Before We Begin...

We are recording. Attendees have been placed on mute.

If you have questions for the presenters, use the Q&A function.

We will address questions at the end of each presentation.

If you want to talk with other participants, please use the chat.
Welcome

J. Michael Gower
Executive Vice President - Chief Financial Officer
University Treasurer
Today's Agenda

Kimberly Hopely, President, Rutgers Foundation and Executive Vice President for Development and Alumni Engagement

Jason MacDonald, Chief Investment Officer

David B. Moore, Associate Vice President and Chief Budget Officer

Ask the Expert Sessions
Immediately following Town Hall, via separate Zoom meetings
Kimberly Hopely
President, Rutgers University Foundation and Executive Vice President for Development and Alumni Engagement
INTERNAL GUIDING PRINCIPLES

UNIVERSITY

- Academic Excellence
- Institutional Clarity
- Beloved Community

FOUNDATION

- Pursuit of Excellence
- Organizational Clarity
- Culture of Respect and Trust
The Campaign

Current

Quiet Planning

Public

Jonathan Holloway Appointed

Emerging Themes: Access to Education | Beloved Community | Common Good
Comments or Questions?
Rutgers University Investment Office

Jason MacDonald
Chief Investment Officer
**Who?**

Responsible for investment management of all endowment assets. RU Foundation transfers endowment funds raised to our office. Governed by Joint Committee on Investments, which reports to and consists of members from the Board of Trustees and Board of Governors.

**What?**

Endowment, or long-term investment pool (LTIP), is 2,500 (approx.) individual endowment funds created by donors to pay for scholarships, endowed chairs, etc. to support a variety of causes. The endowment pays out 4% of its market value annually to support these funds.

**Why?**

- Support the financial health of the university
- Larger endowment → larger annual payout → lower financial pressure

**How?**

- Exceptional fundraising
- Solid risk-adjusted returns
## Governance Structure

<table>
<thead>
<tr>
<th>Function</th>
<th>Governing Body / Individual Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee</td>
<td>Joint Committee on Investments - 8 Members</td>
</tr>
<tr>
<td>Committee Chair</td>
<td>Gary Chropuvka, Board of Trustees Member</td>
</tr>
<tr>
<td>Consultant</td>
<td>Fund Evaluation Group</td>
</tr>
<tr>
<td>Staff</td>
<td>Jason MacDonald, Chief Investment Officer</td>
</tr>
<tr>
<td></td>
<td>Lou Kish, Director of Investment Operations</td>
</tr>
<tr>
<td></td>
<td>Irina Katz, Administrative Assistant</td>
</tr>
<tr>
<td></td>
<td>Keith Zaccaria, Investment Analyst</td>
</tr>
</tbody>
</table>

**Board of Governors**
- 4 members

**Joint Committee on Investments**

**Endowment Office**

**Board of Trustees**
- 4 members
# Investment Office Team

## Staff
- Jason MacDonald, Chief Investment Officer - July 2016
- Lou Kish, Director of Investment Operations - November 2016
- Irina Katz, Administrative Assistant - July 2019
- Keith Zaccaria, Investment Analyst - February 2020

## Current Interns
- Shivank Agrawal, Class of 2023
- Thomas Babiak, Class of 2022
- Sanjana Belthur, Class of 2022
- Christopher Davanzo, Class of 2023
- Larry Livshits, Class of 2022
- Rayhan Murad, Class of 2023
- Ritu Patel, Class of 2023
- Nicole Salas, Class of 2023

## Intern Program Alumni
- Neilank Avani, Financial Technology Partners
- Natalia J. Bak, Citigroup
- Amol Lotia, Credit Suisse
- Nam Q. Lu, Credit Suisse
- Misha Nehring, Permira (Private Equity)
- Shreeshruthi Raghavan, Roark Capital
- Amira M. Sparks, Prudential Financial
Our Culture: Collaborative, Hungry, Transparent

An Investment Office that is part of the fabric of the university

• A culture focused on superior investment returns and promote open-mindedness

• Establish buy-in on strategy, acceptable levels of risk, time horizon, investment targets, etc.

• Maintain an environment where values are observed with as much discipline as the investment approach:
  o **Integrity** - Ethical, accountable, and fair in all dealings
  o **Flexibility** - The commitment to adapt is a fundamental part of individual and organizational development
  o **Humility** - An open, feedback driven organizational culture that promotes teamwork, personal expression, self-awareness and freedom
Endowment Objectives and Keys to Success

Objectives
The Endowment’s time horizon is intended to be infinite. Its financial objectives are as follows:

- Support current and future operations of the university
- Preserve purchasing power of the long-term investment pool

To support these financial objectives, the core investment objectives are two-fold:

- Absolute (7%+): The Endowment should earn a compound annual rate of return in excess of its annual spend, fees and expenses, and inflation over the long-term.
- Relative: The Endowment should achieve competitive, long-term returns versus investible, passive alternatives.

Success Factors

- **Long-Term Approach**: The university’s infinite time horizon is our competitive advantage. This allows for market volatility to be viewed as an opportunity to capture inefficiencies, not to sell assets
- **Culture/Reputation**: Integrity, humility, and alignment
- **Flexibility**: Intellectual curiosity and the commitment to change
- **Diversification**: A proper asset allocation framework is the primary contributor to investment success
- **Liquidity**: A large percentage of a well-balanced, diversified portfolio is comprised of illiquid assets. However, ensuring sufficient liquidity in all scenarios is crucial.
Spend Growth (Annual Spending)
Ultimate Goals

• Attain the best risk-adjusted returns possible
• Create an institutionally sound investment office
• Foster a culture of transparency and respect
• Contribute positively to the broader university community
Comments or Questions?
FY 2022 Budget and Forecast

David B. Moore
Associate Vice President and Chief Budget Officer
Rutgers’ annual budget reflects the values of the university in fulfilling its core priorities of outstanding teaching, research, service, and clinical care, while providing the best academic experience for our students.

