

Yale University

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The Honorable Gayle S. Slossberg
The Honorable Christopher Caruso
Co-Chairs
Government Administration and Elections Committee
Connecticut General Assembly

Re: **Testimony in Favor of HB 5978: An Act Adopting the Uniform Prudent Management of Institutional Funds Act**

Dear Senator Slossberg, Representative Caruso, and Members of the Committee:

On behalf of Yale University, I am writing to express our support of the passage of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as set forth in Bill No. 5978. We believe it improves upon the existing version of the Uniform Management of Institutional Funds Act ("UMIFA") as adopted in Connecticut and properly reflects the developments in modern portfolio theory over the past thirty years.

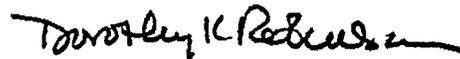
In particular, we support the factors-based prudence standards set forth in UPMIFA and the decision of the National Conference of Commissioners on Uniform State Laws ("NCCUSL") drafting committee to eliminate the "historic dollar value rule," which, under UMIFA, prohibits expenditure below the fixed dollar value of the fund determined at the time of contribution. We believe that over time this rule becomes a less meaningful protection of donor intent than a standard that expressly takes into account the "preservation" of the fund's purchasing power. Furthermore, this prudence standard gives endowment managers the flexibility they may need to deal with funds contributed during "bubble" periods that are followed by sharp market downturns. The commentary provided by the NCCUSL drafting committee is thoughtful in this regard and we fully concur with the discussion contained therein.

We also look favorably upon a provision enabling charitable institutions to release or modify restrictions on smaller, older gifts without the need to seek court approval. As an institution that has existed over 300 years, Yale has accumulated a great many small gifts that are increasingly difficult to apply in strict accordance with the originally stated purposes. Permitting unilateral release or modification of such restrictions, subject to notification to the Attorney General, would enable Yale to more efficiently apply the time and resources that obtaining court approval would take, as well as the funds themselves, to the activities and purposes generally intended to be benefited in modern terms. In fact, Yale would respectfully encourage expanding the scope of this provision by raising the dollar threshold and/or indexing it to inflation.

Finally, we note with approval the absence from the proposed bill of the optional provision contained in the NCCUSL version of UPMIFA relating to the rebuttable presumption of imprudence for spending rates above 7%. We strongly endorse the decision to exclude this optional provision because a fixed spending rate cap would not add to the prudence standard required under the proposed statute. This provision would leave too much uncertainty for institutions who may prudently determine that a higher spending rate is appropriate, whether as part of its long-term project planning or in reaction to a given economic environment.

We appreciate your time and consideration with respect to this bill, and remain available for any questions the Committee might have of us.

Sincerely,



Dorothy K. Robinson
Vice President and General Counsel