±\$1.5M and provides 70 full scholarships to Eastman Community Music School students. It is expected that the first one or two students from the Pathways program will be offered admission to undergraduate study at Eastman in the current admissions cycle with significant institutional support. Aimed at middle and high school students, this program is expected to continue to produce candidates that will be admissible to Eastman in future years.

Additional relationships in place to outside groups such as the Links Scholarship, Doris Duke Foundation, the William Warfield Scholarship Fund, and the Hearst Foundation (among many others) have been actively set up over the years and allow the school to more fully subsidize the educational costs of current students; these specific awards or honors often incorporate financial need into the criteria for eligibility.

The Eastman School is also committed to promoting the visibility of its premier student groups by presenting them in local, national and international venues, in outreach and showcase performances. The School's "Music for All" program involves music presentations throughout the local community, exposing a potential future student to the School and its students. The costs of these programs are significant.

School of Nursing

The School of Nursing admits students into two bachelor's programs. The first is the "RN to BS" program, for those students who have a prior associate's degree in nursing. The majority (over 95%) of these students are employed at the University of Rochester Medical Center's hospital and receive full tuition benefits for the entire program. For the minority of RN to BS students who are not also employees of the hospital, there is some RN to BS aid from endowed funds. This year \$30,000 was distributed through this process, and financial need is the primary consideration.

The other undergraduate program is the Accelerated Program for Non-Nurses (APNN), which admits students who have a prior non-nursing baccalaureate degree. These students are not eligible for the usual undergraduate aid for first-degree seeking students; however, the School of Nursing has written for and received some grant monies for this population. One example is the New York State Retraining grant, for any APNN student who works in a health care related field and has financial need. Over \$230,000 has been distributed to APNN students. Helene Fuld grant funds also have been awarded to APNN students in the amount of ~\$500,000 yearly, although that grant will expire after the incoming class of May, 2009.

The School of Nursing has outreach programs to attract more students into the nursing profession. There is a critical shortage of nurses. We have and are further developing partnerships with other colleges, particularly historically black colleges, for an early acceptance agreement to guarantee the student admittance to the APNN in the student's junior year. The Director of Admissions visits Rochester city high schools to encourage students to consider nursing. The School has "3+1" partnerships with all area community colleges, so that students for whom our tuition is an obstacle can spend three years at community college and complete the last baccalaureate year here and graduate with a degree in nursing. We have partnered with "RochesterWorks!" and they have awarded \$10,000 each to over a dozen APNN students who were displaced workers or unemployed workers. The Director of Admissions has reached out to McNair Scholars (students from disadvantaged backgrounds who have demonstrated strong academic potential) and have awarded them scholarship dollars.

The School of Nursing estimates that \$5,000 annually is spent supporting these efforts of the Director of Admissions.

GRADUATE STUDENTS: The University admits graduate students in all six of its schools - College of Arts, Sciences and Engineering; Eastman School of Music; School of Nursing; Simon School of Business; Warner School of Education; School of Medicine and Dentistry. The following answers address financial aid policies for graduates.

College of Arts, Sciences and Engineering

Graduate students in the College of Arts, Sciences and Engineering are enrolled in either doctoral (PhD) or master's (MA or MS) programs. Doctoral students receive a full tuition scholarship, and also receive stipend support during the academic year. The duration and amount of the stipends vary with the program of study. Full-time master's students may receive partial tuition scholarships, with the availability and amount dependent on the program. Master's students do not receive stipend support.

Eastman School of Music

At Eastman the recruitment of graduate students is quite different from undergraduate students, because there is a significantly higher percentage of international students at the graduate level. Furthermore, graduate students have many more options of well-funded or fully-funded programs from which to choose. Master's degree students in music are typically looking for either their terminal program of study before entering the workplace or the best-funded master's program in advance of doctoral work. In either case, the recruitment of top master's students requires significant funding to yield the best student pool. At the doctoral level, historically Eastman's most selective admissions group, the subsidy for their education costs is the highest in the three admissions pools (bachelor's, master's and doctoral). In the world of music admission, there is a direct correlation between the quality of the pool that is being admitted and the level of funding required to be competitive in enabling the most desired students to enroll. It should be noted that at least three premier schools in the US (Colburn School of Music, Yale School of Music and Curtis), which are also in the marketplace for the world's best music students, are tuition-free (Colburn is completely free). For Eastman to be competitive in this marketplace, we have no choice but to dedicate significant funding resources to our graduate population.

