I. Purpose of Policy

This is the Policy on Expenditures from Endowed Funds (“Policy”) of The University of Connecticut Foundation, Inc. (“Foundation”). The purpose of this Policy is to establish the procedure by which the Foundation will decide to annually allocate for expenditure amounts from Endowed Funds (as defined herein) for the purposes for which the funds were established (“Spending Allocation”) and for administrative costs related to investment and administration of the Endowed Funds (“Endowment Administrative Fee”).

II. Policy

The Foundation is committed to administering and investing Endowed Funds in compliance with all relevant Foundation by-laws, organizational concerns, industry standards, and federal and state laws and regulations, including without limitation the Connecticut Uniform Prudent Management of Institutional Funds Act (the “Act”). No policy will supersede any provision of federal or state law or regulation.

The Foundation shall periodically review the application of the Spending Allocation and an Endowment Administrative Fee described below to Endowed Funds, and shall make a determination that such application to the Endowed Funds is prudent. In making a determination to expend such amounts from Endowed Funds, the Foundation shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and shall consider the following factors:

a) The duration and preservation of the Endowed Funds;
b) The purposes of the Foundation and the Endowed Funds;
c) General economic conditions;
d) The possible effect of inflation or deflation;
e) The expected total return from income and the appreciation of investments;
f) Other resources of the Foundation; and
g) The investment policy of the Foundation.

The Foundation shall document its consideration of the above factors in its review. The Foundation has a duty under the Act to maintain the long term purchasing power of each Endowed Fund and in accordance with that duty will record the historic dollar value (“HDV”) of each Endowed Fund as a benchmark by which to measure each fund’s performance. The Foundation shall also institute such procedures as are reasonably calculated to identify any individual Endowed Fund, the long term purchasing power of which has the potential to be significantly impaired by continued application of this
Policy, and present a strategy for remedying such impairment to the Finance Committee of the board of directors of the Foundation (the “Board”).

The Foundation may decide to spend from Endowed Funds, even to the extent of expending a portion of the fund which constitutes HDV, in accordance its expenditure policies; provided, such spending is part of a purposeful, prudent and documented strategy to maintain the long-term purchasing power of such funds.

The Foundation will in good faith make information available to donors and potential donors concerning its expenditure policies.

III. Calculation Method

Expenditures from Endowed Funds for the Spending Allocation and the Endowment Administrative Fee shall be calculated as described below. Such expenditures may be made regardless of whether an Endowed Fund has sufficient current period and/or accumulated net investment returns to support such allocation, unless a determination has been made pursuant to Section II above to limit or withhold such payments with respect to a particular fund. However, in the event that the sum of the calculated Spending Allocation plus the calculated Endowment Administrative Fee (“Total Endowment Expenditures”) is less than three percent (3%) or greater than six and three quarters percent (6.75%) of the current market value of the Endowed Funds, then the Spending Allocation and the Endowment Administrative Fee will be proportionally increased or decreased such that the Total Endowment Expenditures is increased to three percent (3%) or reduced to six and three quarters percent (6.75%) accordingly.

a) Spending Allocation

The amount of funds allocated for expenditure for the purposes for which an Endowed Fund was established (“Spending Allocation”) will equal 4.25% of the rolling prior 12-quarter average Unitized Market Value of the long term pooled investment portfolio multiplied by the number of units held by each Endowed Fund on March 31st. The Spending Allocation will be transferred to the Endowed Fund spending account in equal quarterly installments on the first day of each quarter in the fiscal year beginning on the July 1st following the calculation.

b) Endowment Administrative Fee

The amount of funds allocated for expenditure for Foundation administrative expenses (“Endowment Administrative Fee”) will equal two percent (2.0%) calculated based on the rolling prior twelve (12) quarter average Unitized Market Value of the long-term pooled investment portfolio multiplied by the number of units held by each Endowed Fund on March 31st. The full Endowment Administrative Fee, as calculated, will be transferred to the Foundation’s operating funds in equal quarterly installments on the first day of each quarter in the fiscal year beginning on the July 1st following the calculation.
IV. Exceptions

The Spending Allocation will not be calculated as set forth above for existing Endowed Funds established pursuant to a Gift Instrument which by its terms specifies a different spending method.

The Endowment Administrative Fee will not be assessed as set forth above for existing Endowed Funds established pursuant to a Gift Instrument which by its terms does not permit the assessment of such fees; and for new gifts from large Private Foundations (as defined herein) the governing boards of which prohibit the assessment of fees as an established organizational policy which can be documented in writing.

All other exceptions to this Policy must be approved by the Finance Committee of the Board upon the recommendation of the Foundation President where there is substantial potential for developing a long-term funding relationship with the donor and the gift’s designated use is compatible with the University’s organizational priorities. Exceptions to this Policy should be granted in only the rarest of circumstances.

V. Applicability

This Policy applies to all Endowed Funds administered, held, and invested at or by the Foundation. This Policy also applies to University Endowed Funds invested by the Foundation pursuant to the First Amended and Restated Master Agreement executed between the University and Foundation and effective July 1, 2015, as amended from time to time.

VI. Definitions

“Endowed Fund” means a Foundation fund or any part thereof not wholly expendable by the Foundation on a current basis under the terms of a gift instrument. Except as provided herein, the term does not include assets of the Foundation designated as an endowment fund for its own use (typically referred to as quasi-endowment funds).

"Gift Instrument" means a record or records, including a solicitation, under which property is granted to, transferred to or held by the Foundation as a Foundation fund.

“Historic Dollar Value” means the value of the donor’s original gift to an Endowed Fund and any subsequent donations thereto.

“Unitized Market Value” means fair value of the investment assets within the long-term pooled investment portfolio divided by the number of units in such pool.

VII. Enforcement and Interpretation

It is the responsibility of all employees to uphold this Policy. Any violation of this Policy may result in disciplinary action up to, and including, termination of employment. Questions regarding interpretation of this Policy should be directed to the Foundation’s
Vice President of Finance.

VIII. Effective Date

This Policy is effective July 1, 2015 and replaces and supersedes any proceeding policy concerning this subject matter. This Policy shall be reviewed by the Investment Committee of the Board, which shall make any necessary recommendations with respect to amendments to this Policy to the Board, not less than annually.