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College and University Endowments Realize 8.6 % Average 10-Year Return

2007 NACUBO Endowment Study Shows Endowments Positioned to Meet Long-Term Spending Needs

Allocations to International Investments Grow, Alternatives Hold Steady

Washington, DC, January 24, 2008 – A strong performance in fiscal year 2007 resulted in an 8.6 percent average 10-year compounded rate of return for college and university endowments, according to a survey released today by the National Association of College and University Business Officers (NACUBO) in conjunction with TIAA-CREF Asset Management. This figure is in line with the target needed to meet short- and long-term institutional spending goals while also ensuring the financial stability of colleges and universities. NACUBO's study includes data from 785 colleges and universities in the United States and Canada.

"College and university endowments, by virtue of their strong management and investment returns, are a critical source of income to support campus operating and capital budgets," notes John Walda, president and CEO of NACUBO. "The impact of this year's endowment gains on institutional budgets is significant and extremely positive."

The 2007 study covered $411.2 billion in endowment assets, an increase of more than $71 billion from NACUBO's 2006 study. As a result, according to NACUBO estimates, this one-year increase in endowment assets being managed by colleges and universities will generate approximately $3.25 billion in additional revenue during the current fiscal year to pay for institutional programs and initiatives.

Positive Impact on Institutionally Funded Student Aid

The one-year average rate of return of 17.2 percent reported by college and university endowments will help fund an increased level of student aid, among other campus initiatives and programs. In a concerted effort to address the affordability of a college education, colleges and universities have been increasing their spending on grants to students. Over the past decade, the total dollars awarded in institutional grants to students have increased an average of 6.4 percent a year above inflation rates.

By comparison, the average year-to-year increases in tuition and fees over the past 10 years have been much smaller, ranging from less than 3 percent to 4 percent per year above inflation rates, depending on institution type. Further, the average year-to-year increase of dollars awarded in institutional grants to students has been larger than the 5.8 percent average year-to-year increase in total federal aid to students.

“The positive impact of endowment earnings goes beyond student aid. These earnings are an important source of revenue to meet current campus operating costs. They also enable colleges and universities to make the capital improvements that are required to address emerging needs – such as facility expansion for increased enrollments,” Walda adds. “Just as significant, endowment funds support enhancements to research programs that have a critical, direct impact on the public.”

Spending rates are the percentage of an institution’s investment pool at the start of the year that is contributed yearly to its operating and capital budgets. The average annual calculated spending rate from endowments was 4.6 percent in fiscal 2007, comparable to the rate reported in FY 2006.

College and university endowments, public and independent alike, continue to be primarily invested in equities, fixed income, and hedge funds. Among the asset classes that contributed most significantly to the overall returns in FY 2007 were international and U.S. equities, as well as private equity funds. International equities provided the highest returns of any asset class, providing survey participants with an average rate of return of 28.3 percent.

“This year’s survey shows a steady movement out of U.S. fixed income and U.S. equity and into non-U.S. equity over the past five years,” says Brett Hammond, chief investment strategist, TIAA-CREF. “I think this suggests that endowments of all sizes are becoming increasingly comfortable with the idea of no longer being U.S.-centric with their investments, and we anticipate that this represents a long-term strategy.”

Endowments Keep Our Institutions Ready for the Future

The growth in endowment assets in fiscal year 2007 is due, in part, to strong investment returns; new endowment gifts from donors also represent a significant portion of this increase. “Gifts donated to an endowment help the college or university pursue its mission in perpetuity,” explains Walda. “Indeed, the *purpose* of most gifts – whether donated with a restriction or not – is to ensure financial stability for our institutions and to make sure that they are around for decades and centuries to come.”

Additional Survey Details

The NES is the largest and longest running annual survey studying the endowment holdings of higher education institutions and their foundations. Information is collected and calculated on behalf of NACUBO by TIAA-CREF. Seven hundred and eighty-five (785) institutions in the United States and Canada participated in the 2007 NES, which is the largest number in the 35-year history of the study and the seventh consecutive year of record-breaking participation since NACUBO began its partnership with TIAA-CREF in 2000.

An executive summary of the 2007 NACUBO Endowment Study and the complete study are available for download at www.nacubo.org. The report contains tables and graphs that illustrate essential data on all aspects of investment performance, asset allocation, additions and withdrawals to the investment pool, spending rates and polices, and investment management policies, practices, and strategies. The cost for the full study is $89.95 for NACUBO members and $335.00 for nonmembers. The executive summary is available for $29.95 for NACUBO members and $79.00 for nonmembers.

