

# West Point Association of Graduates Investments Overview

Stulans 9/15/20

While all gifts to West Point Association of Graduates (WPAOG) and the United States Military Academy (USMA) make a real difference in the lives of the West Point cadets, faculty, and staff, an endowment gift is especially meaningful because it provides a long-term source of support. Endowment donors have the opportunity to have a lasting influence on the programs and to honor or memorialize loved ones, friends, or other individuals.

Of course, Gifts other than Endowments are also critical to the operations of USMA and WPAOG in providing specific program support and / or unrestricted gifts for use by the Superintendent of USMA or the CEO of WPAOG.

## **What are WPAOG's responsibilities with regards to my endowment and other gifts?**

- Managing endowments and other gifts to maximize total return within prudent risk guidelines as established by the Board of Directors
- Ensuring proceeds are provided and utilized for the intended purpose
- Prudent spending of endowment earnings to provide an income stream sufficient to support the activity designated, in perpetuity
- Providing an annual endowment report outlining the financial performance along with the Academy's report of the activity as supported by the endowment

## **Will or can the WPAOG spend the principal of my endowment?**

The WPAOG follows New York State non-profit law, which requires standards of prudence in developing spending policies, and **may** permit spending into the original gift value (principal). Spending policy is considered imprudent if the spending rate is greater than 7% over a trailing 5 years average. The WPAOG current policy is **not** to spend into the principal and to spend 4% of the average balance of the prior 12 quarters. However, there may be times when some or all of the annual distribution is not required by the Academy due to various reasons. Any unused distribution remains in a deferred account in the endowment to support future needs; these funds are available to the Academy when requested.

## **How are endowments managed at the WPAOG?**

The primary investment objective of the WPAOG is to maximize total return within prudent risk guidelines. The secondary objective is to preserve capital—less risk will be assumed for funds intended for near-term use; greater risk may be assumed for longer-term funds including endowments.

The WPAOG Board of Directors (BOD) has overall responsibility for the endowments. The BOD assigns the operating and supervisory responsibility for endowments to the Investment Committee. The Investment Committee provides advice and recommendations to the BOD and is comprised of volunteer graduates who are professionals in the field. The WPAOG also utilizes an Investment Consultant, LCG Associates, and Cliffwater LLC, an Alternative Investment Consultant, to work with the WPAOG Chief Financial Officer and the Investment Committee to implement policy and to manage the day-to-day operations of the portfolio; in line with the Investment Policy, the BOD

As of April 15, 2019

and Investment Committee. The Investment Committee meets at least quarterly to review financial performance, ensure compliance, and make recommendations for change.

### **How are funds invested?**

In order to ensure maximum liquidity to meet our cash needs, the WPAOG segregates funds into three investment pools. This segregation is based on WPAOG liabilities and the related anticipated cash need. Each pool takes on a different risk/reward profile in order to best protect the principal while ensuring liquidity in line with the needs of the funds. The three pools are:

- **Current Pool:** Anticipated spending within one year
- **Short -term Pool:** Anticipated spending between one and three years
- **Long-term Pool:** Anticipated spending is beyond three years. This pool includes the majority of our endowments.

The BOD-approved investment vehicle for the Current Pool is a portfolio of short duration bond funds which seeks to provide a conservative approach to earning a higher level of income than is generally generated through money market funds; the vehicle for the Short-term Pool is a bond portfolio, and the long-term pool is a well-diversified portfolio as directed by its Investment Committee and approved by the Board of Directors. The Investment Committee is committed to preserving capital, generating income, and providing reasonable principal growth.

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