



The President

February 29, 2008

Chairman Max Baucus
Senator Charles Grassley
Senate Finance Committee
219 Dirksen
Senate Office Building
Washington, DC 20510

Dear Senators Baucus and Grassley,

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?

Hamilton meets the full demonstrated need of all students who are accepted to the College, through a combination of scholarship, loan and work-study. The average financial aid package exceeds \$29,000 for the 2007-08 academic year, with institutional scholarships representing 90% of the package.

The Vice President, Administration and Finance, meets annually with the Student Government Association to discuss the budget process and hear any concerns. Following the approval of the budget by the Board of Trustees, parents receive a letter explaining the College's budget and notifying them of the fees for the following year. Parents are encouraged to write the President of the College with concerns and questions, and letters are answered promptly.

Hamilton's endowment provides financial assistance to students in several ways. First, it provides direct support for financial aid. In 2007-08, \$8,867,600 of the \$21,723,000 financial aid budget, or 41%, was provided directly through restricted endowments. \$273,000 (1%) of the financial aid budget was provided by federal sources and the remainder, \$12,582,400 (58%) was provided by annual gifts from alumni and friends and the general operating budget of the College. Income earned from the endowment supported \$16,698,300 of teaching salaries, academic programs, student internships, and other student-related programs. These programs would have otherwise been financed by the College's general operating funds. According to a 2006-07 National Association of College and University Business Officers study, the cost of a Hamilton education is \$53,574 per student. Thus, every student is subsidized by the endowment, alumni support, gifts and grants to bring the 2006-07 price down to \$43,890.

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?

Hamilton's endowment is managed by a volunteer Investment Committee, overseen by the Board of Trustees and coordinated and supported by the financial administration of the College. The Investment Committee consists of 16 members composed of alumni and trustees with significant expertise in the investment field. It meets eight times a year.

The investment policy for the College states that the financial goals are a total return that at a minimum preserves the real value of the endowment fund in perpetuity as measured by the market value of the endowment's assets adjusted for investment returns, spending and inflation, but exclusive of gifts. The endowment underwrites programs, professorships, facilities, scholarships, and other expenses in order to enhance the education of all Hamilton students now and in perpetuity. The endowment provides financial aid and supports overall college operations, thereby reducing tuition for all students.

The spending policy for the endowment is designed to provide future generations of students with the same support and benefits that today's students receive. The policy also seeks to avoid radical fluctuations in annual budget support and maintain a relatively consistent flow of funds for financial aid and educational programs. If endowment funds increase in any given year, they are used to expand programs and improve the quality of education, and to provide tuition subsidies for all students.

The chart below shows the percentage of the College's budget supported by the endowment. As the endowment has grown, it has supported an increasing share of the budget thereby increasing Hamilton's dependence on endowment support.

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 endowment is the sum total of all funds given in perpetuity; in general, they are given for a specific purpose. It includes all long term investments, with planned gifts (i.e. charitable gift annuities, pooled income funds, etc.) in a separate section. Planned gifts provide income to the donor during his or her lifetime and do not provide income to the College until the donor, and any designated heirs, are deceased.

Hamilton does not have any long-term investments that are not reported as part of the endowment

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

This chart lists the total of costs of the investment office (in millions) as well as management and custodial fees. The expenses are charged to the endowment and all returns are reported net of these fees.

	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Endowment Value 000's (including Pooled Income)	\$344,613	\$401,643	\$485,273	\$492,913	\$452,589	\$456,052	\$546,534	\$594,493	\$657,773	\$783,925
Fees 000's	\$2,157	\$2,505	\$3,604	\$4,104	\$3,965	\$3,302	\$4,172	\$4,591	\$4,408	\$3,937
Basis Points	63	62	74	83	88	72	76	77	67	50

The cost of the College's Investment Office operating budget and salaries is a relatively small portion of these funds. On average, the total cost of the office has been under \$400,000 per year. The remainder of the fees is paid to managers who invest the money on the College's behalf.

