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President

March 1, 2008

The Honorable Max Baucus, Chairman  
The Honorable Charles Grassley, Ranking Member  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

Dear Senators Baucus and Grassley:

Pomona College is pleased to respond to the questions posed to us by the Senate's Committee on Finance in the letter dated 25 January, 2008. These are important questions for all Americans to consider, and we welcome the opportunity to provide these data and explanations about endowments, financial aid, and college cost.

As one of the leading liberal arts colleges in the United States, and one of the first in the West, Pomona College is proud of the role it has played in the development of a strong and diverse system of higher education. From its earliest days Pomona College has been dedicated to advancing the frontiers of knowledge and providing the best possible educational opportunities to qualified students without regard to their economic means. The College has succeeded and thrived in this endeavor because of the generosity and support of its friends and benefactors. Now a well-known and well-respected national institution, Pomona has never lost sight of the obligation it has to both past and future generations of students and benefactors. All of our financial planning and decision making is designed to assure that the intentions of our founders and benefactors are protected *in perpetuity*, at the same time that we challenge ourselves to do everything we can to provide a superior education for the students who are here today. This balance between serving today's students and guaranteeing the same for tomorrow's students is our legacy, and our financial management policies are designed to protect that legacy.

In recent years Pomona College has emerged as one of the "wealthiest" colleges in the country in terms of endowment per student. This status was achieved by virtue of the ongoing support of alumni and friends, the success of the "Pomona Plan" that brought a steady stream of life income gifts to the college since 1944 through good times and bad, careful and conservative stewardship of resources and, in recent years, unparalleled success with the investment of our endowments. These resources have been used to build a truly superior educational program – with state of the art facilities, the very best faculty who are dedicated to both teaching and scholarship, and a rich assortment of programs and

opportunities for our students' intellectual and personal growth. They have also been used to keep the college affordable to all qualified students without regard to the financial resources of their families – a cornerstone of Pomona's mission from its beginning. Pomona College is one of the few remaining institutions of higher education in the country that admits students without any regard to their financial status *and* guarantees them all of the financial assistance they need to attend.

We hope that you find the information provided herein to be complete and responsive to your questions, but I urge you to contact me directly if you or your staff have any additional questions. In some cases we have had to translate your questions to the best of our ability in order to meet what we think was your intention, but if we have missed in any way we will be happy to provide further clarification.

Sincerely,

David Oxtoby  
President

cc: Senator Diane Feinstein  
Senator Barbara Boxer



**Response to Senate Finance Committee  
March 1, 2008**

- 1. Please provide the number of undergraduate and graduate students year-by-year for the last ten years.**

Pomona College enrolls only undergraduate students, all of whom are full-time.

**Full-time Fall Undergraduate Enrollment  
as submitted to IPEDS**

|      |      |
|------|------|
| 1998 | 1605 |
| 1999 | 1525 |
| 2000 | 1543 |
| 2001 | 1531 |
| 2002 | 1531 |
| 2003 | 1529 |
| 2004 | 1543 |
| 2005 | 1533 |
| 2006 | 1545 |
| 2007 | 1547 |

- 2. Please provide the total cost of undergraduate tuition (including all fees) -- both sticker and average, mean and median -- year-by-year for the last ten years. Please provide the amount of tuition assistance (not including loans or work study) that the university has provided to undergraduate students year-by-year for the last ten years. For the most recent year, please provide the percentage of students receiving university grants (for example 25%; 50%; 75% and 100% of tuition and fees). Please provide the average grant amount.**

What we provide below is the fullest possible information – first about tuition and scholarships, and then about the average “cost of attendance” for financial-aid eligible students. However, the term “tuition assistance” is not meaningful at a college like Pomona where virtually all students are residential and live and eat in college facilities. Our “scholarships” are awarded to meet the “total cost of attendance”, which includes tuition and fees, room and board, and allowances for books, personal expenses, travel to and from home, etc. There is no way of separating “tuition assistance” from “total scholarship assistance”, and “net cost” (or “average cost”) must include all scholarships, including those from non-institutional sources.