More than 75% of graduate students at Eastman School of Music receive institutional financial aid. For the current academic year, the average award from institutional funds for Eastman graduate students is \$8,158. Graduate students on average were given financial aid of 55% of tuition and fees, or 55.8% without counting fees.

School of Nursing

The School of Nursing annually applies for (and has thus far annually received) the Advanced Education Nursing Traineeship Grant from the Department of Health and Human Services Public Health Service to support students in its master's degree programs. This grant makes possible the School of Nursing Traineeship awards available for students in clinical master's degree nursing programs, covering approximately 20% of tuition and fees, with 12% of our clinical master's degree nursing students receiving this assistance. Endowed funds (\$11,000) are being used for a new program that just started this year, for graduate education for nurses at Hillside Children's Center (for children at

risk) to study the mental health needs of this population. Endowed funds (\$20,000) are also used in the Leadership in Health Care Systems master's program, preparing students for health promotion in the workplace and community. The overwhelming majority of master's graduate students fund tuition through employment benefits; these students are talented practicing nurses whose employers encourage their pursuit of advanced nursing education, often to become nurse practitioners or nurses specializing in particular fields of medicine.

PhD nursing students who maintain satisfactory progress and are enrolled full-time are fully funded for tuition and receive a small stipend to help offset the cost of living for the first two years. Those with financial need may be eligible for GAANN Fellowships through a grant from the Department of Education, which provides need-matched stipend support as well as tuition support.

All students are assisted by the School to locate and apply for grants and traineeships from a variety of sources.

Simon School of Business

All Simon School of Business MBA and MS program scholarship support is merit-based. Simon considers the entire application – both qualitative and quantitative details – when making scholarship decisions. This is consistent with the general practice of other graduate business schools. Most students apply to business school only after working for a number of years. Students are encouraged to contact the University of Rochester Financial Aid office if they want information on loans and lenders.

76% of our full-time MBA students are receiving merit-based scholarship support, with the average scholarship about \$10,300 per year of study. Another source of funding for our full-time students is a paid internship between their first and second year of study, with average compensation of \$1224/week. This compensation can help to cover both tuition and living expenses during the second year of study. Simon School also provides significant staff support through our Career Management Center to assist students in locating companies who are interested in hiring our students for both internships and ultimately full-time positions. Over 90% of our seeking students obtain an internship, and just over 92% secure a full-time job offer within the first three months after graduation.

Warner School of Education

All Warner scholarship support is merit-based. Warner considers the entire application when making scholarship decisions. This is consistent with the general practice of other graduate education schools. The majority of its students apply after working for a number of years, and take the program on a part-time basis while maintaining their full time professional jobs. Students who need further financial assistance are encouraged to contact the University of Rochester Financial Aid office if they want information on loans and lenders.

The average scholarship is equivalent to 25% of the tuition, and most full-time students receive some form of scholarship. The School of Education also has special programs to attract and support students seeking a career in an area of shortage; in particular, for the last 15 years it has funded internally up to 10 full scholarships each year for University undergraduates who want to pursue a fifth year of study to become a teacher in areas of shortage in urban schools (i.e., math, science, special education.) Warner also looks for grant support for scholarships; most recently, Warner was awarded a Noyce Scholarship grant from the National Science Foundation that will enable it to offer up to 10 additional full scholarships for prospective math and science teachers committed to teach for at least two years in high need schools.

School of Medicine and Dentistry

The Admissions Office of the School of Medicine and Dentistry and our Center for Advocacy, Community Health, Education and Diversity (CACHED) actively recruit disadvantaged students through a variety of programs. Students self-identify as "disadvantaged" in the medical school application process, with socioeconomic factors and educational/experiential factors being the most commonly proffered reasons.

