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University Endowment Pool (UEP) Spending Policy

Office of Accountability:	Vice-President (Finance and Administration)
Office of Administrative Responsibility:	Financial Services
Approver:	Board of Governors
Scope:	Compliance with this university policy/procedure extends to all Academic Staff and Colleagues and Support Staff as outlined and defined in Recruitment Policy (Appendix A and Appendix B).

Contact for questions about this policy:	policy.treasury@ualberta.ca
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Overview

The **University Endowment Pool (UEP)** is intended to support current and future beneficiaries in perpetuity. The UEP Spending Policy, University Funds Investment Policy, and Statement of Investment Principles and Beliefs are interrelated and designed to maintain the **Real** value of the UEP over time in order to preserve the future purchasing power of the assets. The investment goal of the UEP is to achieve a long-term **Rate of Return** that in Real terms shall equal or exceed the **Effective Rate of Spending** established in the UEP Spending Policy, and to do so at the level of risk specified in the University Funds Investment Policy.

A prudent level of spending is one that reflects an investment Rate of Return achievable with acceptable levels of risk. The current expected Real investment Rate of Return is between 5.00% and 5.50%. The annual review of the UEP Spending Policy is designed to ensure that it remains appropriate with respect to the UEP's overall goals and objectives.

Purpose

The purpose of this Spending Policy in conjunction with the University Funds Investment Policy is to preserve the Real value of endowment assets over time, while maintaining an appropriate and stable level of support to the current generation of beneficiaries.

POLICY

Spending from the UEP shall be in accordance with the following procedures effective fiscal years commencing April 1, 2018:

1. Endowment contributions enter the UEP based on the **Valuation** at the beginning of the month in which the contribution is received. **Investment Earnings** net of **Direct Costs** during the fiscal year in which an endowment contribution is received will become **Capitalized Investment Earnings**.
2. The **Annual Spending Allocation** is distributed to endowment holders at the beginning of each fiscal year.
3. The Annual Spending Allocation is based on 4% of the 60 month average Valuation ending on December 31 of the prior calendar year and applied against the endowment Valuation at the beginning of each fiscal year.

4. The UEP shall be subject to such **Administrative Assessments** as may be approved by the Board from time to time. This Administrative Assessment shall be in addition to the Annual Spending Allocation and Direct Costs associated with the endowment investment program. The administrative assessment rate is 0.80% effective April 1, 2018, 0.75% effective April 1, 2019, 0.70% effective April 1, 2020, 0.65% effective April 1, 2021, 0.60% effective April 1, 2022, and shall be calculated in accordance with section 3 of this policy.
5. In any particular fiscal year should the Rate of Return be less than the Effective Rate of Spending whereby Investment Earnings are insufficient to fund total spending, encroachment of **Endowment Principal** will be used to fund the deficiency, with the expectation that such amounts will be recovered from future Capitalized Investment Earnings. If pursuant to the review in section 6 of this policy it is determined that the encroachment is no longer temporary, an adjustment will be made to the Annual Spending Allocation and/or the Administrative Assessment.
6. The Board Investment Committee shall review this spending policy on an annual basis for continued appropriateness. As outlined in the Board Investment Committee's Terms of Reference any required changes will be presented to the Board of Governors for approval.

DEFINITIONS

Any definitions listed in the following table apply to this document only with no implied or intended institution-wide use. [▲Top](#)

University Endowment Pool (UEP)	The pooling of investment assets accumulated by or donated to the University for endowment purposes to facilitate investment management and administration of the funds.
Real	Used in conjunction with asset values and rates of return and restates these nominal amounts for movements in the consumer price index.
Rate of Return	The percentage change in the value of an asset, including interest and dividends, over an evaluation period.
Effective Rate of Spending	The total of the Administrative Assessment, Annual Spending Allocation, and Direct Costs expressed as a percentage of the market value of the assets in the University Endowment Pool.
Valuation	An accounting process that allocates each individual endowment with its proportionate share of Investment Earnings, Annual Spending Allocation, Administrative Costs and Direct Costs.
Investment Earnings	The total of realized and unrealized investment earnings and losses on the assets of the UEP for any given fiscal year; where realized investment earnings and losses are typically made up of interest, dividends, rents and capital gains/losses arising from the sale of investments; unrealized investment earnings and losses represent the change in fair value of assets held.
Direct Costs	All expenditures that are directly attributable to the University Endowment Pool's investment program, including but not limited to; external investment manager costs, custodial bank charges, consulting fees and the costs of the Investment & Treasury unit within Financial Services.
Capitalized Investment Earnings	The excess of Investment Earnings less total spending which includes the Annual Spending Allocation, the Administrative Assessment and Direct Costs. Capitalized Investment Earnings will be permanently endowed.

Annual Spending Allocation	Amount allocated to fund the activities of the endowed programs.
Administrative Assessment	Indirect cost recovery for centrally funded goods and services that support the activities and development of the endowed programs.
Endowment Principal	The total of endowment contributions and cumulative Capitalized Investment Earnings.

RELATED LINKS

Should a link fail, please contact uappol@ualberta.ca. [[▲Top](#)]

[Managing Endowments \(Held by Faculty\)](#)

[Legal and Legislative Aspects of Endowments](#)

[Statement of Investment Principles and Beliefs](#)

[University Endowment Pool Implementation Guidelines](#)

[University Endowment Pool Spending Allocation Estimator](#)

[University Funds Investment Policy](#)

PUBLISHED PROCEDURES OF THIS POLICY

There are no published procedures of this policy.