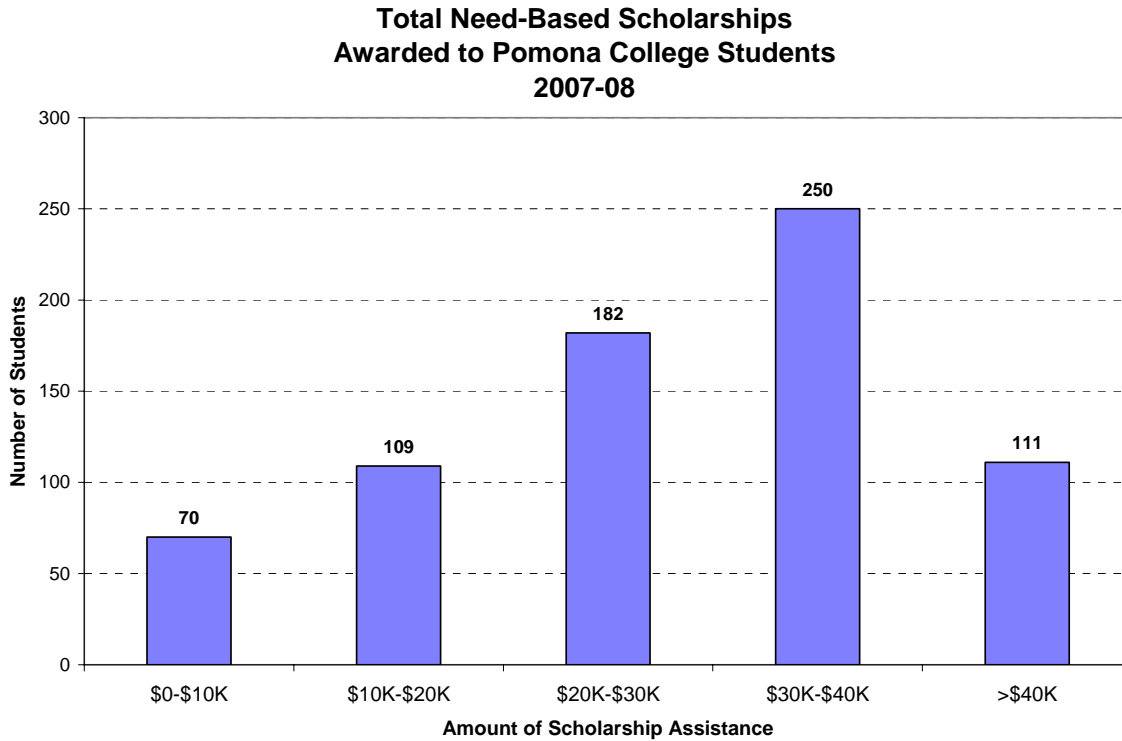
With those caveats in mind, we believe that the following tables should answer your questions:

| Pomona College<br>Tuition & Fees, and Scholarships |          |       |          |                 |   |                 |   |
|--|----------|-------|----------|-----------------|---|-----------------|---|
| FY   | Tuition  | Fees  | Total    | Annual Increase | Total Scholarships from College Sources | Annual Increase | Average Scholarship from College Sources* |
| 98   | \$20,500 | \$180 | \$20,680 |                 | \$10,953,098                            |                 | \$13,357                                  |
| 99   | \$21,420 | \$180 | \$21,600 | 4.45%           | \$11,840,152                            | 8.10%           | \$13,848                                  |
| 00   | \$22,940 | \$230 | \$23,170 | 7.27%           | \$11,465,098                            | -3.17%          | \$14,033                                  |
| 01   | \$23,910 | \$260 | \$24,170 | 4.32%           | \$12,149,568                            | 5.97%           | \$15,149                                  |
| 02   | \$24,750 | \$260 | \$25,010 | 3.48%           | \$12,891,274                            | 6.10%           | \$16,380                                  |
| 03   | \$25,730 | \$260 | \$25,990 | 3.92%           | \$13,970,843                            | 8.37%           | \$17,934                                  |
| 04   | \$26,890 | \$260 | \$27,150 | 4.46%           | \$15,226,478                            | 8.99%           | \$19,298                                  |
| 05   | \$28,100 | \$265 | \$28,365 | 4.48%           | \$16,719,403                            | 9.80%           | \$20,540                                  |
| 06   | \$29,650 | \$273 | \$29,923 | 5.49%           | \$18,237,526                            | 9.08%           | \$22,740                                  |
| 07   | \$31,580 | \$285 | \$31,865 | 6.49%           | \$19,976,959                            | 9.54%           | \$24,909                                  |

