SPENDING POLICY

The spending policy is meant to ensure that endowment purchasing power (real value) is maintained over time by keeping the long-term rate of annual spending from the Endowment pool equal to or less than the long-term real (inflation-adjusted) investment returns of the Endowment pool. The Investment Sub-committee notes that the spending rate is the one lever over which it can exercise true control toward increasing the Endowment pool's value and the near-term spending restraint will enable greater spending flexibility over the long term.

The following was adopted by the Investment Sub-committee and approved by the board of Trustees:

The objective is to spend from the endowment pool no more than a 5% effective rate. Each year, the University will spend from the Endowment pool an amount equal to the average market value of the 12 trailing quarters as of the previous December 31st, multiplied by a rate of between 4% - 6%. The specific spending rate will be set each year through the university's annual budget process. The effective rate is defined as the current fiscal year's spending from the endowment pool divided by the previous fiscal year end's market value of the endowment pool.

As a general matter, the Investment Sub-committee will review this spending at least every two years to ensure that the policy remains aligned with financial objectives. The Sub-committee will collaborate with the Financial Health and Resources Committee with respect to spending to be included in the university's annual budget.