Summer research and enrichment programs are offered to disadvantaged undergraduates interested in medical careers and ongoing enrichment opportunities also are provided for qualified Rochester area high school students who have shown an interest and aptitude for science. Medical School admissions personnel attend regional and national medical career fairs for economically disadvantaged and underrepresented in medicine students. Individual visits by Medical School representatives with colleges and universities occur as opportunities for travel arise. The School also supports travel for enrolled disadvantaged medical students to attend national meetings and recruitment fairs each year. The Medical School annually attends summer career fairs targeted to disadvantaged students interested in medicine at Case Western Reserve University and at the joint University of North Carolina/Duke University summer enrichment programs (among the largest event of its kind in the nation).

The objective of financial aid at the University of Rochester School of Medicine and Dentistry is to enable the attendance of students who may not otherwise have the financial resources to enroll and, therefore, to encourage a student population that is culturally, economically, ethnically, socioeconomically, and geographically diversified.

The U.S. Department of Education for the purpose of determining eligibility for Federal Perkins, Federal Work-Study, and Federal Stafford Loan (generally referred to as Title IV) funds does not require parental financial information for graduate and professional students.

It is the policy of the University of Rochester School of Medicine and Dentistry to expect parents, to the extent of demonstrated ability, to contribute to the medical education of their children. *For the purpose of establishing eligibility for University*

assistance, no medical student is considered to be financially independent of his/her family regardless of age, marital status, other graduate degrees, or the fact that he/she may have been self-supporting for a number of years.

Students and their families are informed about the Medical School's financial aid availability and procedures for applying via the Financial Aid Handbook and applicant brochure. A copy of both can be found on the Medical School's website. When students come for their interview day with admissions, they are given a packet of information that includes the applicant brochure, instructions for applying and information about our website. Entering students are given a copy of the handbook at orientation.

We admitted 103 medical students this academic year. Of that number, 55 students qualified and received need-based scholarship and merit aid for an average of \$12,934 per award. Medical students were given financial aid of 32% of tuition and fees, or 34.8% without counting fees.

PhD students in the School of Medicine and Dentistry are fully funded by their departments.

4) Who determines and decides when tuition increases are necessary? What is the process for making this decision? Does the full Board of Trustees vote on tuition increases? Are students, parents and the public provided an opportunity to comment on tuition increases prior to final decisions being made? What role does your university endowment play in providing financial assistance to students?

The University's full Board of Trustees annually discusses and authorizes the amount to be charged for tuition in each of the six Schools. Tuition to be charged for the forthcoming year is recommended to the Board by senior academic and administrative leadership. Students, parents and the public do not have an opportunity to comment on tuition rates prior to the decisions by the Board.

The University of Rochester's tuition has increased proportionately with the cost of educating our students. In recent years increases in financial aid have outpaced tuition increases. The University's endowment generates the majority of financial aid provided to the University's students.

5) Please explain how your university's endowment is managed and the role of the Board of Directors? What are your university's endowment payout and investment policies? What is the mission of your university's endowment? When was the last time that the university's endowment policy was reviewed? When will it next be reviewed?

Mission

The mission of the University of Rochester endowment is to perpetually provide support for, and to enhance, the University's educational, research and clinical care programs.

Management

The Board of Trustees of the University of Rochester through its By-laws has delegated responsibility for investing the University endowment to the Investment Committee of the Board. A Senior Vice President for Institutional Resources is employed together with a small staff to assist the Investment Committee in carrying out its responsibilities. The Investment Committee meets six to eight times a year and reports to the full Board at least semi-annually. The Senior Vice President for Institutional Resources reports to the Executive Committee of the Board at its monthly meetings and to the full Board when it meets.

