

CR401: Endowment Management Policy

Policy Title:	Endowment Management Policy
Policy Number:	CR401
Owner:	St. Lawrence College Foundation
Approved by:	St. Lawrence College Foundation Board
Effective Date:	April 1, 2015 – Approved March 31, 2016
Reference:	
Links to Other Policy:	

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BACKGROUND

Definitions:

Endowment: Funds given to the College by donors, whose capital is held in perpetuity, with the interest earned available for expenditure as per donor direction.

OTF, OTFII, OTSS: Ontario government programs to match the donations made to the College for student bursaries. The Province’s portion of the endowment is subject to a number of investment restrictions, and cannot be subject to a management fee.

Rate Stabilization Fund: A fund created to accumulate income to be disbursed at times when investment returns are low; also known as a reserve.

Re-Capitalization: The practice of adding some interest earnings to the capital investment in order to build the principal and protect against a reduction in value over time due to inflation.

Underwater Endowments: An endowment in which the market value has decreased below the value of the original capital contributions or has not yet reached the recommended minimum of \$20,000 in order to generate a return. This situation may harm the sustainability of the endowment so the Annual Spending Allocation may be reduced or eliminated until the endowment is no longer under water.

Annual spending Allocation: The actual amount allocated to the Spending Account on an annual basis.

Spending Account: The amount available to be spent in support of the purpose of the endowment fund. The account includes the annual spending allocation, cash contributions intended for expenditure and any unspent annual spending allocations from previous years. Also referred to as the Clearing Account.

Pooled Student Aid: These are endowed funds given by various donors that have been pooled and the interest earned can be used to create new student awards. It also includes expendable (non-endowed) funds given by various donors in support of student aid.

Purpose:

The major objectives of the St. Lawrence College Endowment Management Policy are to protect the donor's 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.

Scope:

The policy will apply to the management and disbursement of the earnings from the Endowment

POLICY STATEMENTS

1. The College is committed to using the Endowments to advance the specified educational purposes of the College, such as student aid.
2. The assets of each individual Endowment will be combined into an Endowment Pool for the purpose of investments unless otherwise specified.
3. Unless otherwise set out in the Gift Agreement, Endowments will be kept intact and only the net investment return, or a portion of it, will be used annually.

4. The College is committed to protect the capital contributions and to provide a perpetual annual flow of return from the investment to support the purpose for which the funds were established.

5. The objective is to avoid a reduction over time in spending in real terms due to the effects of inflation.

6. A minimum endowment investment objective will be to earn, over time, a total rate at least equal to the Annual Spending allocations plus the Rate Stabilization Fund allocation

MONITORING

To maximize the endowment benefits for the advancement of education activities, the endowments will be reviewed on an ongoing basis. The College will make reasonable efforts to consult with the endowment contact to ensure the benefit from the endowment is being used in an efficient and effective manner.

The criteria for Donor Endowed Funds shall be reviewed annually to ensure they continue to reflect student needs and College objectives.

Underwater and 'building' funds will be reviewed annually to chart their progress towards solvency.

POLICY REVISION DATE

May 13, 2015

SPECIFIC LINKS

Tba

APPENDIX A

Procedures: Determination of Spending Allocation, Rate Stabilization and Re-Capitalization

P.1 Based on the average investment earnings of the previous three-year period, the annual disbursement percentage will be determined. Any earnings in excess of the disbursement will be allocated as follows:

P.2 Funds designated as 'building' indicate the donor continues to support the fund to reach disbursement levels. All 'building' funds will automatically be re-capitalized.

P.3 Underwater funds will be subject to review for allocations to stabilization and re-capitalization, with the decision based on the best course to build capital to solvency, while meeting the College's student aid needs.

P.4 If an Underwater fund can be disbursed bi-annually, (achieves the College's minimum award value within two years) interest earned will carryover and be disbursed at the minimum amount. Any interest in excess of the minimum will be automatically re-capitalized. Funds with a longer horizon to reach disbursement will be automatically re-capitalized until the above can be achieved.

P.5 An amount up to 2% will be transferred to a Rate Stabilization Fund to protect against periods where earned investment returns do not meet disbursement rates.

P.6 After the Rate Stabilization Fund, excess interest will be recapitalized to each Endowed fund in order to avoid a reduction over time in spending in real terms due to the effects of inflation.*

P.7 Where there are accumulated earnings above what is required to preserve the original capital donation plus inflation, spending may exceed the approved annual disbursement percentage, with the approval of the Sr VP, Advancement, Student and External Relations.

P.8 Unless otherwise agreed to with the donor, Endowment funds must be held for at least one year prior to disbursement of interest.

P.9 Commencing 2018/19 fiscal year (or sooner if investment returns should rise to 5% or more prior to that date) the Pooled Student Aid endowment will form the basis of program entrance bursaries to be used by the Registrar's office at time of student offer. (Subject to the eligibility criteria of OTSS).

*In order to re-build the endowment – which has not been re-capitalized in over a decade - for the 2015/16, 2016/17 and 2017/18 fiscal years, Rate Stabilization funds will be provided by the Pooled Student Aid funds.

P.10 Although uncommon, circumstances may arise when the entire endowment is considered to be underwater in that the Market Value of the endowment is less than the capital account. In this situation the stabilization account will be used to support the annual spending allocation, and if it is not sufficient then the annual spending allocation may be reduced or terminated until the situation improves.