\* Average Scholarship is Total Scholarships divided by the number of students receiving Scholarships

| Fiscal year | Total Cost of Attendance (including tuition, fees, room & board, personal & travel) | FTE students receiving financial assistance | Average scholarship assistance (from all sources) per aided student | Average "cost of attendance" for aided students | Annual increase |
|-------------|---|---|---|---|-----------------|
| 98          | \$31,240  | 820   | \$16,157  | \$15,083  |                 |
| 99          | \$32,265  | 855   | \$16,960  | \$15,305  | 1.5%            |
| 00          | \$33,600  | 817   | \$17,270  | \$16,330  | 6.7%            |
| 01          | \$34,790  | 802   | \$18,559  | \$16,231  | -0.6%           |
| 02          | \$36,468  | 787   | \$19,894  | \$16,574  | 2.1%            |
| 03          | \$38,150  | 779   | \$21,067  | \$17,083  | 3.1%            |
| 04          | \$39,680  | 789   | \$22,488  | \$17,192  | 0.6%            |
| 05          | \$41,300  | 814   | \$23,714  | \$17,586  | 2.3%            |
| 06          | \$43,324  | 802   | \$25,711  | \$17,613  | 0.2%            |
| 07          | \$45,806  | 802   | \$28,135  | \$17,671  | 0.3%            |

For the most recent year, the distribution of scholarships provided to students is described in the following chart:

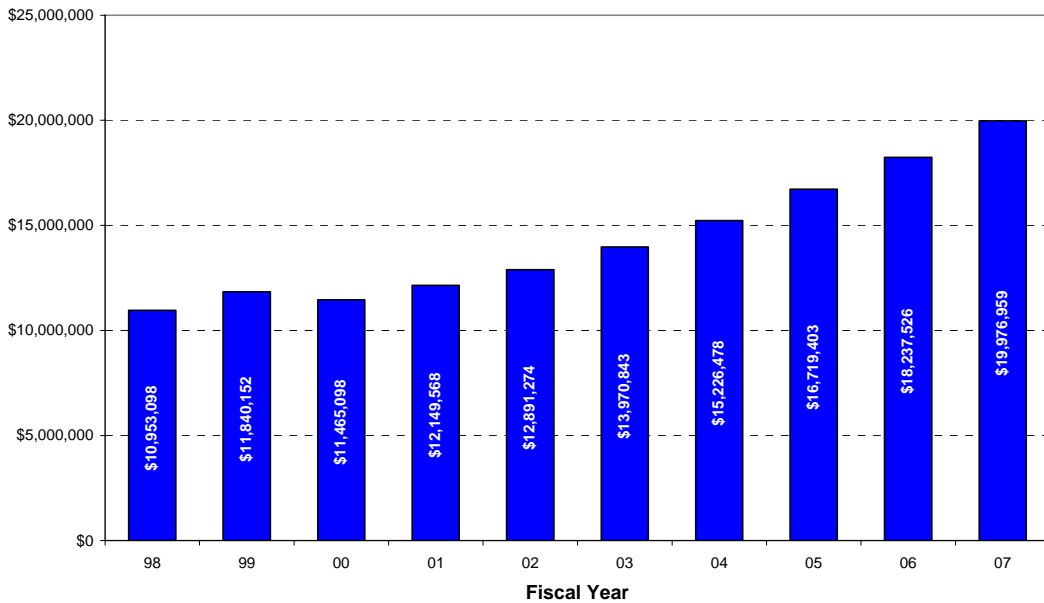


**3. Please explain your university’s financial aid policy. How do you inform students and parents of that policy? What outreach efforts does your university take to recruit potential low-income students? How is low-income defined? What is the amount spent on these efforts?**

Pomona College practices need-blind admission for all students except international students, and we guarantee full-need financial aid for four years of attendance. Financial aid packages include a family contribution that is determined by using the College Board’s Institutional Methodology, external (federal, state, and private) scholarships when available, and a combination of work and (until 2008-09) loans. Effective in 2008-09 Pomona College has eliminated loans as part of its financial aid packages, replacing that amount with additional scholarships funded by the College. All scholarship assistance at Pomona is need-based; we do not award “merit aid” because we believe that all of the available financial aid funds should be used assist those who could otherwise not afford to attend.

