LEWIS & CLARK COLLEGE
ENDOWMENT SPENDING POLICY

Amendments approved by the Board of Trustees on February 19, 2016

A. Spending Policy Objective
The objective of the spending policy is to provide stable support for existing programs with limited changes from year to year, while insuring intergenerational equity by balancing current and future real levels of spending.

B. Base Spending Rate
The base spending rate for endowments is 4.5%, except for any endowments that are under water at the end of the trailing sixteen-quarter measurement period. Base endowment spending will be computed as the "trailing sixteen-quarter average market value multiplied by the base spending rate". The base endowment spending computation will be done separately for each endowment. Average market value refers to the pro rata portion of pooled cash and investments plus any direct cash and investments held by an endowment. The total value of pooled cash and investments will be the amount provided by the investment advisor in their quarterly report.

C. Supplemental Spending Rate
The maximum supplemental spending rate for endowments that are not underwater will be 1.5% for 2009-10 and will be reduced annually until it is eliminated [See Table Below]. Supplemental endowment spending will be computed as "trailing sixteen-quarter average market value multiplied by the supplemental spending rate". Supplemental endowment spending computation will be done separately for each endowment that allows supplementary spending. The supplemental spending calculation will provide a maximum supplemental endowment spending for each year.

Supplemental Spending Rate*				
Fiscal Year	Spending Rate		Fiscal Year	Spending Rate
2009-2010	1.5		2015-2016	0.9
2010-2011	1.4		2016-2017	0.8
2011-2012	1.3		2017-2018	0.6
2012-2013	1.2		2018-2019	0.4
2013-2014	1.1		2019-2020	0.2
2014-2015	1.0		2020-2021	0.0

* Beginning with the 2017-18 fiscal year the Supplemental Spending Rate reduction will be .1% versus a .2% reduction if the overall endowment spending rate for the new year will be less than

99.9% of the current year spending. This flexibility will remain in place until the Supplemental Spending rate is completely eliminated.

D. Underwater Endowments

At the end of the trailing sixteen-quarter measurement period any endowments that have a market value less than their original gift value shall be considered underwater. Under water endowments will be limited to a base spending rate of 2.5%. There will be no supplemental endowment spending from endowments that are underwater.

E. Spending Calculation Method for New Endowments

New gifts for endowments will be placed in the endowments as soon as received. Spending from new endowments will be computed as if they were added during the last quarter of the trailing sixteen-quarter measurement period.

Prior to 2009 new gifts were treated as if they were in place for the entire sixteen-quarter period used to compute the average balance for the endowment spending formula. The difference for fiscal year 2009-10 between the previous method and the new method is approximately $800,000. This is more than could easily be absorbed in one year and will be phased in over fiscal years 2009-10 through 2012-13 as follows:

- 100% of the difference between the “old” method and the “new” method will be added to the annual base endowment spending as computed under the “new” method for the 2009-10 fiscal year,
- 70% of the difference between the “old” method and the “new” method will be added to the annual base endowment spending as computed under the “new” method for the 2010-11 fiscal year,
- 40% of the difference between the “old” method and the “new” method will be added to the annual base endowment spending as computed under the “new” method for the 2011-12 fiscal year,
- The “new” method will be fully implemented for the 2012-13 fiscal year.

F. Timing of Trailing Sixteen-Quarter Average Market Value

The trailing sixteen-quarter average refers to the sixteen calendar quarters (March 31, June 30, September 30, December 31) ending on September 30 of the year prior to the start of the fiscal period for which the spending is being determined.

G. Fund Distributions

Fund distributions will include expenses for grants, capital, operating, and administrative costs of the College's programs. Investment-related expenses (e.g. investment manager and investment consultant fees, custody charges, etc.) will be charged against the Fund's investment return.

One half of the annual base endowment spending will be drawn on the business day closest to July 15. The other half of the annual base endowment spending will be drawn on the business day closest to January 31. The full supplemental endowment spending will be drawn on the business day closest to May 15.

An asset allocation of up to 5% in cash *(will require change in interim targets)* along with gifts received will provide for withdrawals and capital calls. If, 30 days prior to a scheduled withdrawal from the endowment, it appears that sufficient cash will not be available on the draw date, the Vice President for Finance, in consultation with the Investment Committee Chair, will decide which investments will be sold in order to raise the necessary cash.

H. Relationship between Spending Rate and Investment Returns

It is recognized that the College's investment objective and spending policy need to be in balance in order to have a reasonable chance of achieving the College's long-term financial objective. It is further recognized that given the inherent volatility of capital market returns, there could be extended periods when the realized investment returns would deviate significantly from the spending rate.

I. Effective Date

This Spending Policy shall be effective commencing with the 2009-2010 fiscal year of the College and be used to calculate spending for the 2010-2011 budget.