

# IC 2

Office of the Treasurer  
December 10, 2012

Members, Investment Committee

## APPROVAL OF ENDOWMENT INVESTMENT POLICY

Recommendation: that the Investment Committee approve the attached Endowment Investment Policy.

Background: The University's current Endowment Investment Policy was last approved by the Investment Committee on June 14, 2011.

The policy must be formally reviewed at least annually by the Investment Committee and investment staff ("Staff"). Based on a review performed by Staff, in consultation with the Investment Committee Chair and investment consultant, R.V. Kuhns & Associates, the following changes are recommended:

- A new 60/40 "hybrid" spending policy defined as follows:
  - 60% based on the previous year's spending plus/minus the annual change in inflation.
  - 40% based on 4.0% of the trailing 36 month average market value.
  - Annual spending band of 3.0% to 6.0%, meaning the calculated spending rate from the hybrid formula cannot result in spending below 3.0% or above 6.0% of the current endowment market value.
  - Fiscal year 2013-14 will serve as a transition year to the new policy and spending will be based on 4.0% of the trailing 60 month average market value.
  - The new hybrid policy will be fully implemented in fiscal year 2014-15.
- A new requirement that spending and management fee withdrawals will be suspended on all endowments underwater more than 20% (effective for fiscal year 2013-14 and thereafter).
- A new requirement that endowments underwater more than 10% but less than 20% will undergo a formal review by the Treasurer and the appropriate College Dean to determine the appropriate level of spending in accordance the following factors set forth in UPMIFA (effective for fiscal year 2013-14 and thereafter):
  - the duration and preservation of the endowment fund;