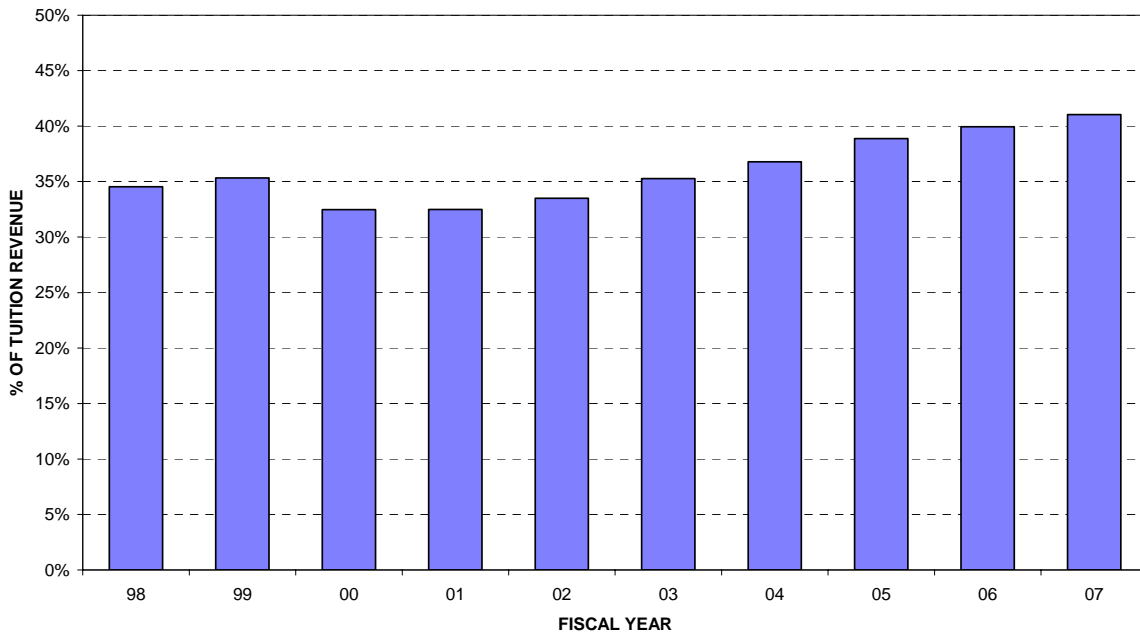
In a need-blind, need-based financial aid environment that guarantees scholarship assistance on the same basis for a full four years, the College’s “budget” for this purpose is, in effect, nothing more than an estimate of what will be required. Scholarship assistance is treated as an “entitlement” for students admitted without regard to their financial need. Under these circumstances it is essential for the College to budget conservatively in order to meet this commitment each year without impacting the rest of the operating budget. A 10-year summary of institutional expenditures for scholarships is shown in the table below:

**Scholarships Awarded  
Pomona College students  
from institutional funds**



One commonly used measure of an institution's commitment to financial aid is the "tuition discount" – the percentage of nominal tuition revenues that is "returned" to students in the form of institutional scholarships. The 10-year record of Pomona's "tuition discount" is shown in the following chart:

**POMONA GRANTS AS % OF TUITION REVENUE  
("TUITION DISCOUNT")**



Students are informed about the College's financial aid policies through a variety of publications – both print and web-based. The first contact might be the admission "Viewbook" (page 79 of that book is attached as an appendix) or the financial aid website (several pages also attached). Two print publications ("Financial Aid Packet – Understanding your Financial Aid" and "Affordable Excellence – A Financial Aid Guide for Families") provide much more detail for admitted and enrolled students, and a special publication entitled "How Pomona College Made Excellence Affordable for Us" provides personal testimony from a range of students whose families' incomes are below \$40,000. (Copies of all of these publications are attached.)

