


SUBJECT	ENDOWMENT STATUS REPORT AS AT NOVEMBER 30, 2016
MEETING DATE	FEBRUARY 14, 2017

Forwarded to the Board of Governors on the Recommendation of the President

**APPROVED FOR
SUBMISSION**



Santa J. Ono, President and Vice-Chancellor

For Information

Report Date	November 30, 2016
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Presented By Andrew Simpson, Vice-President Finance and Operations
Ian Burgess, Comptroller
Stuart Mackenzie, Director, Financial Reporting and Budgeting

EXECUTIVE SUMMARY

Endowment investments are comprised of:

(in millions of dollars)	November 30, 2016	March 31, 2016
IMANT Invested Funds	\$ 1,394.0	\$ 1,309.5
Other Securities	11.8	13.9
Merilees Chair	3.6	3.7
Promissory Notes	1.6	2.2
Funds administered under the University's Endowment Management Policy		
Vancouver Foundation	26.8	25.9
Peter Wall Endowment	118.6	89.4
Student Housing Financing Endowment (SHFE)	311.1	260.8
Total Endowment Investments	\$ 1,867.5	\$ 1,705.4

This Endowment Status Report includes endowment funds administered under the University's Endowment Management Policy, Vancouver Foundation endowments where the University has the discretion to transfer all or any part of the capital to the University, the Peter Wall endowment (held within the UBC Foundation) and the SHFE endowment.

INSTITUTIONAL STRATEGIC PRIORITIES SUPPORTED

Learning
 Research
 Innovation
 Engagement
 International

(Internal / External)

or Operational

**DESCRIPTION
& RATIONALE**

A summary of the status of IMANT Invested Funds, Other Securities, the Merilees Chair and promissory notes as at November 30, 2016 is attached. The summary shows the comparative values of the Capital Accounts and the Stabilization Accounts for March 31, 2016 and March 31, 2015. A graph of the changes in the stabilization account balances since amendments were made to the Endowment Management Policy in February 2009 is also attached. At March 31, 2009 the stabilization balances were in a deficit of \$143.0 million. The graph shows the stabilization account balances have recovered and are now in a \$203.9 million surplus position.

IMANT INVESTED FUNDS, OTHER SECURITIES, MERILEES CHAIR & PROMISSORY NOTES

The total market value increased \$81.7 million this quarter to \$1,411.0 million at November 30, 2016. This change is made up \$24.7 million of contributions and \$92.4 million of investment income offset by a spending allocation of \$35.4 million. The \$92.4 million of investment income reflects a return of approximately 7.3% for the eight months on the IMANT Invested Funds, plus income from other securities.

The Capital Account increased by \$37.6 million as a result of new contributions of \$24.7 million and a provision for inflation of \$12.9 million. Inflation for the eight months was 1.1%. The Capital Account includes a donation of securities received in fiscal 2016. The securities will be sold and the proceeds of disposition will be added to the IMANT Invested Funds.

The double digit market returns for five of the past seven fiscal years have eliminated the overall Stabilization Account deficit and, as mentioned above, a surplus of \$203.9 million exists at November 30, 2016. The \$203.9 million Stabilization Account is made up of 3,360 endowments that are not subject to amortization totalling \$204.8 million and 34 endowments that are underwater by \$0.9 million and remain subject to amortization. Of the 3,360 endowments that are not subject to amortization, 3,297 have a surplus stabilization account balance of \$205.0 million and 63 are underwater by \$0.3 million.

VANCOUVER FOUNDATION ENDOWMENTS

Endowments with a fair value of \$26.8 million at November 30, 2016 are held and managed by the Vancouver Foundation (VF). The fair value of the VF endowments recorded in the University's financial statements is based on the fund statements prepared by the VF. The VF statements are received by the University one quarter behind the actual calendar quarters. Accordingly, \$26.8 million represents the fair value of the VF endowment funds at September 30, 2016.

PETER WALL ENDOWMENT

The Peter Wall Endowment is made up of 6.5 million shares of Wall Financial Corporation (WFC) valued at \$118.6 million at November 30, 2016.