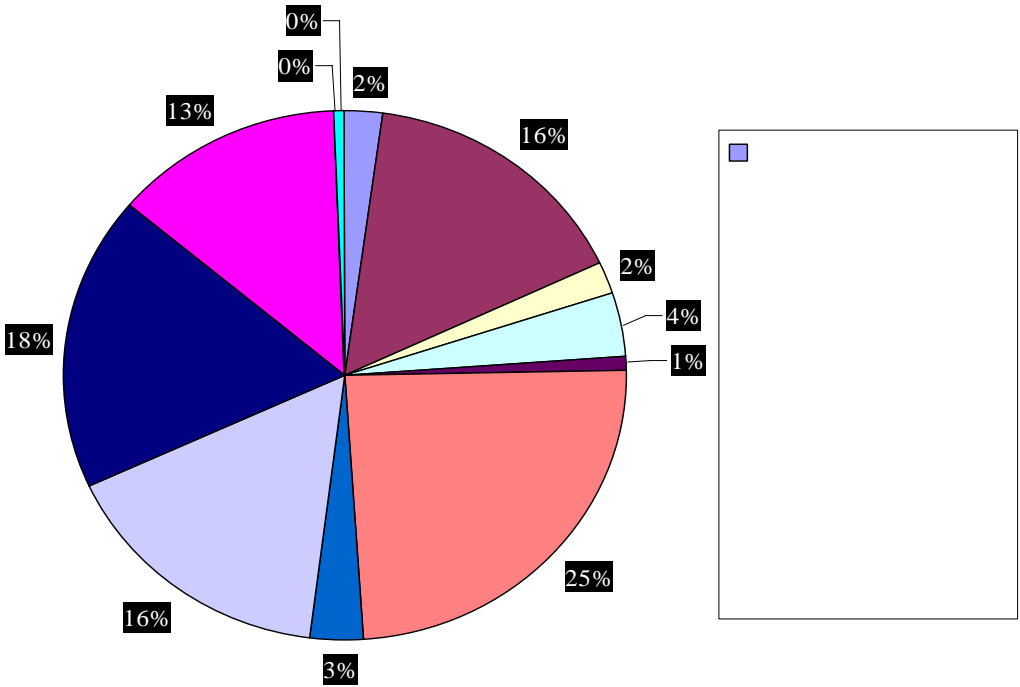
9) What was the payout (both in dollars and percentage) from the endowment year-by-year for the last ten years? What is the targeted payout (in percentage) from the endowment year-by-year for the last ten years? If either the actual and/or targeted payout is below 5%, please explain how this meets the 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 chart below shows the target and actual payout rates of Hamilton's endowment. The target spe

Our students benefit from our spending formula because the College is not forced to expand and contract programs according to the market changes. A “constant growth formula” provides additional endowment income each year, thereby allowing the College to create and sustain programs and preventing annual retrenchment during market downturns. In years of spending below 5%, funding capacity is preserved for years when we spend above 5%. This strategy allows consistent and robust programs for our current students and allows the endowment to sustain returns for future generations of students.

1997/98 1998/99 1999/00 2000/01 2001/02 2002/03 2003/04 2004/05 2005/06 2006/07 2007/08 2008/09

Hamilton College has over 750 individual funds in its endowment. 84% of the endowment funds are restricted, and 34% are restricted for financial aid, all of which are used for need-based aid. The chart below shows the distribution of restrictions.



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.

Fees paid to external managers are based on industry standards. The Investment Committee reviews and approves the fee structure for each manager upon hiring. Fees vary depending on the manager and type of investment and, on average, are generally less than 1%. All management costs, including external managers and the cost of the College's Investment Office and its staff are born by the endowment.

There is no relationship between endowment size or performance and the salaries of the President or any other Hamilton employee. Salaries for all Hamilton employees are based on market standards.