The Gettysburg College Endowment

Gettysburg College’s endowment was established through the generosity of generations of donors that shared a common desire to advance the College’s mission. At May 31, 2019, the endowment consisted of over 840 individual funds with an aggregate market value of approximately $324 million.

The endowment provides financial support to advance the College’s mission in perpetuity, lessens the institution’s dependence on tuition and fees, and contributes to its financial strength. The endowment also enables the College to provide financial assistance to deserving students in order to access a Gettysburg College education. With prudent investment oversight, sensible endowment spending and the continued generosity of our alumni and friends, donors can have confidence the endowment will continue to grow and provide income for the benefit of current and future generations of students.

![Total Endowment Market Value Graph](chart.png)

At May 31st
Gettysburg College
Endowment Overview

<table>
<thead>
<tr>
<th>Market Value (in thousands)</th>
<th>FISCAL YEAR ENDED MAY 31st</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled Endowment</td>
<td>$ 256,733</td>
</tr>
<tr>
<td>Non-Pooled Investments</td>
<td>26,044</td>
</tr>
<tr>
<td>Funds Held in Trust By Others</td>
<td>36,287</td>
</tr>
<tr>
<td>Trusts &amp; Split-Interest Funds</td>
<td>5,117</td>
</tr>
<tr>
<td>Total Endowment</td>
<td>$ 324,181</td>
</tr>
<tr>
<td>FTE Enrollment</td>
<td>2,650</td>
</tr>
<tr>
<td>Endowment Per Student</td>
<td>$ 122,000</td>
</tr>
</tbody>
</table>

Gettysburg College’s endowment consists of four distinct types of funds:

- **Pooled Endowment** – Includes donor-restricted and board-designated funds that will support the College’s activities in perpetuity. The pooled endowment is invested in accordance with investment and spending distribution guidelines established by the College’s Board of Trustees. Cambridge Associates serves as discretionary investment advisor.

- **Non-Pooled Investments** – Includes long-term operating reserves, donor-restricted gifts and grant funds. These funds are invested in a portfolio of highly liquid short-term investments.

- **Funds Held in Trust By Others** – Represents the College’s beneficial interest in various irrevocable trusts. The College does not control the investment of these funds but receives a certain percentage of the income earned each year based on the terms of the trust.

- **Trusts & Split-Interest Funds** – Consists of donated funds subject to trust agreements in which the College has a beneficial interest but is not the sole beneficiary. The agreements include charitable remainder unitrusts, annuity trusts and charitable gift annuities. State Street Global Advisors serves as trustee over the administration and investment of these funds.
**HOW IS THE POOLED ENDOWMENT MANAGED?**
The Endowment Committee is charged with oversight responsibility for the College’s endowment. As with other similarly-sized endowments, the College uses an investment consultant to provide comprehensive investment planning, management, and oversight services. In addition, the College uses a custodian bank to safeguard the assets as well as assist in tracking the individual endowment funds that comprise the endowment pool.

**Key Roles and Responsibilities**

<table>
<thead>
<tr>
<th>Board of Trustees</th>
<th>Endowment Committee</th>
<th>Investment Advisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Establishes the Investment Policy</td>
<td>• Advises the Board of Trustees</td>
<td>• Advises the Endowment Committee</td>
</tr>
<tr>
<td>• Appoints the Endowment Committee</td>
<td>• Conducts Investment Planning</td>
<td>• Oversees Portfolio Implementation</td>
</tr>
<tr>
<td>• Appoints the Investment Advisor</td>
<td>• Oversees Policy Compliance</td>
<td>• Actively Monitors Portfolio Risks</td>
</tr>
<tr>
<td>• Reviews Investment Results</td>
<td>• Oversees the Investment Advisor</td>
<td>• Conducts Research</td>
</tr>
<tr>
<td></td>
<td>• Reviews Investment Results</td>
<td>• Provides Performance Reports</td>
</tr>
</tbody>
</table>

**WHAT ARE THE INVESTMENT OBJECTIVES, GOALS AND STRATEGY OF THE POOLED ENDOWMENT?**
The Board of Trustees established investment objectives that seek to provide income to support current operations while preserving the endowment’s real purchasing power in perpetuity. Our investment goals are to maximize investment return while accepting an appropriate level of defined risks, taking into account the need for sufficient liquidity to meet our annual spending draw.