STUDENT HOUSING FINANCING ENDOWMENT (SHFE)

The market value of SHFE is \$311.1 million at November 30, 2016. The \$50.3 million increase in the market value represents \$47.0 million of land lease proceeds received from UBC Properties Trust during the between April and November plus \$3.3 million of capitalized investment income.

BACKGROUND

In February 2009, the Board approved changes to Endowment Management Policy No. 113 and a change in the spending rate. The relevant changes include:

- Reduction in the endowment spending rate from 5.0% to 3.5%;
- Use of the rolling three-year average market value by calendar year in establishing the spending allocation;
- Preservation of the real value of the Capital Account by crediting this account by an amount equivalent to the increase in the Consumer Price Index experienced during the fiscal year;
- Establishment of a Stabilization Account for each endowment fund to measure its health by tracking cumulative income earned against cumulative spending allocation, investment management and central administrative expenses charged, and inflation; and
- Periodic reporting to the Board on the status of endowment funds.

Significant market losses in fiscal year 2009 reduced the value of the University’s endowments. In nearly 56% of the University’s 3,000 endowments, the value of the endowment as at December 31, 2008 was less than the original contribution. To address this underwater issue, the University committed, with certain exceptions, to building those endowments back up to their original value by reducing spending over a ten-year period. The base value of all endowment funds were established using the December 31, 2008 market value, and the deficits on this date, which totaled \$71 million, are being amortized against the annual spending allocations. These endowments are represented in the attached report as “Endowments subject to Amortization.” Endowment investments experienced further market losses of 6% between January and March of that year which increased the deficit in the Stabilization Account at March 31, 2009. The investment losses during this period are not subject to amortization.

BENEFITS The University’s endowment provides financial support to help create a world class learning environment on Campus.

RISKS The rate of return on endowment pool is subject to market fluctuations. The risk is alleviated by the University’s endowment spend policy.

FINANCIAL The financial support provided by the endowments complement government and other funding to support numerous academic, research and capital projects.

CONSULTATION The endowment pool is made up of all of the individual endowment funds established at the University. The Board of Governors has retained UBC Investment Management Trust Inc. to manage the pool.

Previous Report Date This report is provided for information at each meeting of the Board of Governors.

Decision N/A

Action / Follow Up N/A

ENDOWMENTS (IMANT-INVESTED FUNDS, OTHER SECURITIES, MERILEES CHAIR & PROMISSORY NOTES)

Endowment Status as at March 31, 2015				
		(in thousands)		
	No. of Endowments	Total Market Value	Capital Account	Stabilization Account
Endowments not subject to Amortization				
Surplus stabilization account	3,262	\$ 1,317,179	\$ 1,095,003	\$ 222,176
Deficit stabilization account	8	6,896	7,242	(346)
	3,270	\$ 1,324,075	\$ 1,102,245	\$ 221,830
Endowments subject to Amortization	47	16,343	17,806	(1,463)
	3,317	\$ 1,340,418	\$ 1,120,051	\$ 220,367
Endowment Status as at March 31, 2016				
		(in thousands)		
	No. of Endowments	Total Market Value	Capital Account	Stabilization Account
Endowments not subject to Amortization				
Surplus stabilization account	3,183	\$ 1,263,596	\$ 1,100,540	\$ 163,056
Deficit stabilization account	152	57,296	59,265	(1,969)
	3,335	\$ 1,320,892	\$ 1,159,805	\$ 161,087
Endowments subject to Amortization	34	8,331	9,694	(1,363)
	3,369	\$ 1,329,223	\$ 1,169,499	\$ 159,724
Endowment Status as at November 30, 2016				
		(in thousands)		
	No. of Endowments	Total Market Value	Capital Account	Stabilization Account
Endowments not subject to Amortization				
Surplus stabilization account	3,297	\$ 1,385,653	\$ 1,180,647	\$ 205,006
Deficit stabilization account	63	16,403	16,656	(253)
	3,360	\$ 1,402,056	\$ 1,197,303	\$ 204,753
Endowments subject to Amortization	34	8,910	9,801	(891)
	3,394	\$ 1,410,966	\$ 1,207,104	\$ 203,862

ENDOWMENT STABILIZATION ACCOUNTS

