

NIPISSING UNIVERSITY

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Policy Name:	Trust and Endowment Management Policy
Responsible Department:	Vice-President, Finance and Administration
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A. Purpose

The purpose of this policy is to provide guidelines for the segregation of funds held as trusts and endowments and for the spending or “pay-out” policies and responsibilities for investment oversight regarding the University’s Trust and Endowment Funds.

B. Scope

This policy applies to all trust and endowment funds invested by Nipissing University as specified below. This policy should be read and interpreted in conjunction with the Investment Policy and Guidelines for Trust and Endowment Funds.

C. General Principle

All Trust and Endowment Funds shall be invested as received to maximize earnings from the investments within the parameters of the [Investment Policy and Guidelines for Trust and Endowment Funds](#) and to fulfill commitments related thereto.

D. Definition of Trust and Endowment Funds

“**Endowed Funds**” are funds received from external, non-operating fund sources, restricted to provide financial support for a specific purpose in perpetuity. Endowments are funds with provisions that prohibit encroachment on the donor’s capital contribution. Only investment income earned on the donor’s capital contribution may be used to support the purpose designated by the donor. Nipissing University’s collective endowed funds are referred to as the Donor Endowed Fund.

“**Trust Funds**” include funds received from external donors for the purpose of meeting certain commitments and not to be considered as endowments, such as to pay for a one-time only scholarship award. Trust funds also include funds received and invested from general revenues, capital or other

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sources for purposes determined by the Board of Governors, such as the prior accumulation of excess University funds designated for scholarship purposes.

E. Donor Endowed Fund

1. Description of Donor Endowed Fund

- i. Nipissing University's endowed funds consist primarily of external funds restricted to provide for student aid in the form of scholarships and bursaries. Other restricted purposes of the endowed funds may include providing financial support towards the activities of a Chair position at the University. For purposes of managing the endowed funds, this policy refers to the collective funds received from external sources for endowments as the **"Donor Endowed Fund."**
- ii. Capital additions to endowed funds have included funds transferred to the University by the Government of Ontario under the Ontario Student Opportunities Trust Fund program (referred to as the OSOTF program) and the Ontario Trust for Student Support (OTSS). Spending derived from these funds is restricted to needs-based student aid in accordance with provincially mandated terms for student eligibility. Special provincial reporting rules require the University to account for these funds separately.
- iii. In order to satisfy external reporting requirements while optimizing net return and the diversification of risk, the Donor Endowed Fund is to be managed as a single portfolio but will be segregated for reporting purposes into separate investment accounts based on external reporting requirements (i.e. OSOTF1, OSOTF2, OTSS, etc.). For donor reporting purposes each endowment contribution will be accounted for individually in accordance with this policy.

2. Objectives of the Donor Endowed Fund

- i. The major objectives of the Donor Endowed Fund are to protect the donors' capital contributions and to provide a perpetual annual flow of return from investments, which revenue shall be spent in accordance with the directions of donors. A further objective is to avoid a reduction of spending in real terms over time due to the effects of inflation.

3. The Preservation of Donors' Capital Contributions

- i. In order to avoid a reduction of spending in real terms over time due to the effects of inflation, a portion of the total net investment return will be added to the endowment fund. An endowment investment objective will be to earn, over time, a rate of return at least equal to the total of the annual rate of increase of the Statistics Canada Consumer Price Index (CPI) for Ontario as at the preceding December 31st, plus spending and the costs of investing and administering the funds.
- ii. Coupled with this investment objective is a spending or "pay-out" policy that limits disbursements to an estimated long-term real rate of investment return (total investment

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- return less inflation). Any difference between the actual investment return (net of expenses) and the allocation for spending will be accumulated in the endowment fund.
- iii. The preservation of Donor's capital contributions will only be applicable when the endowment fund has earned in excess of the pay-out policy amount.