Investment Policy

The Investment Committee has adopted the following investment policy:

1. To generate investment returns which provide for both the present and future needs of the University.
2. To achieve the maximum total return over the long term that is commensurate with a reasonable degree of risk and to earn a rate of return over a 3- to 5-year period of at least 5.5 percentage points annually in excess of the inflation rate. The extremes of investing primarily for preservation of principal and current income on the one hand, and maximum reward without regard to risk on the other hand, are to be avoided. It is expected that diversification (among investment advisors, security holdings and strategies) will be utilized to reduce portfolio risk.
3. The Committee will employ investment advisory firms to invest the assets of the endowment. While the Committee is responsible for asset allocation, it may allow certain investment advisors to allocate among asset classes.
4. The Committee recognizes the importance of monitoring portfolios of peer institutions and will review peer performance and allocation annually.

In pursuit of these long-term objectives, the Investment Committee shall:

1. Select investment managers, demonstrating consistent, superior historical performance and organizational stability. Each manager's goal shall be to outperform over a market cycle an appropriate pre-specified market index rate of return, and to achieve favorable investment results relative to investors with similar objectives and policies.
2. Set benchmarks by which the performance of the aggregate portfolio is to be measured.
3. Monitor the diversification of the portfolio across asset classes and managers so as to reduce the volatility of returns and to provide a reasonable assurance that no single security investment or class of investments will have an unintended impact on total return.
4. Review investment guidelines and asset allocation annually and revise as needed.

This policy is reviewed annually by the Investment Committee at its August meeting.

Legal Constraints on Spending Policy

The University's endowment spending policy is curtailed by the legal obligations of the Board of Trustees under New York law. Under New York law, the value of the endowment assets when donated, known as the historic dollar value, may never be expended by the institution. Instead, the assets must be invested. The governing board can spend the earnings of the endowment fund in excess of historic dollar value that it determines to be prudent. The law requires the governing board when deciding to spend more than traditional income (interest, rents and dividends) from endowment funds to "consider among other relevant considerations the long and short term needs of the corporation in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions." (§717(a) of NY Not-for-Profit Corporation Law)

Endowment Account Spending Policy

True Endowments (i.e. designated as endowment by the donor):

- If the Market Value is less than the Historical Dollar Value (i.e. the value of the asset when given to the institution), then no budget should be set. [i.e. no expenditure of any kind can be made from the fund.]
- If the Market Value is greater than the Historical Dollar Value, spending will be allowed based on the five year moving average times the standard spending rate (5.5%) but

- only to the extent that it does not reduce the market value below the Historical Dollar Value'
- o Requests to use a higher spending rate must be reviewed and explicitly approved by the Senior Vice President and Chief Financial Officer (Treasurer), the President and the Board of Trustees.

Funds Functioning as Endowment (i.e. monies designated by the Board as endowment):

- o If the Market Value is less than the Historical Dollar Value, then spending would be equal to the anticipated income and dividends (2% of Market).
- o If the Market Value is greater than the Historical Dollar Value, then spending would be at the five-year moving average times the divisional spending rate.

If this methodology is insufficient to arrive at the approved endowment spending ceiling (i.e. the amount necessary for the approved budget) then further spending would be allowed from Funds Functioning as Endowment accounts which have Market Values greater than the Historical Dollar Value.

Calculation of Five year Moving Average. The calculation of the five-year moving average (20quarters of actual endowment values) for purposes of setting the next fiscal year budgeted spending ceiling will be as of 12/31. If there is a major gift and/or additions (\geq \$1.0 million) made subsequent to 12/31 that the division has requested be included for use in the next fiscal year budget, the following guidelines will be followed

The Budget Office will prepare annually a listing of divisional endowment accounts by classification (True Endowment and Funds Functioning as Endowment accounts). This listing shows historical dollar value, current market value and budget amount for the upcoming year based on the parameters outlined above. It is the division's responsibility to set the budgets within those guidelines and to communicate any issues to the Budget Office. Any exceptions to this policy must be reviewed with senior administration. This policy is subject to audit by the Office of University Audit.

The spending policy by its terms is reviewed annually.

