



RICE UNIVERSITY

DAVID W. LEEBRON
PRESIDENT

April 1, 2016

The Honorable Orrin Hatch
U.S. Senate Committee on Finance

The Honorable Kevin Brady
The Honorable Peter Roskam
U.S. House Committee on Ways and Means

Dear Senator Hatch and Congressmen Brady and Roskam:

Thank you for the opportunity to share information about Rice University and the vital role our endowment plays in providing a high quality educational experience to our students, assisting students with financial need and supporting research that improves lives and livelihoods in our country and around the world. As a small, private institution, we are able to offer a full range of academic opportunities to our students who come from a wide range of economic circumstances because of our endowment, which we carefully manage to serve our mission today and for generations to come.

I would like to start by sharing our mission with you:

"As a leading research university with a distinctive commitment to undergraduate education, Rice University aspires to pathbreaking research, unsurpassed teaching and contributions to the betterment of our world. It seeks to fulfill this mission by cultivating a diverse community of learning and discovery that produces leaders across the spectrum of human endeavor."

These words guide our aspirations, planning, investments and operations. They enable us to serve extraordinarily talented and promising students from all spectrums of life who, by studying together and connecting as a community, enrich the experience for all of us, both on our campus and in their careers and communities after graduation.

Critical to our ability to realize each aspect of our mission is our endowment, which has grown from an initial gift of \$6.7 million at Rice's beginning in 1912 to \$5.5 billion just over a century later. The endowment supports just under 40 percent of the University's operating expenses. Investment earnings, managed with our prudent long-term strategy, allow us to continuously upgrade our educational programs and facilities while withstanding the vagaries of a highly cyclical economy and frequently volatile financial markets.

The endowment also supports about 92 percent of our financial aid programs for undergraduate and graduate students. Rice offers a need-blind admission policy, meaning that students who are academically qualified are admitted regardless of their ability to pay. Once students are admitted, our financial aid policy aims to meet their full need through grants, loans and modest work opportunities. Freshmen entering Rice who qualify for need-based aid and whose annual family income is \$80,000 or less are not required to take out loans to pay for their education. Other freshmen with demonstrated financial need are not required to

Rice University Response

take out more than a total of \$10,000 in loans over the course of their four undergraduate years at Rice. Because we do not assume students will take loans in excess of this amount, we must provide greater grant aid. Nearly 60 percent of all undergraduate students at Rice receive some form of help through scholarships, loans and work-study programs, and some 15 percent receive federal Pell grants.

The endowment also supports our small class sizes, low student-to-faculty ratio and undergraduate research and other experiential learning opportunities. Our graduate programs and research laboratories and infrastructure support our ability to explore, invent and solve, but they too require ongoing investment.

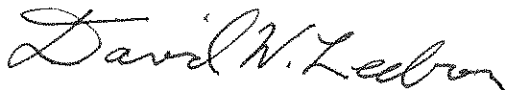
Universities are the repositories of centuries of accumulated knowledge and generators of the knowledge yet to be discovered. They must be seen, and managed, from the long perspective, past and future -- a long view and commitment that distinguishes them from many other institutions. At the same time, their finances are subject to the forces of the moment. A prudent spending policy is essential to ensure that the endowment will be a perpetual source of support for the University and our students. Prudence demands not only that what we do today is affordable, but that we will have the resources to deliver the same quality education or better to students of future generations, and also provide the discoveries our country needs to be competitive in the centuries to come.

In 2008, many universities across the country, including Rice, responded to a request from the Senate Finance Committee for information about their endowments and tuition. That same year, the U.S. economy fell into a deep recession and endowments suffered major losses, in a few cases exceeding 25 percent. In Rice's case, our endowment fell by some \$1 billion during the recession as a result of losses and ongoing spending to support the institution. Thanks to our policy based on a three-year average of the endowment's market value and careful budgeting, we came through the downturn without weakening our financial aid offerings or imposing programmatic cuts that would have hurt our education and research endeavors and cost hardworking employees their jobs. The endowment has since recouped those losses, but recent economic volatility once again requires careful stewardship. We intend to follow the same proactive, prudent approach that has served us well in past downturns because of our responsibilities to our students, faculty, staff and community.

