



# Trust & Endowment Management Policy

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## INTRODUCTION

Brock University's core educational programs and activities are funded from public sources (i.e. government and government sponsored agencies), students' tuition fees, ancillary user fees, and the generosity of individuals, corporations, foundations, and other donor organizations most often in the form of an endowment. Such in-perpetuity gifts are essential to the University and its students.

Donations are made for both current use and to provide support in perpetuity. In the case of the latter, endowments are designated for student aid in the form of scholarships and bursaries, to support research and both regular and special academic activities.

To ensure these funds are effectively managed to enable their growth and perpetuity, the University has adopted the following policy.

## PURPOSE

- To ensure the terms of reference agreed with donors are respected.
- To establish objectives of fund management.
- To outline the administrative protocol of fund management.
- To outline criteria for continued growth of the capital and minimize the possibility of endowment fund erosion.
- To establish disbursement guidelines that balance current spending needs with expected future requirements.

## SCOPE

This policy applies to both the short term and long term trusts and endowments made to Brock University. In addition, The Brock University Foundation and the Friends of Brock University (a public foundation incorporated in USA) operate in accordance with this and all other Brock University Investment and Advancement policies.

## POLICY

1. The Development Office in cooperation with the offices of Student Awards & Financial Aid and Graduate Studies ensures that terms of references are signed for each donated endowment and that the University is capable of adhering to any restrictions.

2. Once accepted by the University, the funds will be pooled for investment purposes. Economies of scale for investing larger pools of assets will result in higher returns on investment of capital. However, for record keeping purposes, each fund will be tracked separately on a pro-rata basis.
3. Overall review, performance measurement and investment guidelines for trusts and endowment funds are directed by the Board of Trustees' Planning, Finance and Human Resource Committee as delegated to the Investment Committee, in keeping with the approved Investment Policy.
4. The overall investment objective for endowments will be to earn, over time, a rate of return at least equal to the total of inflation plus spending and the costs of administering the funds. Inflation is measured using the CPI index. Investment income includes both realized and unrealized gains and losses, and all related investment income earned through direct or indirect investment activity (e.g. securities lending revenue). Costs of administration include investment management, performance measurement and custody charges.
5. Underlying the investment objective is a spending rate that limits allocations to an estimated long-term real (i.e. net of inflation) rate of investment return. The spending rate will be reviewed annually based on a moving three-year average of the investment pool returns based on market values, measured as at June 30th, over the most recent 3 year period. The spending rate must be consistent with the federal government's prescribed minimum annual payment percentage to retain the charitable tax status.
6. In the case of new endowments, the most recent complete year will be used in calculating the base market values. However, in the case where the pro-rata annual investment return less administrative costs is lower than the spending allocation, the spending on these donations/endowments may be temporarily suspended in order to preserve donor capital.
7. Investment income in excess of administration costs and spending allocations will be added to capital, up to the rate of inflation. Any additional excess will be set aside in a stabilization reserve which can be drawn upon in years when income is less than the spending allocated.
8. The term and/or likely continuation of various programs/activities that are funded solely through donations or endowments must be clearly understood by all affected parties, including academic units.
9. In rare and exceptional cases, a reduction of endowment capital may be required. Every effort will be made to preserve the initial capital through the establishment of the stabilization reserve. The erosion risk must be carefully considered by the Investment Committee, accepted by the academic unit, where applicable, and not reallocated to other units of the University if deemed incapable of recovery in the future.

## **RELATED POLICIES**

Donations

Investments