



POLICY AND PROCEDURE STATEMENT

SUBJECT: Trust and Endowment Management	CATEGORY: Advancement and Alumni	NO. 205
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PREAMBLE

Saskatchewan Polytechnic actively seeks and welcomes gifts to support activities of the institution, in accordance with Saskatchewan Polytechnic's Gift Acceptance Policy (202-G). The purpose of this policy is to provide guidelines for the administration of trust and endowment funds, including the determination of the annual amount available for spending from those funds.

POLICY

The Saskatchewan Polytechnic trust and endowment investment committee, as mandated by Saskatchewan Polytechnic's senior management council and acting with advice from professional investment advisors, is responsible for the general stewardship of trust and endowment funds and seeks to maximize investment income from these funds, working within the boundaries of Saskatchewan Polytechnic's Investments policy (408-G).

Saskatchewan Polytechnic is committed to protecting and preserving the capital of endowed funds and ensuring the funds provide an appropriate level of funding for current and future generations. This policy is designed with the objective of providing stable annual funding to support the purposes stipulated by the donor as well as maintaining the purchasing power of the original capital value of endowments for future generations. Endowment funds are invested in a diversified portfolio of cash, fixed income, and equities to meet this strategy over the *long term*. Investment income earned on the portfolio will be allocated back to the specific funds on a pro rata basis.

Long-term trust funds will be invested in the same manner as endowed funds but do not have the requirement that the capital must remain in perpetuity. Investment income for long-term trusts will be calculated in the same manner as for endowments.

Funds from other trusts will be held in Saskatchewan Polytechnic's bank account. No investment income will be credited to other trusts.

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All new endowments and trust funds will be managed according to this policy. Existing endowments and trust funds will be subject to this policy with the exception of the minimum dollar requirement to endow a fund, and the minimum dollar and time period requirements for designation as a long-term trust.

Exceptions to this policy or its procedures shall be made only by the president, following consultation with the vice-presidents. Such exceptions are reported to the audit committee of the board of directors.

Questions of interpretation or application of this policy or its procedures shall be referred to the associate vice-president, financial services. However, at the discretion of the committee chairperson, these questions may be brought forward to this committee for further discussion.

DEFINITIONS

Endowment Fund

A gift to Saskatchewan Polytechnic where the capital is required to be maintained in perpetuity and the related investment income is used to support initiatives in accordance with the Terms of Reference or Gift Agreement for the Endowment.

Trust Fund

A gift to Saskatchewan Polytechnic where the funds and, in certain cases, the related investment income, is used to support initiatives in accordance with the Terms of Reference or Gift Agreement for the Trust. Saskatchewan Polytechnic has two categories of trust funds:

1. Long-term Trusts

Gifts of \$10,000 or more which are projected to be disbursed over a period of at least 10 years are considered *long-term trusts*.

2. Other Trusts

Gifts that don't meet the definition of an endowment or long-term trust are considered *other trusts*.

PROCEDURES

Endowments and trust funds must be administered according to their Terms of Reference or Gift Agreement documents.

An extinguishment clause will be included in all Terms of Reference or Gift Agreement documents to provide for the wind-up of an endowment or trust fund. For example, if the original objectives of the endowment can no longer be met, the Terms of Reference must allow Saskatchewan Polytechnic to pool the resources with other restricted funds, close out the fund entirely, or renegotiate the terms with the donor.

Endowment and long-term trust funds are to be invested in accordance with Saskatchewan Polytechnic's Investment Policy. Endowment and long-term trust funds may be pooled with other funds to maximize investment income.

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Endowments

The minimum capital amount to establish an endowment is \$50,000 CDN.

The nominal capital value of an endowment fund must be maintained. Every attempt will be made to maintain the real value of an endowment fund so that inflation does not erode the value of the disbursements from the endowment.

No amount will be available for spending until an amount equal to 9% of the original contributed capital has accrued through investment earnings.

Earnings and losses from the trust and endowment investment portfolio will be attributed on a pro-rata basis to each endowment fund.

Endowment funds will be reviewed every five years to determine what amount of surplus, if any, is available for recapitalization. A surplus of 9% must remain after recapitalization. Please see Appendix A for method of calculation and an example.

The spending amount for endowments will be reviewed annually by the Saskatchewan Polytechnic trust and endowment investment committee and a recommendation will be made to senior management council.

In the event that capital is temporarily encroached, disbursements will be suspended until such time as the original capital amount plus 9% has been recouped. If an endowment fund has been recapitalized, the recapitalized amount plus 9% must be recouped.

Annual spending amounts will target 3% to 5% of all contributed capital, including recapitalized amounts, and will take into account actual investment earnings achieved and the annual rate of inflation.

Trusts

Annual spending from long-term trusts will be determined by the Terms of Reference or Gift Agreements for the long-term trusts.

Earnings and losses from the trust and endowment investment portfolio will be attributed on a pro-rata basis to each long-term trust.

Long-term trust funds will be reviewed every five years to determine if increases to annual spending rates can be supported by the investment income earned, providing any changes made are in accordance with the Terms of Reference or Gift Agreements.

RELATED POLICIES/DOCUMENTS

Gift Acceptance 202-G
Investments 408-G

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AMENDMENT HISTORY

1. Original issue date: May 5, 2009
2. Revision dates: June 3, 2015
3. Scheduled review date: June 2020

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Appendix A

Recapitalization Calculation

Formula

The endowment balance must be greater than 109% of the endowment capital for recapitalization to occur.

$$\frac{\text{Endowment balance} \times 100}{109} = \text{Recapitalized amount}$$

Example

Original donation	\$100,000
Endowment balance at the end of 5 years (including disbursements and earnings)	\$115,000

$$\frac{\$115,000 \times 100}{109} = \$105,500 \quad = \text{recapitalized amount}$$

$$\$115,000 - \$105,500 = \$9,500 \quad = \text{surplus to remain in fund}$$

Recapitalization amount =	\$105,500
9% Surplus =	<u>9,500</u>
Endowment balance =	<u>\$115,000</u>

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