The nation's higher educational system has come under intense and in some cases critical scrutiny in recent years, in part because of concerns over higher costs and lower outcomes. In some cases, those concerns may be justified. But I would ask you to consider that our country is home to some 4,700 degree-granting institutions of many different sizes and configurations that serve a wide range of students and purposes. At the same time, China, India and other countries are making massive investments in their own higher educational systems. In this highly competitive environment, we cannot take the United States' leadership in the higher education arena for granted. In Rice's and many other institutions' cases, endowments are essential contributors to that leadership, substituting in many respects for general governmental financial support that would otherwise be required. The prudent management of our endowments has enabled our extraordinary colleges and universities to excel as the acknowledged world leaders for a century. In so many aspects of American life we have mortgaged the future for the benefit of the present. We must not do that to our institutions of higher education.

I hope the following answers to your questions help explain how the endowment makes possible Rice's unique role and contributions to our students and our country.

Respectfully,



David W. Leebron

Rice University Response

1. What categories of assets are included in your college or university's endowment? For each category, please indicate the amount of funds that are:
- a. unrestricted;
 - b. permanently restricted by donors;
 - c. temporarily restricted by donors;
 - d. permanently restricted by your college or university (quasi-endowments);
- and
- e. temporarily restricted by your college or university.
- f. For each restricted asset, please describe the uses for which the funds are restricted and the amount of the fair market value of the endowment apportioned to each use. How and why were the restrictions put into place?

The information provided below differs slightly in presentation from the information provided in our audited financial statements in order to conform to the questions asked. A link to Rice's audited financial statements for fiscal year 2015 and prior years can be found at http://www.professor.rice.edu/professor/Financial_Statement.asp. Financial accounting rules do not currently have a categorization that permits quasi-endowments (i.e., funds designated by the Board to be treated as endowment for a particular purpose) to be shown as restricted. In fact, these endowments are reported in financial statements as unrestricted despite the Board action. These funds in question are shown below in response to question 1d – “permanently restricted by your college or university (quasi-endowments).” Note that only donors may establish permanently restricted endowments.

Net Asset Composition of Endowment				
(\$ in millions)				
	6/30/15	6/30/14	6/30/13	Comments
1a. Unrestricted	\$0	\$0	\$0	N/A – There are no funds that have not either been restricted by the donor or designated by the board for specific operating purposes.
1b. Permanently restricted by donors	1,050	1,013	981	Donor restricted/permanent column less pledges
1c. Temporarily restricted by donors	2,058	2,060	1,722	Donor restricted/temporary column
1d. Quasi-endowments	2,431	2,438	2,140	Funds the donor did not restrict; however, the board established (by resolution) an endowment for a specific purpose, including operations.
1e. Temporarily restricted by University	1	1	1	Funds the board set aside (by resolution) for a particular use or timeframe.
Endowment funds per footnote 5 of the audited financial statements	<u>\$5,540</u>	<u>\$5,512</u>	<u>\$4,844</u>	

Rice University has approximately 1,700 individual donor restricted endowment funds and approximately 200 funds designated by the Board of Trustees to function as endowment funds. The restrictions were made at the request of donors and included in endowed fund agreements or in resolutions approved by the Board of Trustees. As shown in the table below, these restricted and designated funds support fundamental activities of the University.

Market Value of Endowment Uses for Which Endowment Funds are Restricted (\$ in millions)			
Endowment Uses	6/30/15	6/30/14	6/30/13
Award or prize	\$10	\$10	\$8
Books / library materials	42	42	37
Faculty Chairs / professorship	1,064	1,047	915
Department support	497	490	422
Graduate student fellowships	118	116	100
Lectureship	16	16	14
Maintenance of buildings / equipment	328	313	266
Research	34	33	26
Scholarship aid	584	567	492
Student activities	37	35	31
For general operating purposes of the University	2,810	2,843	2,533
Total	\$5,540	\$5,512	\$4,844

Rice is fortunate that about half of its endowment was either restricted by donors to be used for the general operating needs of the University or designated by Board resolution for such purposes. Distribution from these funds supports the general operating budget of the University including the cost of financial aid, which far exceeds the aid supported by named endowed scholarships or federal grants.

