

## Higher Education Endowments Earn an Average of 10.7 percent in FY 2006

Washington, DC, December 13, 2006 --- A one-year average annual rate of return of 10.7 percent for fiscal year 2006 marks the third consecutive year that endowment investment income is enough to both support annual educational spending as well as reinvest a portion of the earnings to protect against inflation, and pay management fees. This according to preliminary data from the annual NACUBO Endowment Study released today by the National Association of College and University Business Officers (NACUBO) in conjunction with TIAA-CREF, a national financial services organization.

Though the one-year average rate of return for fiscal year 2006 is higher than the 9.3 percent reported in fiscal year 2005, the ten-year compounded 8.8 percent return rate falls just short of the target long-term return of 9 percent. When an approximate annual inflation rate of three percent, a typical annual educational spending rate of five percent of the endowment, and various operational management fees at one percent of total holdings are taken into account, over the long run, a nine percent annual return rate allows higher education institutions to maximize both the endowments' current and future support for priority activities.

In keeping with recent years, preliminary data indicates that overall endowment investments continue to increase in non-traditional asset classes while investments in the traditional equities and fixed income classes decrease. In particular, asset allocation data continue to show increases in hedge fund investing in addition to increases in investments in natural resources from fiscal year 2005 to 2006.

The NES is the largest and longest running annual, voluntary survey of higher education institutions and their endowment holdings. Survey information is collected and calculated on behalf of NACUBO by TIAA-CREF. Seven hundred sixty-five (765) institutional participants from the United States and Canada took part in the 2006 NES, the largest group in the 34-year history of the study and the sixth consecutive year of record-breaking participation since NACUBO began their partnership with TIAA-CREF in 2000.

The final 2006 NES report will be an online publication available in January. The report contains tables and graphs that illustrate essential data on all aspects of endowment management including endowment size, investment performance, asset allocation, spending policies, and investment management practices.

TIAA-CREF is a national financial services organization with more than \$390 billion in combined assets under management (9/30/06) and is the leading provider of retirement services in the academic, research, medical and cultural fields. Further information can be found at [www.tiaa-cref.org](http://www.tiaa-cref.org).

NACUBO, founded in 1962, is a nonprofit professional organization representing chief administrative and financial officers at more than 2,100 colleges and universities across the country. NACUBO's mission is to promote sound management and financial practices at colleges and universities. [www.nacubo.org](http://www.nacubo.org).

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