Our outreach efforts for low-income students are varied and increasing. Our most recent initiative (since 2006) is the Questbridge National College Match Program (<http://www.questbridge.org/students/>). "The National College Match has been created to maximize the admissions outcomes of outstanding low-income students who have achieved academic excellence in the face of economic obstacles." Only 20 of the most selective colleges and universities in the country participate in this program, which matches low-income students with colleges in a unique early decision program that guarantees full scholarships to all admitted students. This year the family income ceiling for eligibility in the program was \$62,000. Pomona also participates in the Posse Foundation program (<http://www.possefoundation.org>). The Posse Foundation identifies, recruits, and trains promising youth leaders from urban public high schools and sends these groups as "Posses" to top colleges and universities in this country." While not strictly targeting low-income students, Pomona's participation in the Posse program has brought us a number of low-income students who would not otherwise have learned about and applied to Pomona. Twenty students (out of an entering class of 375) matriculated at Pomona through these two programs in 2007.

Pomona's Summer Scholars Enrichment Program (SSEP) is an intensive 4-week academic program that serves rising high school sophomores through rising seniors from groups traditionally underrepresented in higher education—including students who are the first in their family to attend college and those from low income families. The program enrolls up to 90 participants from the Los Angeles area and the Inland Empire. SSEP participants live in Pomona's residence halls from Sunday night through Friday evening and are taught by college teachers, including many of Pomona's own faculty. This program has motivated and directed dozens of students to apply to excellent colleges and universities across the country and, although it is not a primary goal of the program, several of these have been admitted to Pomona in recent years.

The College spends approximately \$200,000 per year on the Questbridge, Posse, and SSEP programs combined.

In addition, Admissions and Financial Aid staff members from Pomona regularly visit targeted low income areas and schools in an effort to educate high school students, counselors, and families about the availability of generous financial aid at Pomona and similar institutions. We host programs on and off campus for this purpose, we waive application fees for low-income students and, as described above, we make admission decisions (for all but international students) without regard to their ability to pay. Pomona has also worked with Upward Bound (one of the federal TRIO programs) counselors and has hosted and subsidized the Upward Bound program from the University of Southern California.

**4. Who determines and decides when tuition increases are necessary? What is the process for making this decision? Does the full Board of Trustees vote on tuition increases? Are students, parents and the public provided an opportunity to comment on tuition increases prior to final decisions being made? What role does your university endowment play in providing financial assistance to students?**

The College's Board of Trustees determines and decides when tuition increases are necessary, based on the recommendation of the Board's Finance Committee. The Finance Committee engages in an initial discussion of the following year's proposed budget at its December meeting – including substantial discussion of the rationale for the tuition increase proposed. At its spring meeting, usually held in late February or early March, the Committee engages in an even more detailed discussion of the proposed increase in tuition and votes on a recommendation, which is then forwarded to the full Board for consideration at its meeting the following day. The final budget, including all proposed revenues and expenditures, is again reviewed by the Finance Committee at its May meeting, and the Committee makes a recommendation on it to the full Board.

During all of these Finance Committee and Board discussions of the proposed tuition increase, attention is focused on why the tuition increase proposed is really necessary and how other income sources could help to mitigate the increase. In recent years, the rate of increase in the endowment's contribution to the operating budget has far outstripped the tuition increase – and the endowment's contribution in dollar terms now surpasses the contribution from tuition.

The Budget Planning Advisory Committee, on which faculty, staff and student representatives serve, meets 2-3 times per year to discuss budget issues, including the rate of tuition growth, the endowment's annual contribution, and the College's expenditure priorities. Parents are not consulted about tuition increases prior to their approval, but they do receive an annual letter from the President each spring, telling them what the following year's tuition will be and explaining some of the College's goals for that year. There is no consultation with the public at large about proposed tuition increases.

The College's endowment is extremely important in providing financial assistance to students. Of the \$20.1 million estimated expenditure for scholarships in 2007-08, about 47% (or \$9.4 million) will come from endowed funds that are *restricted* for this purpose. 50% (\$10.1 million) will come from *unrestricted* revenue sources, including payout from *unrestricted* endowed funds, and another \$600,000 is expected from *restricted* annual gifts.

