

Southern Connecticut State University Foundation, Inc.

Endowment Spending Policy

The two key components of the policy are to preserve the purchasing power of the assets (“Intergenerational Equity”) and to provide a predictable and steady support for programs (i.e. scholarships, awards, etc). Returns over time should be equal to the spending rate plus a consideration of inflation as well as any expense levies.

In order to achieve the above, the Finance Committee approves an annual spending rate by March for the coming fiscal year. December 31 values are used to calculate the spending rate.

The Spending Rate is calculated by taking four (4) percent of a five year rolling average of the market value of the portfolio for the period ending December 31, 20XX. (Five year rolling average will be built beginning with December 31, 2005 portfolio values and moving forward.)

Example of how to compute Spending Rate for period ended December 31, 2007:

1. Compute the average market value of the endowment portfolio at December 31st for the previous three years by adding together:
Endowment Portfolio’s Market Value as of December 31, 2005
Endowment Portfolio’s Market Value as of December 31, 2006
Endowment Portfolio’s Market Value as of December 31, 2007
2. Take total Endowment Portfolio’s Market Value and divide by three (3) which gives the average market value of the endowment portfolio.
3. Multiply the average by four (4) percent and divide by the December 31, 2007 portfolio market value to get the Spending Rate. Once calculated, the rate should be no more than 4.5% or no less than 3% of the moving average market value.
4. Multiply the market value of each individual endowment fund as of December 31, 2007 by the Spending Rate. The resulting amount are the dollars available to be used for the endowment award beginning July 1, 2008 (academic year 2008/09).

Newly created endowment funds must be invested for at least one full fiscal year prior to the calculation date. Appreciation and/or depreciation in the market value will accrue to each individual endowment fund.

When an individual endowment fund balance does not have sufficient earnings to support an annual payment based on the then current spending rate, either: (1) no payment is made, or (2) a reduced payment is made based on the amount of actual earnings available. The SCSU Foundation does not currently use other unrestricted funds to support individual accounts spending when sufficient earnings are not available.

In a prolonged down market, the Finance Committee reserves the right to review the situation and make appropriate adjustments to the spending policy, if necessary.

An Administrative Fee will be charged to each endowed fund (to be used to fund the Foundation’s operating budget the following July 1st) based on December 31st market values. The fee charged is one (1) percent, but may be revised at the Board’s discretion.

Terminology Used in Endowment Spending Policy

Market Value:

Current market price of the portfolio using the individual security prices when available, as indicated by the latest trade record or the values as provided by investment managers when those investments do not have readily determined current values. The value of the total pooled fund includes receipts, disbursements, interest, dividends, realized gains or losses and unrealized gains or losses.

Pooled Fund:

Consolidation of all Foundation endowment funds for investment purposes.

May 4, 2007 approved by Finance Committee
September 10, 2007 revision approved by Finance Committee