

TRUST AND ENDOWMENT MANAGEMENT POLICY

PURPOSE

The purpose of this policy is to provide guidelines for the segregation of funds held as trusts and endowments and for the spending or “pay-out” policies and responsibilities for investment oversight regarding the University’s Trust and Endowment Funds.

DEFINITION OF TRUST AND ENDOWMENT FUNDS

1. Endowment Fund

Funds received and invested on a perpetual basis for the purpose of financing an ongoing scholarship, bursary, award or other commitment from annual earnings, e.g. a donation designated to provide a scholarship award out of the earnings derived from investment of the donation money.

2. Trust Funds

Funds received and invested for a specific purpose. The University in entrusted to spend the funds and interest only on items for which the donation was made.

GENERAL PRINCIPLE

All Trust and Endowment Funds shall be invested as received to maximize earnings from the investments and to fulfill commitments related thereto.

POLICY

1. Description of the Endowment Fund

The Endowment Fund consists of funds from external donors, which are restricted to provide financial support for specific purpose in perpetuity. The greatest majority of Endowment funds are designated for student aid in the form of scholarships and bursaries. Other designations include special activities.

Endowments are funds with provisions that prohibit encroachment on the donor’s capital contribution. Only monies generated from the donor’s capital contribution may be used to support the designated activity. Under special circumstances, however, and only at the direction of the donor, may any portion of the donor’s capital contribution be spent.

Endowment funds are invested as a single pool in order to optimize net return and the diversification of risk. However, for donor reporting purposes each endowment donation is accounted for individually.

2. Donor Endowment Fund Objectives

The major objectives of the Endowment Fund are to protect the donors' capital contribution and to provide a perpetual annual flow of return from investments, which revenue shall be spent in accordance with directions of donors. A further objective is to avoid a reduction over time in spending in real terms due to the effects of inflation.

3. The Preservation of Donor's Capital Contributions

In order to avoid a reduction over time in spending in real terms due to the effects of inflation, a portion of the total net investment return will be added to the endowment fund. An endowment investment objective will be to earn, over time, a rate of return at least equal to the total of inflation plus spending and the costs of investing and administering the funds. Coupled with this investment objective is a spending or "pay-out" policy that limits disbursements to a prescribed rate of investment return (currently 5%). Any difference between the actual investment return (net of expenses) and the allocation for spending will be accumulated in the endowment fund at the rate of inflation and any other surplus will be invested in a rate stabilization account that will be used in those years where the fund does not earn the required 5%.

The preservation of Donor's Capital Contributions will only be applicable when the endowment fund has earned in excess of the pay-out policy amount.

4. Spending or "Pay-out" Policy

Interest is earned on endowment fund capital accounts during the University's fiscal year based on average monthly balances. At the end of each fiscal year, investment income is determined and an amount no greater than five (5) percent of capital is deposited in each fund's disbursement account. Investment income that is surplus to five (5) percent of capital will be first allocated to the capital account up to the rate of inflation. Any excess (rate of return less "pay-out" less capital preservation) will be credited to the rate stabilization reserve for income allocations which can be drawn upon in years when income is less than the amount required for spending.

All background documentation for restricted, named endowment funds, including correspondence with donors and lawyers, copies of will bequests and so on, will be kept and maintained in separate files in the Office of Development.

5. Policy Interpretation & Review

The spending or “pay-out” rate shall be reviewed and any recommended increase or decrease in this rate may be made to the Finance Committee of the Board.

6. Other Related Policies

This Policy should be read and interpreted in conjunction with the Statement of Investment Policies and Guidelines for Trust and Endowment Funds.