2. Does your college or university hold any investments that are not included in the endowment? If so, what are they, and what are their fair market values and basis? How are they used to further the educational purpose of the college or university?

The table below shows University investments not included in the endowment.

- Life Income Agreements – These are charitable trusts and gift annuities in which Rice has the sole or primary remainder interest. Upon the death of the trust beneficiary, the majority of these funds will come to Rice to be used for various purposes including student financial aid, faculty positions, facilities support, library, and academic program support as designated by donors.
- Unspent Bond Proceeds – The remaining proceeds of bonds that have been issued to fund capital project expenditures.
- Working Capital – Represents amounts available to fund the day-to-day operations of the University including salaries and operating expenses.

Fair Market Value of Investments Not Included in the Endowment (\$ in millions)				
As of Date	Life Income Agreements	Unspent Bond Proceeds	Working Capital	Total
6/30/13	\$158	\$21	\$241	\$420
6/30/14	178	17	249	444
6/30/15	164	109	219	492

3. What is your endowment size, as measured by total fair market value of its assets? What has been the net growth and net investment return on your endowment each year?

The table below illustrates the components of the net change in endowment valuation from year to year. Rice's fiscal year begins on July 1 and ends on June 30. The annual net change in the endowment value is influenced by the following items:

- Contributions added – This includes gifts received from donors specifically designated by the donors as permanently restricted to endowment, additions from Board designated quasi- endowment funds, and deferred gift terminations from trusts and gift annuities.
- Endowment spending (payout) – Actual endowment spending based on the endowment payout as approved by the Board of Trustees.
- Investment return – This represents income (dividends, rents, and interest), and realized and unrealized capital gains or losses. The investment return is net of all investment-related expenses. Investment return percentages are calculated using linked quarterly returns which is the industry standard.

Endowment Fund Activity (\$ in millions)						Endowment Net Growth and Investment Return (\$ in millions)		
Fiscal Year	Beginning Value	Contributions Added	Endowment Spending	Investment Return (\$)	Ending Value	Net Endowment Growth (\$)	Net Endowment Growth (%)	Investment Return (%)
2006	\$3,611	\$33	\$174	\$517	\$3,987	\$376	10.4%	14.5%
2007	3,987	14	182	851	4,670	683	17.1%	21.7%
2008	4,670	42	201	99	4,610	-60	-1.3%	2.2%
2009	4,610	55	215	-837	3,613	-997	-21.6%	-18.2%
2010	3,613	42	221	353	3,787	174	4.8%	9.9%
2011	3,787	50	220	834	4,451	664	17.5%	22.4%
2012	4,451	33	220	155	4,419	-32	-0.7%	3.6%
2013	4,419	51	229	603	4,844	425	9.6%	13.7%
2014	4,844	46	233	855	5,512	668	13.8%	18.4%
2015	5,512	50	249	227	5,540	28	0.5%	4.2%

The table above shows endowment fund activity over a 10-year period to illustrate that Rice often spends more than its endowment earns in any given year. This was the case in four of the past 10 years. In these years – fiscal years 2008, 2009, 2012 and 2015 – the endowment relied upon investment returns from prior years to fund the current year spending. Endowments by nature are in place to provide perpetual operating support to the University. In this way, University endowments differ fundamentally from grant making foundations. Rice has thoughtfully designed and adopted an endowment spending policy that allows the endowment to provide permanent and predictable support to the University, even in years or periods when investment returns are very low or negative.

4. How much has your college or university spent each year to manage the endowment, and how many staff and contractors are employed to manage the endowment? For any fees paid to nonemployees for investment advice, asset management, or otherwise, please provide detail on the amounts paid, to whom, and the fee arrangement.

Return on investments is presented in the audited financial statements, net of investment management fees. As indicated in Footnote 4 of Rice's audited financial statements, certain expenses paid directly by the University for investment management and custody services, including certain internal costs, amounted to approximately \$47 million, \$54 million, and \$49 million for the fiscal years ended June 30, 2015, 2014, and 2013, respectively. See the table below for a detail of these amounts. Certain investments report net returns without specific identification of management fees.