**5. Please explain how your university's endowment is managed and the role of the Board of Directors? What are your university's endowment payout and investment policies? What is the mission of your university's endowment? When was the last time that the university's endowment policy was reviewed? When will it next be reviewed?**

The College's Board of Trustees has delegated management of the endowment to the Board's Investments Committee, which reports regularly to the Board on the endowment's asset allocation and performance. Advisory services are provided to the Investments Committee by Cambridge Associates, which has worked with Pomona College since 1980. Cambridge's advice is particularly helpful in the Investments Committee's decisions about asset allocation, the selection of new managers and funds, and the monitoring of managers' performance. College staff are responsible for implementing the Investments Committee's decisions and handling related administrative duties such as responding to capital calls and transferring funds among managers.

The College's endowment spending policy seeks to maximize sustainable spending over time; that is, the College seeks to spend as much as possible today without jeopardizing the long-term purchasing power of the endowment. This principle of "intergenerational equity" is implemented by calculating the likely long-term real rate of return on endowment assets and subtracting from that figure an estimate of inflation affecting the College's operations. That inflation figure is approximately the Higher Education Price Index, which has generally run 1% to 2% over the CPI. In addition, the College has sought to smooth spending over a multi-year horizon to assure that annual fluctuations in endowment market value are not transmitted to spending, since such fluctuations would make budget planning very difficult. All of these ideas are built into the College's spending policy, which is:

"Each year, spend between 4.5% and 5.5% of the average endowment unit market value during the previous 12 quarters. The precise amount is determined by applying a 4% growth rate to the previous year's spending amount, subject to the 4.5%-5.5% lower and upper limits."

The mission of the endowment, therefore, can be summarized by saying that it is intended to provide a substantial, predictable, and equitable (among generations) contribution to the operating budget of the College, so that the College can enhance the quality of education provided to its students. As indicated above, the strong returns of the College's endowment over recent years have enabled the College to remain need-blind in its admissions process while fully funding the documented need of admitted students. These returns have also enabled the College to eliminate student loans, replacing them with grants, as of July 1, 2008.

The Investments Committee reviews its endowment policy at least annually. It was last reviewed in December 2007 and will likely be reviewed again in the second half of calendar 2008.

**6. Please provide the year-by-year net growth of the university’s endowment for the last ten years (in both percentage and dollars). What is the amount of donations the endowment has received year-by-year for the last ten years? Please provide the percentage of investment in each asset class (equity, fixed income, hedge funds, private equity, venture capital, etc.) and the amount invested outside the United States**

The table below shows the year-by-year net growth of the College’s endowment for the last ten years, as well as the donations to the endowment (valued at the end of the year).

| <b>Pomona College Endowment</b> |   |                |              |  |
|---------------------------------|---|----------------|--------------|--|
|                                 | Endowment<br>Market Value at<br>end of Year | Increase (\$)  | Increase (%) | End-of-Year<br>Value of<br>"Donations" to<br>Endowment |
| 1997-1998                       | \$675,137,000                               |                |              | \$10,723,295   |
| 1998-1999                       | \$759,519,000                               | \$84,382,000   | 12.5%        | \$14,280,064   |
| 1999-2000                       | \$1,109,410,000                             | \$349,891,000  | 46.1%        | \$14,266,640   |
| 2000-2001                       | \$1,105,084,000                             | (\$4,326,000)  | -0.4%        | \$13,445,418   |
| 2001-2002                       | \$1,021,846,000                             | (\$83,238,000) | -7.5%        | \$9,213,619  |
| 2002-2003                       | \$1,001,677,000                             | (\$20,169,000) | -2.0%        | \$11,405,448   |
| 2003-2004                       | \$1,155,965,000                             | \$154,288,000  | 15.4%        | \$7,904,761  |
| 2004-2005                       | \$1,300,081,000                             | \$144,116,000  | 12.5%        | \$54,051,322   |
| 2005-2006                       | \$1,459,036,000                             | \$158,955,000  | 12.2%        | \$11,172,703   |
| 2006-2007                       | \$1,762,680,000                             | \$303,644,000  | 20.8%        | \$14,814,702   |

The table below shows the percentage of the endowment in each asset class as of 12/31/07; it is estimated that approximately 34.8% is invested in stocks or securities located outside of the U.S.