4. Spending or "Pay-out" Allocation

- i. Net investment income is earned on the endowment fund capital accounts during the University's fiscal year based on average monthly balances. At the end of each fiscal year, net investment income is determined and an amount no greater than three (3) percent of capital is allocated to each individual donor's disbursement account. Net investment income that is surplus to three (3) percent of capital will be first allocated to the donor's capital account up to the rate of inflation. Any excess (rate of return less "pay-out" less capital preservation) will be credited to the fund reserve for income allocations which can be drawn upon in years when income is less than the amount required for spending.
- ii. If the portion of income distributed to a particular endowment account is not expended, the unspent amounts may be capitalized.
- iii. In order to properly prepare for student scholarship, bursary and award payouts and any other disbursement requirements stipulated by donors of endowed funds, a payout allocation up to the amount specified in E.4.i above shall be calculated in approximately July of each year based on the previous May 1st capital account balances for individual endowed funds. The resulting amounts will be provided to the University Student Financial Aid Office and the Office of External Relations and Advancement for planning for the upcoming Academic Year. The actual payout allocation to each endowment disbursement account will occur at the end of the University's fiscal year as stipulated in E.4.i. above.
- iv. The spending or "maximum pay-out" rate shall be reviewed every two years on the basis of the investment earnings experience of the Donor Endowment Fund. A recommended increase or decrease in this rate shall be made by management to the Audit and Finance Committee of the Board of Governors.

5. Management of Endowment Accounts

- i. The annual spending rate will only be applied once the fund has reached a minimum capital amount of \$10,000 and has been invested for a full year. The total investment income earned will be returned to the donor's capital fund until the fund reaches \$10,000.
- ii. All background documentation for restricted, named endowed funds, including correspondence with donors and lawyers, copies of bequests and so on, will be kept and maintained in separate files in the Office of External Relations and Advancement.

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F. Trust Funds

1. Description of Trust Funds

- i. Trust funds include external funds received for the purpose of meeting certain commitments and not to be considered as endowments, such as to pay a one-time only scholarship award. These funds also include funds internally restricted by the Board of Governors, such as the prior accumulation of excess University funds designated for scholarship purposes or other special purposes.
- ii. Trust Funds have been categorized as follows:
 - a. Annual donations for non-endowed awards and other special purpose expenditures
 - b. Internally restricted funds designated by resolution of the Board of Governors for scholarships and bursaries and other special purpose projects

2. Management of the Trust Funds

- i. Annual donations for non-endowed awards and other special purpose expenditures:
 - a. These donations are typically disbursed in accordance with donor restrictions within the same fiscal year so there is typically no need to invest these funds nor are there any external restrictions that require the funds to be invested.
 - b. In situations where non-endowed annual donations received may accumulate over a number of fiscal periods (i.e. in situations in which the purpose of the donation has not occurred, such as capital building projects), it is at the discretion of the Vice-President, Finance and Administration and the Director of Finance whether the amounts should be invested until the related disbursements are required.
 - c. These funds should be invested in term deposits, GICs or other highly liquid investments that are not subject to any major risk of loss in value and are available for use on short notice.
- ii. Internally restricted funds designated by the Board of Governors for scholarships and bursaries
 - a. These funds are to be invested in accordance with the University's Investment Policy and Guidelines for Trust and Endowment Funds
 - b. On an annual basis, up to three (3) percent of the market value of the portfolio will be disbursed from the fund to provide scholarships, bursaries and awards to students. On May 1st of each year, three (3) percent of the average market value for the previous fiscal year will be used to calculate the disbursement for the upcoming academic year.

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This policy supersedes any previous practices and agreements applied to the Trust and Endowment Funds.

Inquiries regarding the interpretation, practices and procedures to be following in administering matters relating to this policy should be directed to the Vice-President, Finance and Administration, or the Director of Finance.

The policy will be reviewed periodically and may be revised to reflect changes in objectives, fund risk characteristics, and business and financial market conditions.