6) Please provide the year-by-year net growth of the university's endowment for the last ten years (in both percentage and dollars). What is the amount of donations the endowment has received year-by-year for the last ten years? Please provide the percentage of investment in each asset class (equity, fixed income, hedge funds, private equity, venture capital, etc.) and the amount invested outside the United States.

Net Endowment Growth

Fiscal Year (Ending June 30)	Endowment Value (\$000)	Dollar Change (\$000)	Percent Change
2007	1,726,318	235,043	15.8%
2006	1,491,275	121,306	8.9%
2005	1,369,969	108,407	8.6%
2004	1,261,562	134,212	11.9%
2003	1,127,350	-14,372	-1.3%
2002	1,141,722	-103,684	-8.3%
2001	1,245,406	-33,368	-2.6%
2000	1,278,774	159,747	14.3%
1999	1,119,027	49,386	4.6%
1998	1,069,641	121,993	12.9%
Average Annual Growth Rate of Endowment for Past 10 years:			6.5%

Source: NACUBO Endowment Study, years 1998 through 2007

Endowment Donations

Fiscal Year (Ending June 30)	Endowment Donations:
2007	17,607,524
2006	13,606,570
2005	11,697,777
2004	9,431,021
2003	13,227,664
2002	8,215,049
2001	11,830,889
2000	11,907,200
1999	13,896,600
1998	5,123,830

Source: Advancement Office, CAE Survey

Asset Allocation on June 30, 2007

Investment Classification	% of Endowment
Domestic Equity	21.5%
International Equity *	20.5%
Fixed Income	7.4%
Hedge/Distressed	28.5%
Venture Capital	2.3%
Buyouts	8.0%
Real Estate	5.5%
Energy	0.6%
Timber	1.1%
Cash	4.6%

* Approximately 25% to 30% of Rochester's endowment is estimated to be invested outside of the U.S.; this amount includes real estate, buyouts, hedge funds and venture capital as well as the 20.5% figure shown here for publicly traded international equities. Precise figures are unavailable because of flexibility in allocations granted to globally oriented hedge and private equity funds.

Source: <http://www.rochester.edu/endowment/allocation.html>

7) *Please explain how you determine what is considered part of the university endowment. In other words, how is your endowment defined? Are there any other long term investments that are not included in the endowment as reported to NACUBO? If so, what are they and what are their values?*

True Endowment (contributed by a donor as endowment), Term Endowment (held in endowment until the occurrence of a specific event – Rochester has only \$1 million in this category) and Funds Functioning as Endowment (designated by the Board of Trustees to function as endowment) are the components of the University of Rochester endowment. Endowment is defined as the pool of capital (comprised of many individual funds in the three categories described above) that is designated for the perpetual financial support of the mission of the University of Rochester.

A precise response to the question *“Are there any other long term investments that are not included in the endowment as reported to NACUBO?”* would be “no.” There are, however, important definitional distinctions within this question that must be explained. The University of Rochester endowment is the primary component of a pooled investment vehicle known as the Long Term Investment Pool (LTP). Both the endowment value and the long term pool value are reported to NACUBO. The June 30, 2007 LTP value (\$1.77 billion) is approximately \$44 million larger on June 30, 2007 than the endowment value (\$1.726 billion) as the LTP includes certain “split interest” funds (charitable remainder trusts and gift annuities in which individuals have life interests and which under law must be kept separate for the life of the income beneficiaries, but may be co-invested with the endowment because the University is the remainder beneficiary) as well as funds designated by certain University divisions to be held for longer term purposes (typically for capital building projects). The LTP also contains a small amount (under \$5 million) of donor advised funds and deferred compensation for key employees.

8) *What has been the cost of management of the endowment year-by-year for the last ten years?*

Fiscal Years Ending June 30	Cost in (\$000)	Cost as % of Assets
2007	32,300	1.87%
2006	24,586	1.65%
2005	22,180	1.62%
2004	12,478	0.99%
2003	11,553	1.02%
2002	10,277	0.90%
2001	9,485	0.76%
2000	8,500	0.66%
1999	8,200	0.73%
1998	8,100	0.76%

Source: Footnotes to Audited Financial Statements. 2005 – 2007 include incentive fees paid to external advisers; earlier years do not reflect these fees.

