Endowment Management Policy

1.0 Preamble:

1.1 Simon Fraser University (“the University”) actively seeks and welcomes donations in support of the activities of the institution. Pursuant to section 27(2)(o) of the University Act, the Board of Governors (“Board”) of the University has the responsibility “to administer funds, grants, fees, and endowments and other assets.”

1.2 This policy is subject to and consistent with the University’s Investment Governance Policy, B 10.09.

2.0 Purpose:

2.1 The University has created an Endowment Fund to ensure that it is able to maintain the quantity and quality of projects and programs that are possible through the generosity of donors. The Endowment Fund should generate sufficient investment earnings to serve those purposes.

3.0 Definitions:

3.1 Endowment Principal Account
   This account includes the original capital value of donations to an endowment, with additions made for Inflation Adjustment Factors (annually), and other capitalized amounts as directed.

3.2 Endowment Income Account
   This account holds the Spending Income Allocations for an Endowment Principal Account. It may include unused spending income from prior years.

3.3 Terms of Reference
   The management and administration procedures of each Endowment Principal and Income Account are set out in a legally binding document entitled Terms of Reference.

3.4 Fund Administrator
   Endowment Principal and Income Accounts have a designated administrator responsible for the effective use of the funds.

3.5 Spending Income Allocation Rate
   Pursuant to Section 4.4, the percentage rate set by the Board of Governors used to determine the annual amount to be made available for expenditure in the Endowment Income Account.

3.6 Spending Income Allocation
   The Spending Income allocation is an amount calculated annually by applying the Spending Income Allocation Rate to the average monthly Endowment Principal Account balance during the fiscal year.

3.7 Endowment Stabilization Reserve
   A reserve to hold limited surplus investment earnings to assist in maintaining stability of the annual Spending Income Allocations for Endowment Principal Account.
3.8 **Inflation Adjustment Factor**
A capital addition to an Endowment Principal Account calculated as the latest calendar year percentage change in the Consumer Price Index ("CPI") for BC, times the average Endowment Principal Account balance during the fiscal year.

3.9 **Investment Management Expenses**
All direct expenses incurred to manage, control and report on the investment activities of the Endowment Fund. This includes custodial expenses, investment management fees, performance measurement fees and auditing or other specifically related fees.

### 4.0 Policy:

4.1 The Endowment Fund is designed for the collection of assets held in perpetuity to support the activities of the University. It is made up of individual Endowment Principal Accounts each representing the original value of the donation and additions made for inflation and other capitalized amounts.

4.2 Donations made to the Endowment Fund are normally pooled together and invested in accordance with the University’s *Investment Governance Policy*.

4.3 Where practicable, non-cash donations such as securities and real property are normally converted to cash for investment purposes.

4.4 The Spending Income Allocation Rate is set by the Board of Governors on the recommendation of the Vice-President, Finance & Administration and is reviewed every third year on the basis of the investment earnings experience of the Endowment Fund. If a decrease in this rate is anticipated, it will be communicated to the Fund Administrators as early as possible.

4.5 The Spending Income Allocation for an Endowment Principal Account should be predictable and stable, even if financial markets perform below the minimum investment objective of this policy.

4.6 Fund Administrators are responsible for requesting the capitalization of any portion of unused Spending Income Allocations remaining in an Endowment Income Account at the fiscal year end. Once capitalized, these amounts become locked-in and are not reversible.

4.7 The primary investment return objective of the Endowment Fund is to earn, over the mid and long term, an absolute annual rate of return that exceeds the annual rate of increase in the CPI plus the Spending Income Allocation Rate, net of investment expenses.

4.8 The purchasing power of the Endowment Fund will be preserved by the addition of an Inflation Adjustment Factor to each Endowment Principal Account.

4.9 The University maintains an Endowment Stabilization Reserve. When there are insufficient investment earnings to support the annual Spending Income Allocation, transfers are made from this account. The Endowment Stabilization Reserve will not exceed 15% of the aggregate market value of the Endowment Principal Accounts.

4.10 Investment earnings are distributed first to the Spending Income Allocation and the Inflation Adjustment Factor for each Endowment Principal Account. Any remaining investment earnings, in excess of the amount required to maintain the Endowment Stabilization Reserve are then capitalized to the Endowment Principal Accounts.

### 5.0 Scope:

5.1 This policy applies to the assets of the Endowment Fund only.

### 6.0 Roles and Responsibilities:

6.1 Roles and responsibilities pertaining to this Endowment Management Policy will be consistent with the *Investment Governance Policy*. 
7.0 Authority:

7.1 Exceptions pertaining to specific endowments may be made only by the Vice-President, Finance & Administration.

7.2 Questions of interpretation or application of this policy will be referred to the President and Chair of the Board, whose decision will be final.