To this end, the Board, in consultation with the Endowment Committee, established a strategic asset allocation, or a diversified basket of investment asset classes, to optimize risk-adjusted investment returns. Each asset class plays a unique role in providing growth to maintain the real value of corpus over time; in moderating equity volatility to provide stable investment returns; and in mitigating macroeconomic risks including inflation and deflation. The policy asset allocation is reviewed periodically in light of evolving capital market and economic conditions.

**Long-Term Policy Targets and Allowable Ranges**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Allowable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equities</td>
<td>58%</td>
<td>30% - 70%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>7%</td>
<td>0% - 30%</td>
</tr>
<tr>
<td>Diversifiers</td>
<td>15%</td>
<td>5% - 35%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>6%</td>
<td>5% - 20%</td>
</tr>
<tr>
<td>Fixed Income &amp; Cash</td>
<td>14%</td>
<td>0% - 15%</td>
</tr>
</tbody>
</table>
HOW DOES THE COLLEGE MEASURE ENDOWMENT PERFORMANCE? HOW HAS IT PERFORMED?
Gettysburg measures performance relative to a policy benchmark and to the long-term investment objective of generating average annual rates of return that equal or exceed the annualized spending policy draw and inflation.

For the year ending May 31, 2019, the endowment realized an annual return of -0.4%, net of fees, which was slightly ahead of the portfolio’s benchmark return of -0.5%. The following is a recap of the primary drivers of performance:

- After positing healthy gains in FY2018, the endowment had modest returns in FY2019 as global equity markets declined for the twelve months ending May 31, 2019.
- Solid returns from private investments helped the portfolio outperform its benchmark by roughly 1.3%.
- The College’s allocation to high-quality bonds also buoyed performance.
- Long-term results remain healthy, with the endowment outperforming its relative performance benchmark and long-term investment return objective (spending + inflation) over the past decade.

The following is a recap of the endowment’s average annualized rates of return relative to the policy benchmark and its long-term investment objective:

![Performance as of May 31, 2019](chart.png)
HOW DOES GETTYSBURG DETERMINE THE AMOUNT OF ENDOWMENT SPENDING DRAW?
The Board of Trustees approves the amount of endowment income appropriated to operations annually based on an endowment spending formula. The spending formula applies a targeted spending rate (presently 5%) to the average market value of the endowment over the previous 20-calendar quarters. The purpose of the targeted spending rate and smoothing formula is to prudently balance the competing objectives of providing a meaningful and predictable level of funding to support the College’s operations with the need to maintain the real purchasing power of the endowment over time.

WHAT PERCENTAGE OF THE COLLEGE’S REVENUES IS DERIVED THROUGH THE ENDOWMENT?
In FY 2019, the endowment provided $11.2 million, or 9%, of the $132.6 million operating revenue.

WHAT ACTIVITIES DOES THE INCOME FROM THE ENDOWMENT SUPPORT?
Income from the endowment can be unrestricted to provide general support or restricted by the donor for a specific purpose. Unrestricted support provides the College with the greatest flexibility in meeting its current priorities and funds new initiatives. Restricted support is designated by the donor primarily in support of scholarships, professorships, academic and instructional support, and special programs including the Sunderman Conservatory of Music, Majestic Theater, and other programs of distinction at Gettysburg.
HOW DOES THE COLLEGE MANAGE THE ENDOWMENT PRUDENTLY?
The College’s investment policies and objectives were established in accordance with the Pennsylvania Uniform Trust Act, which prescribes standards that govern the conduct and duties of the Board of Trustees as fiduciary of the endowment. These standards of “prudent investment” require fiduciaries to consider various factors in making investment and management decisions, including:

- Size, nature and duration of the endowment
- Diversification and the role each investment or action has in the overall investment strategy
- Liquidity and distribution requirements
- The endowment’s special relationship in advancing the mission of the organization, its beneficiaries (students), and its economic impact on the community in which it is located

WHAT IS SOCIALLY RESPONSIBLE INVESTING? HOW DOES THE COLLEGE INVEST RESPONSIBLY?
An increasing number of the College’s stakeholders – students, alumni, faculty, staff and friends – are interested in understanding matters related to responsible investing and how it influences the management of Gettysburg’s endowment. The following is a broad overview of this area of endowment management, its historical context in the management of Gettysburg’s endowment, and how we believe it will continue to evolve in the future.

**Socially Responsible Investing** is the use of one or more strategies to advance a particular social, environmental, moral or political effect. The strategies used by an investor include:

- Avoidance screens to prevent investment in an individual company or class of securities
- Qualitative screens to include or exclude an investment based on predetermined characteristics
- Proactive investments to advance an organization’s program objectives
- Shareholder advocacy to leverage one’s influence over a company as a security owner

**Sustainable and Responsible Investing** is the integration of environmental, social and corporate governance considerations (ESG) into the investment decision-making process. Investment companies and money managers apply these strategies across asset classes to promote stronger corporate social responsibility and to increase long-term value for their shareholders while yielding benefits to greater society and the environment.
Avoidance and Qualitative Screening
Historically, the College has not used investment screens to advance or support a particular social, environmental or moral issue. This is due to the challenges it presents in meeting fiduciary standards of care over the endowment, the practical and structural limitations of managing an endowment of Gettysburg’s size, and the inherent complexity and cost associated with administering such screens.

The donors that contribute to the endowment do so with the social objective of advancing the College’s mission as a residential, undergraduate liberal arts college, and with the understanding that the funds will be prudently managed in perpetuity. Accordingly, the primary investment objective in managing the endowment is to maximize risk adjusted returns, which in turn maximizes the level of support to advance the College’s mission and maintains the real purchasing power of the endowment over time. While PA Trust law provides fiduciaries with clear direction on prudently managing the endowment, it currently does not prescribe standards or guidance on how a fiduciary shall incorporate environmental, social, or similar goals in making investment decisions.

The College’s investment strategy centers on the use of a diversified pool of investments that are managed in public and private commingled vehicles, which pool the College’s assets with those of many other institutional and private investors. This strategy is used to enhance risk adjusted returns, manage portfolio risks and minimize management costs. The use of commingled accounts places a significant constraint on the College’s ability to filter out specific companies or sectors.

Proactive Investments
The College has made proactive investments to both advance its mission and to positively contribute to society and the Gettysburg community, including investments in the Majestic Theater and the Gettysburg Hotel.

Majestic Theater Renovation Project
The Majestic Theater renovation was a partnership of the College, the Commonwealth of Pennsylvania, and the Greater Adams County community. The College purchased the building in 1992 as part of its long-term commitment to the revitalization of downtown Gettysburg. The Majestic renovation was the culmination of a three-year feasibility study that assessed the community’s needs and involved more than 200 community members.

The construction project modernized the theater’s backstage production facilities, brought life-safety systems up to code, and improved patron amenities. The total cost of the construction project was $16.5 million. The College’s contribution to the project exceeded $6 million.
Gettysburg Hotel Rebuilding Project
The Gettysburg Hotel is both an asset of the College’s endowment and an investment in the community of Gettysburg.

In 1983, the hotel was destroyed in a major fire. In 1998, and in response to an appeal from the Gettysburg community, the College invested in the rebuilding of the hotel. In 1991, it was reopened to the public and is currently operated as a wholly owned subsidiary of the College.