**Pomona College  
Endowment Asset Allocation as of 12/31/07**

|                                 | <u>Percentage Value</u> |
|---------------------------------|-------------------------|
| U.S. Equity                     | 20.1%                   |
| Global ex U.S. Equity           | 14.3%                   |
| Emerging Markets                | 7.0%                    |
| Hedge Funds                     | 22.3%                   |
| Venture Capital                 | 6.7%                    |
| Private Equity                  | 6.9%                    |
| Marketable Hard Assets          | 9.6%                    |
| Private Hard Assets             | 5.3%                    |
| U.S. Fixed Income               | 5.6%                    |
| Global Fixed Income             | 1.2%                    |
| Cash                            | 1.0%                    |
| <br>TOTAL                       | <br>100.0%              |
| <br>Estimated Non-U.S. Exposure | <br>34.8%               |

**7. Please explain how you determine what is considered part of the university endowment. In other words, how is your endowment defined? Are there any other long term investments that are not included in the endowment as reported to NACUBO? If so, what are they and what are their values?**

The College’s endowment consists of all of the College’s assets that have been set aside, either by donor intent or Board of Trustees’ approval, to generate income on an annual basis to support the activities of the College. In addition to the endowment investments, the College has approximately \$177.1 million of investments that are categorized as long-term. This amount primarily consists of the invested assets associated with the trusts and gift annuities for which the College acts as trustee.

**8. What has been the cost of management of the endowment year-by-year for the last ten years?**

The College considers the cost of management of the endowment to be the cost of endowment oversight, consisting of staff salaries and other administrative office expenses associated with managing the endowment; custody; consulting fees; legal and accounting fees; and any other costs associated with managing the endowment. Fees paid to investment managers are not included in the response to this question, since they are discussed in detail in the response to question 11. The attached table presents this endowment oversight information for the last ten years.

**Pomona College  
Cost of Endowment Oversight**

|         |             |
|---------|-------------|
| 1997-98 | \$658,268   |
| 1998-99 | \$638,854   |
| 1999-00 | \$734,909   |
| 2000-01 | \$841,810   |
| 2001-02 | \$932,311   |
| 2002-03 | \$859,126   |
| 2003-04 | \$1,072,167 |
| 2004-05 | \$1,567,066 |
| 2005-06 | \$1,704,798 |
| 2006-07 | \$1,816,420 |

9. What was the payout (both in dollars and percentage) from the endowment year-by-year for the last ten years? What is the targeted payout (in percentage) from the endowment year-by-year for the last ten years? If either the actual and/or targeted payout is below 5%, please explain how this meets the needs of the current student body. If there is a material variation between actual and targeted, please explain. What were the top 10 major expenditures from the endowment last year?

The endowment payout history for the most recent ten years is shown in the table below.

| <i>Endowment Payout<br/>Pomona College</i> |                        |                 |                 |                 |
|--|------------------------|-----------------|-----------------|-----------------|
|  | Total Endowment Payout | Annual Increase | Target Spending | Actual Spending |
| FY98                                       | \$23,610               | +5.49%          | 5.0%            | 5.0%            |
| FY99                                       | \$25,041               | +6.06%          | 4.7%            | 4.7%            |
| FY00                                       | \$27,611               | +10.26%         | 4.5%            | 4.5%            |
| FY01                                       | \$30,655               | +11.02%         | 4.5%            | 4.4%            |
| FY02                                       | \$37,890               | +23.60%         | 4.5%            | 4.4%            |
| FY03                                       | \$44,175               | +16.59%         | 4.5%            | 4.3%            |
| FY04                                       | \$48,949               | +10.81%         | 4.5%            | 4.4%            |
| FY05                                       | \$48,628               | -0.66%          | 4.5%            | 4.4%            |
| FY06                                       | \$50,501               | +3.85%          | 4.5%            | 4.4%            |
| FY07                                       | \$54,889               | +8.69%          | 4.5%            | 4.5%            |

The targeted payout of 4.5% of the average value of the endowment for the preceding 12 quarters is a result of the Board’s longstanding endowment spending policy, described above under Question # 5. The small variances of the actual spending rate from the target are a result of estimates that are made during the budgeting process before the actual endowment values are known.

