

Organic benchmarks for university endowments

Endowment performance benchmarks based on university characteristics may align better with university objectives than those based on endowment size.



A good organic benchmark should **consider a multitude of university characteristics.**

University endowments typically benchmark their performance against that of other endowments similar in size. However, universities benchmark themselves against peers sharing similar characteristics, such as number of students, tuition discounts offered, percentage of the budget generated by the endowment, or the size of the endowment per student. Using endowment size as the main criterion for performance comparison, instead of “organic” benchmarks based on university characteristics, may lead the endowment to diverge from the university’s objectives. This divergence has the potential to create friction between the management of the university and that of the endowment, and may ultimately result in endowment underperformance.

Some key insights

- A dollar invested in an endowment that outperformed its organic benchmarks will grow more than a dollar invested in an endowment that did not do so.
- The predictive power of being compared favorably to an organic benchmark is ambiguous; as a result, one should consider multiple university characteristics when creating an organic benchmark.
- Using organic benchmarks aligns the objectives of the endowment with those of the university.
- Larger universities benefit more using organic benchmarks.



About the research

Organic Benchmarks for University Endowments

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Research findings provide insights for endowment managers to better understand whether their performance is commensurate with university expectations.

Paper will be posted on TIAA Institute website – www.tiaainstitute.org – in early 2017

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