About TIAA-CREF
TIAA-CREF Asset Management® provides institutional investors and other intermediaries with access to the TIAA-CREF® organization's sophisticated investment management, research, and analytical capabilities. Its investment strategies cover a wide spectrum of asset classes, from traditional equity and fixed income to real estate and other alternatives. TIAA-CREF, with more than $437 billion in combined assets under management (9/30/07), is best known as the leading provider of retirement services in the academic, research, medical, and cultural fields. Further information can be found at www.tiaa-cref.org.

About NACUBO
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.

NACUBO and TIAA-CREF would be pleased to provide further information. To arrange interviews with John Walda and additional NACUBO staff on the survey team—Matthew Hamill and Jessica Shedd--please contact:

Geraldine Romano
Managing Director of Communications
NACUBO
202.861.2531
geraldine.romano@nacubo.org

To arrange interviews with TIAA-CREF staff, please contact:

Chad Peterson
Director, Media Relations
TIAA-CREF
212.916.4808
cpeterson@TIAA-CREF.org

NACUBO Endowment Study Spokesperson Biographies

John Walda is president and CEO of NACUBO. His career has spanned three decades in higher education, public policy and law, including service as president of the Indiana University Board of Trustees and as chairman of the board of the Association of Governing Boards. Before joining NACUBO in 2006, Walda was a partner at Bose McKinney & Evans. His B.A. and J.D. are from Indiana University.

Matthew Hamill is senior vice president of advocacy and issue analysis at NACUBO. Hamill has served on the staff of additional associations, including the National Association of Independent Colleges and Universities, and on the staff of two members of Congress. He holds a bachelor's degree from Amherst College.

Jessica Shedd, director of research and policy analysis, oversees the NACUBO Endowment Study. Prior to NACUBO, Shedd worked in the Office of Institutional Research and Planning at the University of Maryland and as a research analyst at the Institute for Higher Education Policy. She has an M.A. from Stanford University and a B.A. from the College of the Holy Cross.

Brett Hammond is a managing director and chief investment strategist for TIAA-CREF Asset Management, where he is responsible for asset allocation modeling and institutional advising, economic and market commentary, and investment product and portfolio research. He received a Ph.D. from the Massachusetts Institute of Technology and two A.B. degrees from the University of California at Santa Cruz.

2007 NACUBO Endowment Study
Fact Sheet and Background Materials

- The overall one-year average rate of return of 17.2 percent, though strong, falls short of several major investment indices. For the fiscal year ending June 30, 2007, the S&P 500 returned 20.6 percent, the Russell 3000 returned 20.1 percent, and the MSCI World ex US returned 27.1 percent. Each endowment will have a unique allocation mix among various asset classes.

- The 8.6 percent 10-year average compounded rate of return demonstrates the skill of institutional endowment managers, as it surpasses the S&P 500, the Russell 3000, the MSCI World ex US, and the LB Aggregate indices over the same time period.

- The total grant dollar amount that institutions have awarded to students has increased an average of 6.4 percent per year above inflation over the past 10 years. This surpasses the average year-to-year increase above inflation in tuition and fees at colleges and universities—approximately 2.7 percent at public two-year institutions, 2.9 percent at independent four-year institutions, and 4.0 percent at public four-year institutions.

- Taking into consideration an approximate annual inflation rate of 3 percent, a typical annual spending rate of approximately 5 percent of total endowment holdings and various operational and management fees at 1 percent, many endowments use an 8 to 9 percent per year long-term return target to manage their asset investment strategies. This target would allow for supporting the institution's fiscal needs while protecting the endowment against inflation.

Average Rate of Return by Asset Class, FY 2006 & 2007

Asset Class	Average Return (FY 2007)	Average Return (FY 2006)
Equity (US)	19.3%	10.3%
Equity (Non-U.S.)	28.3%	24.8%
Fixed Income (U.S.)	6.0%	0.6%
Fixed Income (Non-U.S.)	6.3%	3.2%
Real Estate (Public)	14.3%	19.0%
Real Estate (Private)	16.8%	15.8%
Hedge Funds	14.8%	10.4%
Private Equity	19.8%	17.9%
Venture Capital	15.0%	10.2%
Natural Resources	14.2%	28.2%

Average Allocation to Selected Asset Classes, FY 1998 & 2007			
Asset Class	**1998 Allocation**	**2007 Allocation**	**Percent Change**
Equity	63.5	57.6	-9.3%
Fixed Income	25.6	18.6	-27.3%
Real Estate	2.1	3.5	66.7%
Cash	4.3	3.5	-18.6%
Hedge Funds	2.8	10.6	278.6%
Private Equity	0.4	2.3	475.0%
Venture Capital	0.7	0.9	28.6%
Natural Resources	0.2	1.6	700.0%
Other	0.4	1.4	250.0%