The endowment includes *restricted* (as to purpose) as well as *unrestricted* funds. In the case of *restricted* funds the payout is designated to specific purposes such as financial aid, faculty salaries, or special programs, but payout from *unrestricted* endowment funds is pooled with other *unrestricted* revenue of the college (such as tuition and fees, or *unrestricted* annual gifts) to underwrite the operating budget, including scholarships. Spending from the *unrestricted* endowment, which constitutes about half of the endowment, is not linked to particular expenditures. As indicated below, about 31% of the *restricted* endowment is designated for need-based scholarships.

**10. How much of the endowment is subject to permanent spending restrictions or limitations set by the original donor? Of the portion subject to permanent limitations, what percentage is restricted for need-based scholarships? What portion is restricted for undergraduate financial aid? Please provide the top five types of restrictions on the endowment by category. What percentage of the endowment is subject to significant limitations placed on it due to a decision by the board (or a subcommittee of the board) or a college or university official – such as a set-aside for a specific program? Please provide the investment return to the endowment year-by-year for the last ten years.**

As of June 30, 2007, 56.6% of the endowment was subject to permanent spending restrictions or limitations set the donor. Of the portion subject to permanent limitations, 31% is for need-based scholarships – all of it for undergraduates, since Pomona College has no graduate students.

The top five types of restrictions on the endowment are the following:

- General scholarships (no criteria specified for awarding them)
- Restricted scholarships (criteria are specified for awarding them)
- Instructional and academic support
- Faculty salaries
- Facilities and grounds

8.3% of the endowment is subject to “significant limitations” placed on it due to a decision of the Board, even though the funds are technically unrestricted. In virtually all of these cases the Board designated the funds to purposes (such as financial aid, faculty salaries, or building maintenance) that are part of the unrestricted budget, but the Board chose to make specific fund designations for reasons such as donor relations or to recognize someone who was an important contributor to the life of the College.

The investment returns on the endowment for the last ten years are as follows:

| <b>Total Return of the Endowment<br/>(Realized and Unrealized Investment Returns)</b> |       |
|---|-------|
| FY98  | 18.1% |
| FY99  | 21.1% |
| FY00  | 47.0% |
| FY01  | -2.3% |
| FY02  | -4.7% |
| FY03  | 1.3%  |
| FY04  | 18.9% |
| FY05  | 12.8% |
| FY06  | 16.1% |
| FY07  | 23.8% |

**11. Please explain the fee arrangement to investment advisors. How is the fee and compensation measured and determined? What is the process to review reasonableness of the fee and compensation and what comparables are used? Who reviews and approves the fee? Who pays the fee (the endowment, general funds)? Please explain what relationship, if any, exists between endowment size and/or growth and the compensation given to the college or university president and the endowment manager. Please list what endowment-related bonuses, if any, either the college or university president or the investment manager has received year-by-year for the last ten years.**

51.1% of Pomona's investment manager fees are based on the amount of our assets managed by a given manager. In these instances, we assure that we are charged the lowest possible fee ("most favored nation" clause in our contract) the manager charges any eleemosynary institution. In selecting investment managers, we compare fees among finalists for a given investment mandate. In the remaining 48.9% of our relationships, the fee is a combination of a fee on assets under management and an incentive fee based on performance relative to a pre-determined benchmark. Since the investment vehicle in such relationships is a limited partnership or offshore fund, and Pomona's typical commitment size is small relative to many other investors in these funds, Pomona typically has very limited ability to negotiate fees. Therefore, we make a decision on the basis of our estimate of prospective returns net of fees.

Pomona College's Investments Committee reviews all proposals related to the oversight and management of the endowment. There is no relationship between the President's compensation and the endowment size/growth. There is also no relationship between Pomona's endowment managers' compensation and the endowment size/growth. Since Pomona College relies on Cambridge Associates for significant advisory services, there are no bonuses paid to any College staff based on the performance/growth of the endowment. Furthermore, no bonuses are paid to Cambridge Associates staff, as their fees are calculated on a simple percentage of assets.