FOUNDATION OF CALIFORNIA STATE UNIVERSITY MONTEREY BAY

FOUNDATION OF CSUMB

BOARD POLICY

Policy 202

Endowment Spending Policy

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1) PURPOSE

The spending policy determines how much of the total return (income and appreciation) will be distributed to support programs and how much will be reinvested in the endowment fund. The purpose of a spending policy is to reduce the volatility of distributions that might be produced by the up and down financial markets.

2) POLICY

A. *Spending Policy* – The spending rate policy for the Endowment Fund will be a hybrid policy based 70% on inflation-adjusted prior year's spending and 30% on a long-term spending rate of 4.5 percent of average twelve quarter average market value. It will be calculated as follows:

i) 70% of the spending rate determined by last year's spending adjusted for inflation as calculated by CPI (Consumer Price Index) as of June.

ii) 30% of the spending rate determined by 4.5% of the average of the Endowment Fund's market value for the last twelve quarters.

B. *Spending Reserve* – A spending reserve will be established for each endowment. Spending reserves will consist of the endowment's dividends, interest, capital appreciation and depreciation and, if applicable, transfers in of funds already held by the University. Distributions will be netted against the spending reserve.

C. In the event that the current year's total return is not sufficient to meet the announced distribution, spending beyond the reserve is permissible in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by California in 2009.

D. Endowments must be invested in the Fund for a full year prior to any distributions.

3) RELATED DOCUMENTS

a) California State University Board of Trustees Resolution RFIN 7-78-6
b) Foundation's Endowment Investment Policy Statement