Certain Investment Management Expenses Paid by Rice University			
(\$ in millions)			
	FY2015	FY2014	FY2013
Internal management/oversight costs	\$7	\$6	\$4
Asset management fees for publicly traded securities	16	16	15
Asset management fees for private investment funds	20	30	28
Custody fees	1	1	1
Audit, legal, software, research and consulting fees	3	1	1
Total (as per footnote 4 of the audited financial statements)	<u>\$47</u>	<u>\$54</u>	<u>\$49</u>

The endowment management function and the treasury function are combined into a single division at Rice. The endowment is managed by Rice Management Company (RMC) which was established in 2009 as a division of Rice University. The mission of RMC is to produce long-term investment results that maintain endowment purchasing power after spending and inflation which permits the endowment to support Rice's core mission and strategy objectives in perpetuity. The President of RMC is the Chief Investment Officer and the Treasurer of the University. The RMC is responsible for stewardship of the endowment, including asset allocation and the selection and termination of investment managers. The RMC monitors performance of the investment managers and the entire portfolio on a regular basis and reports to the RMC Board of Directors which meets at least quarterly. The Treasury function of the office is responsible for managing the University's cash investments, bank accounts, and the University's debt program. The table below shows the staff for the RMC including the Treasury function.

Staff Count for Rice Management Company	
Fiscal Year Ending June 30	Staff Count
2013	17
2014	19
2015	20

Our careful and reasonable investment in the stewardship of our endowment has over time produced returns significantly in excess of appropriate benchmarks. All of those returns are ultimately invested in the University to support the education we provide and the research we undertake.

5. If your endowment is required to file a Form 990 separately from your college or university's Form 990, please provide the endowment entity name(s) and Employment Identification Number.

The endowment is not required to file a Form 990 separately from the University.

6. How does your college or university determine what percentage of the endowment will be paid out each year? If any, what has been the target endowment payout as a percentage of the endowment's beginning balance each year? If that answer differs from the percentage paid out, please explain why. Please attach any payout policies or guidance.

The Rice University endowment payout policy is designed to balance current resource needs of the University with the long-term objectives of preserving the purchasing power of the endowment for future generations and ensuring reasonable year-over-year stability of future endowment payouts. The payout policy also reflects the fact that over time the scope of knowledge, and hence the University endeavor, grows.

Rice University Response

A key component in Rice's endowment payout policy is the annual percentage increase approved by the Board of Trustees. Before this annual increase is recommended to the Board, management and the Finance Committee of the Board evaluate factors that impact the endowment payout rate over time. Factors considered include endowment returns, inflation, projected costs including financial aid not supported by endowed scholarships or federal financial aid, and planned University programmatic initiatives. These factors are used to gauge the impact on the endowment payout rates for both the upcoming fiscal year as well as future years.

Rice does not have a target endowment payout as a percentage of the endowment's beginning balance each year. Rather, Rice's endowment payout is guided by the policy approved by the Board of Trustees. That policy is stated at the end of this section. The policy contains a guideline that the annual payout as a percent of the three-year moving average of endowment market value should fall within a range of 4.5 percent to 5.5 percent in the intermediate term, and should never fall below 4 percent or exceed 6.5 percent. As shown in the table in response to Question Number 8, Rice's spending according to policy over the last three years has been at the top of, or has exceeded, the 4.5 to 5.5 percent range.

Below is Rice University's endowment payout policy as approved by the Board of Trustees in 2002.

Policy Statement:

Increase endowment distribution by X percent for the next fiscal year. The X percent is to be approved by the Board of Trustees. The resulting total distribution ("Y") will fall within a band defined by a minimum ("Floor") of 4 percent and maximum ("Cap") of 6.5 percent of a three-year moving average of endowment market value.

Implementation Guidelines for Endowment Distribution Policy:

In determining the amount of the endowment distribution ("Y") and the increase from the prior fiscal year ("X percent"), the Board of Trustees will consider the following:

- The payout, Y, as a percent of a three-year moving average of endowment market value should fall within a targeted range of 4.5% to 5.5% in the intermediate term.
- An appropriate starting point for determining X% is the rate of inflation embedded in Rice University's cost structure. A suggested approach for estimating inflation for Rice is to calculate the most recent year-over-year percentage increase in CPI and add a factor that adjusts the CPI rate for the higher costs associated with higher education.