9) What was the payout (both in dollars and percentage) from the endowment year-by-year for the last ten years? What is the targeted payout (in percentage) from the endowment year-by-year for the last ten years? If either the actual and/or targeted payout is below 5%, please explain how this meets the needs of the current student body. If there is a material variation between actual and targeted, please explain.

University of Rochester
Historical Endowment Use
Dollars in Thousands

Fiscal Year	Budgeted Spending Amount	Actual Spending Amount	5 Year Average	Dec Market Value	Budgeted Spending as % 5 yr Moving Avg.	Actual Spending as % 5 yr Moving Avg.	Budgeted Spending as % Dec Market Value	Actual Spending as % of Dec Mkt Value
1998	47,667	47,871	700,000	805,000	6.8%	6.8%	5.9%	5.9%
1999	53,688	53,612	752,214	903,496	7.1%	7.1%	5.9%	5.9%
2000	56,680	56,987	823,826	999,417	6.9%	6.9%	5.7%	5.7%
2001	60,292	62,587	910,553	1,119,015	6.6%	6.9%	5.4%	5.6%
2002	66,965	66,012	1,011,868	1,187,093	6.6%	6.5%	5.6%	5.6%
2003	70,051	69,703	1,081,744	1,102,263	6.5%	6.4%	6.4%	6.3%
2004	70,966	72,466	1,114,046	981,185	6.4%	6.5%	7.2%	7.4%
2005	71,568	73,068	1,124,352	1,127,972	6.4%	6.5%	6.3%	6.5%
2006	77,652	77,631	1,159,643	1,233,981	6.7%	6.7%	6.3%	6.3%
2007	77,861	77,341	1,169,440	1,328,142	6.7%	6.6%	5.9%	5.8%

Note:

December market value represents the market value at the end of the last completed calendar year (e.g. the FY07 value is for calendar 2005).

The University's endowment spending for fiscal year 2007 was \$77.3 million, representing 6.6% of the five-year moving average endowment value versus a target spending rate of 5.5% of the five year average. Endowment spending was 5.8% of beginning endowment market value for the most recent budget year.

What were the top 10 major expenditures from the endowment last year?

Fiscal 2007 Endowment Use by Division	
The College of ASE and University General	\$27,027
Simon School	6,580
Warner School	1,126
Eastman School of Music	13,733
School of Medicine and Dentistry (includes Health Sciences)	27,591
School of Nursing	847
Memorial Art Gallery	437
Total	\$77,341

Fiscal 2007 Endowment Use by Function	
Instruction	\$48,556
Student Financial Aid	23,090
Libraries	3,673
General, Administrative and Institutional	864
Student Services	437
Operations and Maintenance	302
Total	\$77,341

Source: <https://uofr.rochester.edu/BOT2/URFinance/Pages/endowmentuse.aspx>

10) How much of the endowment is subject to permanent spending restrictions or limitations set by the original donor? Of the portion subject to permanent limitations, what percentage is restricted for need-based scholarships? What portion is restricted for undergraduate financial aid? Please provide the top five types of restrictions on the endowment by category. What percentage of the endowment is subject to significant limitations placed on it due to a decision by the board (or a subcommittee of the board) or a college or university official – such as a set-aside for a specific program? Please provide the investment return to the endowment year-by-year for the last ten years.

How much of the endowment is subject to permanent spending restrictions or limitations set by the original donor?

\$694,226,590 or 41.8% of the endowment

Note: The amount represents true endowment including corpus and related investment income and appreciation, as reported in the 6/30/2007 TIAA-CREF custodian (AF-170) Report.

Of the portion subject to permanent limitations, what percentage is restricted for need-based* scholarships?

