

**UNIVERSITY OF VICTORIA
POLICY MANUAL****UNIVERSITY OF VICTORIA FOUNDATION
ENDOWMENT MANAGEMENT POLICY**

Number	8002
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Authority	Board Members of the University of Victoria Foundation

1. Preamble

The University of Victoria Foundation (“the Foundation”) intends to balance the following objectives regarding endowment funds:

- 1.1. to protect the value of the fund against inflation over time so that the donor can be aware that the donation will continue to work to the benefit of the University of Victoria (“UVic”) for generations to come; and,
- 1.2. to have stability in the distribution of earnings to allow both the recipient and UVic to plan ahead knowing what funds will be made available each year.

2. Policy

Investment earnings include interest, dividends, realized and unrealized capital gains less losses. These earnings will be used to first cover the direct costs incurred in managing the underlying investments including investment manager fees and custodial fees. The balance of the earnings will be available for annual distribution on or about April 1 as outlined below and subject to section 2.8 below.

- 2.1.
 - 2.1.1. Subject to sections 2.1.2, 2.1.3 and 2.1.4 below, spending distributions equal to 4.0% of the inflation adjusted principal at cost as at December 31 of the prior year will be designated to the award or project.
 - 2.1.2. Endowments with a market value greater than 108% of the inflation adjusted principal at cost as at December 31 of the prior year will be eligible for an additional 0.5% spending distribution based on the inflation adjusted principal at cost.
 - 2.1.3. Endowments with a market value of less than 100% of the inflation adjusted principal at cost as at December 31 of the prior year will have their spending distributions reduced to 3.0% of the inflation adjusted principal at cost.
 - 2.1.4. Unless otherwise specified by the donor, on an individual fund basis, if the level of award distribution that results from the application of the above relevant spending distribution percentage would result in the fund having a market value less than 80% of original donation(s), the distribution of that fund will be re-evaluated. This re-evaluation may result in some funds with no distribution for any given year.
- 2.2. Earnings to a maximum of 0.50% per annum of the inflation adjusted principal at cost as at December 31 of the prior year may be spent on expenses including audit, consulting and performance measurement fees and on advancement and administration services provided by UVic. Within this limit, annually the Board Members of the University of Victoria Foundation (“the Board”) will approve an expense budget based on a dollar limit. Throughout each year, the Board may approve revisions to the budget provided the total expenditures remains less than 0.50% of the inflation adjusted principal at cost as at December 31 of the prior year.

- 2.3. The Foundation maintains an Expendable Fund for each of its endowments. This account holds surplus/deficit investment earnings in reserve to smooth out fluctuations in investment returns to help spending distributions remain stable each year.
- 2.4. Each year the approved spending distribution will be transferred from the Expendable Account to UVic.
- 2.5. To protect the value of annual distributions against inflation, each fiscal year an amount will be transferred from each endowment's Expendable Account to its Principal Account. This process is referred to as capitalization of investment earnings. The amount to be capitalized each year is determined by multiplying the change in the Canadian Consumer Price Index ("CPI") for the year, such change capped at 3.0%, against each endowment's inflation adjusted principal as at December 31 of the prior year. This capitalization of investment earnings will occur for each fund regardless of the Foundation's market value (Principal and Expendable). For example, CPI for 2024 will be capitalized at the end of 2023 to the December 31, 2023 year end inflation adjusted principal. For the purposes of this policy, all references to "inflation adjusted principal" and any resulting calculations shall be subject to a cap of 3.0% in the change in CPI from the prior year.
- 2.6. Undistributed investment earnings may additionally be approved for capitalizing to fund principal in such situations:
 - where donors have requested that the endowment build to a reasonable pre-determined level before distributions are commenced;
 - where an award has not been able to be distributed in the year; and
 - where there are other reasonable circumstances.
- 2.7. In making its annual determination of the percentage to be used to determine the annual spending distribution noted above, the Board will take into consideration the following factors:
 - The duration and preservation of the Foundation and endowment funds;
 - The purpose of the Foundation and endowment funds;
 - General economic conditions;
 - The possible effect of inflation or deflation;
 - The expected total return from income and the appreciation of investments;
 - Other resources available to the Foundation; and
 - The investment policy of the Foundation.
- 2.8. For endowments that include funds from the University Matching Program legacy funded by the Province of British Columbia in the 1990s, the annual distribution, as calculated in section 2.1 above, attributable to those provincial matching funds will be allocated as follows:
 - 2.8.1. 82% of the annual distribution will be designated to the award or project; and
 - 2.8.2. 18% of the annual distribution will be deposited in a UVic expendable account and made available to fund areas of priority as identified by the President of UVic.

3. Review

This policy will be reviewed on an annual basis by the Board.