7. Does your college or university have policies regarding spending the endowment principal? Has your college or university ever spent endowment principal? If so, under what circumstances?

The Board of Trustees interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Texas, to require the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulation to the contrary. From time to time, the fair value of the assets associated with individual donor restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. This situation is referred to as an endowment fund being underwater. These underwater deficits typically result when unfavorable market fluctuations occur shortly after the investment of newly established endowments.

Rice University Response

As a result of this interpretation, the University has adopted a policy that only allows appropriating for expenditure the actual income earned on an endowment fund that is underwater and not the Board- approved endowment spending rate. For example, if Rice’s investment pool has 1% income (incomes excludes any capital gains/losses), the underwater endowment fund will be permitted to spend the 1% only and not the full 4.52% (the effective spending rate for fiscal year 2015) allocated to funds that have a fair value above the amount of the gift. This has not happened in the past few years; however it did occur during the 2008–2010 timeframe. As of June 30, 2015, the total amount of underwater conditions was less than \$10,000. There were no underwater funds in either of the fiscal years 2014 or 2013.

8. How much and what percentage of the endowment's beginning balance has your college or university spent each year? How much and what percentage of the endowment's return on investment has your college or university spent each year?

As stated in response to Question Number 6, Rice’s endowment spending each year is prudently guided by a policy that is designed to provide year-over-year stability of endowment payouts. If Rice had a spending policy that called for spending a pre-specified percentage of the endowment market value at the beginning of the year, this would force the University to decrease suddenly and sometimes precipitously endowment spending and reduce operating expenses and programs in years following periods of negative or low returns. Under such a policy, Rice would have been forced to decrease endowment spending in at least three of the last ten years, including substantial reductions in fiscal years 2010 and 2011 as compared to spending levels in 2009. Since Rice’s endowment supports approximately 40% of the University’s operating budget, such a reduction in endowment spending would have negatively impacted the operations of the University and its ability to support students and retain faculty. Rice’s stakeholders are and have been better served by an endowment payout policy that is designed to dampen volatility in the annual payout even when investment markets experience negative or low returns. The tables below show endowment values, spending, and returns for the past ten years.

Endowment Values and Spending (\$ in millions)				
Fiscal Year	Beginning of Year Endowment Value	Endowment Spending (\$)	Endowment Spending as % of Beginning of Year Endowment Value	Endowment Spending Per Policy (% of 3-year Moving Average of Endowment Value) ⁽¹⁾
2006	\$3,611	\$174	4.83%	5.70%
2007	3,987	182	4.56%	5.36%
2008	4,670	201	4.30%	5.32%
2009	4,610	215	4.66%	5.17%
2010	3,613	221	6.11%	5.35%
2011	3,787	220	5.82%	5.47%
2012	4,451	220	4.94%	5.66%
2013	4,419	229	5.18%	5.71%
2014	4,844	233	4.80%	5.45%
2015	5,512	249	4.52%	5.38%

⁽¹⁾ Endowment spending as measured by Rice Board of Trustees approved endowment spending policy. This policy, approved in 2002, is discussed in detail in response to Question Number 6.

Endowment Investment Returns (\$ in millions)		
Investment Return (\$)	Investment Return (%)	% of Investment Return \$ Spent
\$517	14.5%	33.7%
851	21.7%	21.4%
99	2.2%	202.9%
-837	-18.2%	N.M.
353	9.9%	62.5%
834	22.4%	26.4%
155	3.6%	141.9%
603	13.7%	38.0%
855	18.4%	27.2%
227	4.2%	109.8%

9. What percentage of your endowment does your college or university devote to financial aid for student tuition? How much for other forms of student financial aid? Please specify the types of non-tuition financial aid provided.

Rice University spends approximately 50% of its annual endowment distribution on financial aid. (Additional amounts are provided from restricted spendable gifts and state and federal funds.) In FY 2015, the institutional support of financial aid equated to about 2.2% of the July 1, 2014 market value of the University’s endowment. Financial aid includes support to cover the cost of attendance for undergraduates (tuition, mandatory fees, room and board and an allowance for books, personal expenses and travel) and tuition, fellowships and subsidy of medical insurance for doctoral students. In FY 2015, the portion of financial aid applied to tuition and fees equated to about 41% of the annual endowment distribution and 1.9% of the beginning of year market value. Recent history is shown below.