\$148,220,514 or 21.4% of amount above

** Note: Data are from the 6/30/2007 TIAA-CREF custodian (AF-170) report and represent true endowment restricted to student aid for both need and merit based scholarships (need-based is not tracked separately) .*

What portion is restricted for undergraduate financial aid?

\$106,197,325 or 71.6% of amount above

These data are not tracked separately; therefore, these figures have been estimated by including aid for all schools except Simon, SMD, Warner, ESM, as reported in the 6/30/2007 TIAA-CREF custodian (AF-170) Report.

Please provide the top five types of restrictions on the endowment by category

Instruction – Faculty and Programs	715,483,045	43.1%
Restricted to School/Division*	677,311,085	40.8%
Student Aid	225,452,416	13.6%
Libraries	36,126,238	2.2%
Facilities	6,568,638	<u>0.4%</u>

Includes:*\$220M for the Eastman School of Music;****\$214M for the College of Arts, Sciences and Engineering;****\$136M for the School of Medicine and Dentistry.****All for support of academic programs.**

Data are based on purpose codes assigned in FRS and on TIAA-CREF custodian (AF-170) Report. Amounts exclude similar funds (~\$62M) and the Alternative Investment MV adj (~\$9M) that was booked as a topside entry on the University's 6/30/07 consolidated financial statements.

What percentage of the endowment is subject to significant limitations placed on it due to a decision by the board (or a subcommittee of the board) or a college or university official - such as set aside for a specific program?

\$966,714,833 or 58.2% of the
endowment

Amount reflects all FFAE, including related investment income and appreciation, as reported in the 6/30/2007 TIAA-CREF custodian (AF-170) Report.

Please provide the investment return to the endowment year-by-year for the last ten years

<u>Fiscal Year (Ending June 30)</u>	<u>Net Return</u>
2007	19.4%
2006	14.0%
2005	12.8%
2004	17.4%
2003	4.1%
2002	-3.8%
2001	1.1%
2000	18.6%
1999	10.6%
1998	16.5%

Data provided by Investment Office

11) Please explain the fee arrangement to investment advisors. How is the fee and compensation measured and determined? What is the process to review reasonableness of the fee and compensation and what comparables are used? Who reviews and approves the fee? Who pays the fee (the endowment, general funds)? Please explain what relationship, if any, exists between endowment size and/or growth and the compensation given to the college or university president and the endowment manager. Please list what endowment-related bonuses, if any, either the college or university president or the investment manager has received year-by-year for the last ten years.

The University's Long Term Investment Pool (LTP) invests approximately one-half of its value in alternative investments such as private equity, hedge funds and real assets, with incentive fees that are contingent on investment performance. The remaining half of the LTP is invested with "traditional" managers, with fees determined solely as a percentage of assets. Traditional managers do not earn incentive fees. Alternative investment arrangements are structured with University investing as limited partner in a fund that is managed by a general partner (the "GP"). The GP of these funds is paid an annual management fee by the limited partners (typically 1% to 2% per annum, initially computed on committed capital and evolving to computation on invested capital as the funds are deployed) as well as a percentage of profits (typically 20% to 25%). These fee arrangements are given careful consideration by the University's Investment Office and by the Investment Committee of the Board of Trustees prior to entering these partnerships. Fees are evaluated in relation to the expertise of the investment firm, with the understanding that managers with superior experience are often found within alternative investment structure, in part because of the higher compensation they can achieve. The University strives for strong "alignment of interest" in its fee arrangements with alternative investment advisers, such that the majority of their compensation is derived from performance incentives. The LTP pays all investment adviser fees, and no fees are charged to the University's "general funds." The Investment Office provides a detailed report on fees to the Investment Committee annually. This report describes the amount of management and incentive fees paid, in dollars and as a percentage of assets managed, to each investment adviser. Performance of each investment adviser, and the LTP in total, is computed and reported net of all fees. The fee schedule for each manager is also presented in the annual report to the Investment Committee.

There were no bonuses or incentive compensation paid to any University employee, including the President and chief investment officer (Senior Vice President for Institutional Resources), for the past ten years, related to endowment size, performance or any similar benchmark.