In March 2013, the College completed a $4 million interior renovation of the 119-room hotel in order to improve the guest experience and reposition it as an independent, upscale boutique hotel. The public spaces and rooms were updated with a nod to Gettysburg College’s ownership by utilizing the school colors and integrating historical images of the campus.

Shareholder Engagement (Proxy Voting & Shareholder Proposals)
In general, the responsibility for voting proxies and participating in shareholder proposals is delegated to the investment managers. Investment managers’ guidelines generally require all proxies to be voted in the best interest of the College, as an investor, in a manner consistent with investment objectives, including proposals that enhance shareholder economic value, maintain or improve shareholder rights, and provide reasonable accountability for management.

The right to vote proxies or participate in shareholder proposals are limited to those equity holdings that are directly owned in separately managed accounts. As of May 31, 2019, the endowment is solely invested in commingled investment vehicles. As such, the College presently does not have the ability to respond directly to proxy votes or shareholder proposals.
**Sustainable and Responsible Investing**
Sustainable and responsible investing is an investment discipline that considers environmental, social and corporate governance criteria (ESG) with the belief these factors can generate competitive financial returns and have a positive societal impact. This area of investment management continues to evolve over time as money managers supplement traditional valuation techniques with qualitative factors such as its commitment to corporate citizenship and sustainable business practices.

The College encourages its managers to consider incorporating ESG factors into their investment decision-making processes and in overseeing portfolio companies.

The following is a selection of the College’s investment managers that incorporate responsible investment practices and/or directly invest companies that advance environmental sustainability:

- The Carlyle Group, a private equity manager, was one of the first global alternative investment management firms to publish an annual report of its commitment to responsible investing, strong corporate governance and environmental stewardship. [Carlyle Group's Citizenship Report](#)

- Encap Investments, L.P., a private equity and venture capital manager that serves the U.S. oil and gas industry, integrates guidelines for responsible investing and the UN Principles for Responsible Investment in executing its investment strategy and overseeing its portfolio companies. Employee actions are guided by the organization’s ESG Policy, which emphasizes aligning employee interests with the guiding principles of responsible investment. [Encap ESG Management Practices](#)

- GMO, LLC, a global equity and fixed income investment manager, manages the GMO Climate change fund, which invests in companies that are expected to benefit significantly in a world increasingly impacted by climate change. The fund invests in companies focused on climate change mitigation and adaptation. [GMO Climate Change Fund](#)

The Endowment Committee also monitors how institutional investors and college endowments are incorporating responsible investing practices into the investment management process, and uses this information to make informed decisions on investment policy and strategy.
WHY GIVE TO THE GETTYSBURG ENDOWMENT?
Donors who establish an endowment fund create a legacy that will provide sustainable benefits to the College. An endowment fund reflects a donor’s vision of philanthropic support that aligns with the College’s long-term priorities, and provides a perpetual stream of income in support scholarships, existing programs or new initiatives.

Over the past ten years, approximately $68.4 million of contributions have been added into the endowment. These gifts will generate an additional $3.4 million of annual income in perpetuity.

Endowment per Student
Endowment giving serves the dual purpose of improving the College’s financial and competitive position. On the basis of endowment per student, which is a metric used to measure comparative institutional strength and the extent to which the endowment underwrites the cost of a student’s education, Gettysburg’s endowment is small relative to its peer and aspirant institutions. A larger endowment will contribute to the College’s financial viability and competitiveness to peers.
The following is an illustration of how Gettysburg’s endowment per student stacks up to its competitive peer institutions:

**Endowment Per Student**

- **Avg “Reach” Peer**: $363,000
- **Avg “Like” Peer**: $221,000
- **Gettysburg**: $124,000
- **Avg “Watch” Peer**: $118,000

*Source: NACUBO-Commonfund Endowment Study - June 30, 2018*


**Like Peers** – Connecticut College, Denison U., Dickinson College, Franklin & Marshall College and Union College