Endowment Distribution Used for Student Financial Aid			
(\$ in millions)			
	FY15	FY14	FY13
Total Endowment Distribution	\$249	\$233	\$229
Endowment distribution applied to student tuition	102	95	102
Endowment distribution applied to all student financial aid	124	124	118
Endowment market value at beginning of year	\$5,512	\$4,844	\$4,419
Percent of endowment distribution spent on:			
Student tuition	41%	41%	45%
All student financial aid	50%	53%	52%
Percent of endowment market value spent on:			
Student tuition	1.9%	2.0%	2.3%
All student financial aid	2.2%	2.6%	2.7%

10. Does your college or university have policies regarding whether it is allowed to accept funds restricted to a specific purpose? Has your college or university ever declined a donation because it was restricted to a certain purpose? If so, please describe those specific scenarios in which your school rejected a donation.

At Rice, fundraising consists of a cycle of identifying potential donors within our community, discovering their philanthropic passions and discovering how these interest areas align with the University’s commitment to undergraduate and graduate education through pathbreaking research, unsurpassed teaching and the betterment of our world. As the cultivation of a donor continues, we seek to find the right vehicle for donors to support an area for which they have a passion, such as Rice’s need-blind admissions. Donors are frequently inspired by the accomplishments of our students and faculty, and are motivated to support their continued excellence through philanthropy and volunteerism. The University’s gift acceptance policy manual provides guidance to the staff on the internal processes of reviewing potential donations, as well as the mechanisms by which donors may make their gifts. All during the cultivation of a donor, the University representative and the donor have the opportunity to discuss the potential size of a gift, how the funds would be used in furtherance of Rice’s mission, and the impact the donor’s gift will have on the University’s stakeholders. Should an agreement be reached regarding a gift, the engagement with the donor continues as we provide periodic updates on the actual impact the University and its stakeholders have realized as a result of the gift. For gifts of scholarships, donors often have the opportunity to meet the students who benefit from their generosity. In many cases, the ongoing engagement of donors with the University results in future philanthropy.

Rice University Response

Rice does not accept gifts that do not further our mission, and on occasion we have rejected an asset that the donor wished to provide as a gift because it was difficult for the University to value or liquidate.

11. How much and what percentage of your college or university's endowment is invested in real property (not including REITs or other publicly-traded securities)? Please list and describe your college or university's real estate holdings, including real estate held by the college or university, the endowment, and all related entities. If the college or university has made any Payments in Lieu of Taxes, please provide the date and amount of the payment.

Rice's real estate holdings fall under two distinct categories: real estate held as investments by the endowment and property held by the University to support its mission. Rice does not hold any real estate for investment purposes outside of the endowment. Rice is subject to and pays ad valorem taxes on all investment real estate held by the endowment. Rice has not made any Payments in Lieu of Taxes to the City of Houston. The table below, as derived from Footnotes 6 and 7 of the audited financial statements, shows Rice's real estate held as investment by the endowment and real estate used to support Rice's mission.

Real Estate and Real Property Holdings (\$ in millions)						
	6/30/15		6/30/14		6/30/13	
	Amount	% of total endowment	Amount	% of total endowment	Amount	% of total endowment
Investments held in the endowment, at market ⁽¹⁾						
Directly held investments in real estate	\$253		\$160		\$125	
Indirect exposure to real estate through fund investments ⁽²⁾	187		342		361	
Total investment in real estate held in endowment	<u>\$440</u>	8.0%	<u>\$502</u>	9.1%	<u>\$486</u>	10.1%
Property held by the University and used to support its mission ⁽³⁾ , at cost						
Land	\$24		\$24		\$24	
Buildings and improvements	1,460		1,430		1,395	
Construction in progress	25		22		18	
Less: accumulated depreciation	<459>		<421>		<383>	
Total real property held by the University	<u>\$1,050</u>		<u>\$1,055</u>		<u>\$1,054</u>	
⁽¹⁾ Per footnote 6 of the audited financial statements.						
⁽²⁾ The investment is in the form of an interest in an investment vehicle with underlying exposure to real estate.						
⁽³⁾ The University does not hold any real estate for investment purposes outside of the holdings in the endowment. These figures are obtained from footnote 7 of the audited financial statements and do not include equipment, furniture, books, and art held by the University.						