The university’s FY 2022 total approved budget is a $4.8 billion statement of our priorities, a statement of our values and a recognition of the fiscal limitations we face together.
This budget spends $4.8 billion on the things that are most important.

- 77.9% is spent on our core missions of student instruction, research, public service and patient care
- 14.5% is spent on administration, operations and maintenance
- 4.8% is spent on auxiliary enterprise
- 2.8% is spent on Athletics
### FY 2022 Expenses – December Report

<table>
<thead>
<tr>
<th>Expense (Uses of Funds)</th>
<th>FY 2019 Dec Actual vs Annual Budget</th>
<th>FY 2020 Dec Actual vs Annual Budget</th>
<th>FY 2021 Dec Actual vs Annual Budget</th>
<th>Annual Budget</th>
<th>FY 2022 Dec Actual vs Annual Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Wages</td>
<td>49.6%</td>
<td>50.4%</td>
<td>49.8%</td>
<td>2,328,053</td>
<td>1,141,718</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>47.0%</td>
<td>46.4%</td>
<td>47.4%</td>
<td>813,897</td>
<td>364,831</td>
</tr>
<tr>
<td><strong>Total Compensation</strong></td>
<td><strong>49.0%</strong></td>
<td><strong>49.4%</strong></td>
<td><strong>49.2%</strong></td>
<td><strong>3,141,950</strong></td>
<td><strong>1,506,549</strong></td>
</tr>
<tr>
<td>Supplies and Other</td>
<td>48.1%</td>
<td>54.3%</td>
<td>42.6%</td>
<td>249,796</td>
<td>111,532</td>
</tr>
<tr>
<td>Scholarships and Fellowships</td>
<td>51.0%</td>
<td>50.6%</td>
<td>47.8%</td>
<td>461,391</td>
<td>295,441</td>
</tr>
<tr>
<td>Travel</td>
<td>51.0%</td>
<td>50.0%</td>
<td>9.9%</td>
<td>34,381</td>
<td>10,335</td>
</tr>
<tr>
<td>Plant Operation and Maintenance</td>
<td>50.7%</td>
<td>51.5%</td>
<td>45.5%</td>
<td>142,450</td>
<td>73,334</td>
</tr>
<tr>
<td>Debt Service - Principal and Interest</td>
<td>50.0%</td>
<td>49.9%</td>
<td>49.8%</td>
<td>184,331</td>
<td>92,166</td>
</tr>
<tr>
<td>Other Operating Expense</td>
<td>55.3%</td>
<td>44.4%</td>
<td>46.4%</td>
<td>295,432</td>
<td>144,294</td>
</tr>
<tr>
<td>Professional Services</td>
<td>49.6%</td>
<td>49.8%</td>
<td>46.1%</td>
<td>312,132</td>
<td>145,586</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td><strong>49.6%</strong></td>
<td><strong>49.6%</strong></td>
<td><strong>48.0%</strong></td>
<td><strong>4,821,864</strong></td>
<td><strong>2,379,237</strong></td>
</tr>
</tbody>
</table>

Total compensation expense category is trailing behind prior year experience. This is due to significant position vacancies across the university. Other expense categories are starting to returning to a pre-pandemic levels as students, faculty and staff return to campus.
Where does the $4.8 billion come from? That, too, is a statement of our values.
Most revenue sources are on track with the approved university budget and total revenues is slightly above prior year-over-year experience due to receiving federal student emergency aid through the American Rescue Plan (ARP) Act. Additional revenues are offset by similar expense increases.
Total University Summary

• The FY 2022 quarter two (Q2) forecast for Rutgers University reflects a year-end surplus of approximately 0.74%. This favorable variance is primarily driven by overall projected expense savings.

• The total favorable revenue variance is primarily driven by increases from federal aid in both federal and state student aid, and grants and contracts that represents federal relief funding from the American Rescue Plan (APR) Act. The federal relief funds have an equal expense increase and have been used to provide emergency student aid funds to students impacted by the pandemic as well as to help support pandemic related costs across the institution.

• The total expense favorable variance is primarily driven by projected expense savings in total compensation and travel expenses.
FY 2022 Budget Development – Update

Budget Development

**Budget Preparation**
- **July-August:** Budget guidance provided from the University Budget Office (UBO) to the Central and Chancellor Offices
- **August - October:** Central Units begin their budget development

**Review & Recommendations**
- **September – November:** Review Central Unit budgets with advisory committees and the University Budget Committee
- **December:** Decisions are made and allocation letters are sent to the Central/Local Units to complete their budgets

Budget Deliberation

**Responsibility Centers (RCs) Budget Development and Consolidation**
- **January – February:** Responsibility Centers (RCs) develop their budgets and prepare for meetings with Chancellors
- **February – March:** Meetings between Chancellor Offices and RCs to review and refine budgets
- **April / May:** Chancellor Offices submit RC budgets to UBO and review with EVP for consolidation

**Presentation to the BOG**
- **June:** The proposed budget for the following fiscal year will be presented to the F&F Committee and BOG
FY 2022 and Moving Forward

• Continue prudent spending controls by reviewing discretionary spending

• Continue to strategically use limited federal relief funds to help bridge funding gaps

• Reserve current year funding to provide stable sources of funds during what could be a prolonged period of relatively unpredictable economic conditions

• Embrace the operational lessons and strategies learned during the pandemic that will help Rutgers move into a post-pandemic world, stronger and more vibrant
Comments or Questions?
Thank You!