

FUND ADMINISTRATION SUMMARY

Finance Principles

- Provide superior gift management and administration
- Ensure highest quality donor and U of M customer service
- Commit to operational efficiency
- Ensure gifts are utilized in accordance with donor wishes
- Optimize partnership with the University community

Administrative Fee Principles

- Charge reasonable fees for related admin services
- Maintain low fee rates to reflect commitment to efficiency
- Strive for clear consistent donor communication
- Provide total transparency to administration and fee policies
- Ensure equity – all fund types pay for related admin services

Fund Types

Permanent Endowment

- \$50,000 minimum (\$250,000 minimum for permanent endowed graduate fellowship)
- Invested in long-term pool
- Amount made available to spend is based on the UMF Board Approved Spending Policy
- Fund receives actual pool investment returns (net of investment management fees)
- Unspent payout ('available funds') remains invested in the long-term pool. Earnings and losses are credited to the fund's principal balance. Earnings are limited to ST rates set by the Finance Committee.
- Reinvestment of 'available funds' to principal is permitted on an annual basis
- Annual administrative fee is 0.8% of the fund's market value

Quasi – Endowment

- \$25,000 minimum
- Invested in long-term pool
- Fund receives actual pool investment returns (net of investment management fees)
- Annual spending is permitted up to 20% of the prior year's cash balance (exceptions may be approved)
- Annual administrative fee is 1.5% of the fund's market value

Demand

- \$5,000 minimum
- Invested in short-term low risk pool
- Fund receives actual pool investment returns (net of investment management fees)
- 100% of balance is available for spending
- Annual administrative fee of up to 2.75% of the fund's market value based on investment earnings

Endowment Policies

- Endowment policies are established and approved by the UMF Board in accordance with the federal Uniform Prudent Management of Institutional Funds Act (UPMIFA)
 - Objectives:
 - Provide stable and predictable funding for designated programs
 - Maintain purchasing power into perpetuity
 - Strive for intergenerational neutrality

Endowment Spending Policy (applies to permanent endowments only)

- Payout of 4.5% of the five year trailing average principal fund balance
- Calculated monthly and transferred to ‘available funds’
 - ‘Available funds’ will not decrease in value
 - ‘Available funds’ should not be requested until ready to be spent
- Average principal fund balance ‘Restarts’ are available upon request and meeting criteria

Underwater Endowment Policy (applies to permanent endowments only)

- A permanent endowment is ‘Underwater’ if the fund principal is less than the original gift value.
- Adding payout to the ‘available funds’ balance is discontinued for one quarter if the principal reaches:
 - 80% of original gift value (=20% underwater)
 - 75% of original gift value (=25% underwater) for scholarship match funds (U of M matches UMF payout)
 - Review is conducted quarterly
- Spending of existing ‘available funds’ is encouraged