12. Does your college or university grant naming rights to donors based on certain donation levels? If so, please describe the naming rights program, including how much and what percentage of any naming rights donations your college or university has used for tuition assistance.

Rice has a tradition of naming buildings, programs and endowments in honor of people who are or who have been important to the University. A building, or space within a building, may bear the names of donors who made the building's construction or renovation possible. It might also have spaces named for individuals who have supported programs instead of buildings, or as a purely honorary gesture. The naming of buildings and large programs requires approval by the Board of Trustees. Scholarships often are named for the duration of the funding. An endowment would be named in perpetuity, while a spendable fund would be named as long as funding was available.

The first table below shows the number of new endowments, all of which were named, established in the past three years and how many of those were restricted by the donor to provide tuition assistance to students. Rice has approximately 1,900 individual endowment funds and roughly 1,100 of those are restricted to

provide support for tuition assistance. The second table shows the dollar amount of all donations for naming rights – defined as donations to endowments and capital projects – and the portion of that total that has been restricted by the donor to provide tuition assistance. In addition, fundraising events also generate revenue, which can be used for financial aid. On average, there are approximately 75-100 spendable funds each year, which provide scholarship assistance.

Number of New Endowments Established				
Fiscal Year	Endowments for tuition assistance	All other endowments	Total endowments established	Endowments for tuition assistance as a % of all endowments established
2013	41	28	69	59%
2014	36	24	60	60%
2015	36	27	63	57%

Donations for Which Naming Rights were Granted (\$ in millions)						
Fiscal Year	Endowments that provide tuition assistance	All endowments	Tuition assistance endowments as % of all endowments	Capital projects	All endowments and capital projects	Naming rights donations for tuition assistance as % of all naming rights donations
2013	\$13	\$35	37%	\$30	\$65	20%
2014	9	27	32%	13	40	22%
2015	15	35	42%	21	56	26%

13. What conflict of interest policies does your college or university have in place to address financial interest in endowment investments (including potential conflicts of interest among and between governing boards, trustees, executives, internal employees tasked with overseeing the endowment, and external asset managers of endowment assets)? How do you vet board members' potential conflicts of interest? What are your policies if a conflict arises with a member of the board of trustees?

The Rice University Board of Trustees has a conflict of interest policy in place for Board members, officers and key employees that requires disclosure of any actual or potential conflicts of interest, including having a personal financial interest in transactions which involve the University or participating in investments made by or on behalf of the University. The policy and its disclosure requirement also apply to both trustee and non-trustee members of the RMC Board which oversees the investments in the University endowment. Upon disclosure of a conflict, it is determined through discussions among the General Counsel, Chair of the Board of Trustees and Chair of the Audit Committee of the Board of Trustees what steps should be taken to manage the conflict. The individual ordinarily recuses himself or herself from any decision which may relate to the individual’s personal interest. The Audit Committee of the Board of Trustees has oversight over the Board conflict of interest policy and process.

Moreover, due to their fiduciary obligations over the endowment, the RMC Board of Directors has a separate enhanced conflict of interest policy requiring disclosure of any potential business dealings that may result in a conflict or potential conflict. In the event of a conflict, the RMC Board member may not participate in the consideration of or a vote on any related matter coming before the RMC Board, though the RMC Board has the discretion to choose to ask questions of the Board member with the conflict.

Rice University Response

Disclosures are made to the chair of the RMC Board and the President of the RMC. (In the event the conflict involves the chair of the RMC Board, the disclosure is also made to the General Counsel and the Chair of the Board of Trustees.) The President of the RMC reviews annually with disinterested members of the RMC Board the investment performance and fees of all investments where an RMC Board member has a conflict.

The employees who work for the RMC are also covered by the University's general conflict of interest policy which applies to all University staff and also requires disclosure of all conflicts or potential conflicts and a management plan to deal with any conflicts. The staff at the RMC are also covered by a Trading Policy that prohibits personal financial transactions that relate to non-public information on RMC investments unless approved in advance by the RMC's Chief Compliance Officer.