Resolution No. 23 (2019-2020)
Amended Endowment Spending Policy

WHEREAS, the College desires to amend the Endowment Spending Policy to permit quarterly spending draws, and

WHEREAS, the College wishes to simplify overall policy language and further refine new endowment spending calculations, now therefore be it

RESOLVED, that the Endowment Spending Policy be amended as written in Exhibit A.

Adopted by the Board of Trustees May 8, 2020

Exhibit A

LEWIS & CLARK COLLEGE
ENDOWMENT SPENDING POLICY

Amendments approved by the Board of Trustees on _________, 2020

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 underwater 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". Endowments that have been held for less than sixteen quarters will be computed based upon the trailing average for each quarter held. 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. To qualify for base spending, an endowment must meet guidelines and minimum levels for the type of endowment as defined by the Gift Acceptance Policy as of the Measurement Date.

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 supplemental spending is eliminated. The Supplemental Spending Rate was reduced by 0.1% per year from 2009-10 to 2016-17. Beginning in 2017-18 the Supplemental Spending Rate will be reduced by 0.2% per year unless such reduction will result in the overall endowment spending rate for the new year to be less than 99.9% of the current year spending. In such case, the Supplemental Spending Rate will be reduced by 0.1%. Supplemental endowment spending will be computed as the "trailing sixteen-quarter average market value multiplied by the supplemental spending rate". Endowments that have been held for less than sixteen quarters will be computed based upon the trailing average for each quarter held. The 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. For those endowments that do not meet the eligibility requirements of base spending above, there will be no supplemental spend.

D. Underwater Endowments

At the end of the measurement period, defined as September 30 of the year prior to the start of the fiscal period for which the spending is being determined, any endowments that have a current market value less than their permanently restricted original gift value shall be considered underwater. Underwater endowments will be limited to a base spending rate of 2.5% unless specifically agreed to in the endowment terms. There will be no supplemental endowment spending from endowments that are underwater unless specifically agreed to in the endowment terms.

E. Spending Calculation Method for New Endowments

New gifts for endowments will be placed in the endowments as soon as practical after they are received. Endowments that have been held for less than sixteen quarters will be computed based upon the trailing average for each quarter held. New endowments, or additions to existing endowments, that are received after the September 30 measurement date are not eligible for spending until the next fiscal year.

F. Measurement Date

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

G. Fund Distributions

Fund distributions (spending) will be applied towards the designated purpose as set forth by the endowment agreement or by Board designation. Endowment-related expenses (e.g. investment manager and consultant fees, custody charges, interest rate swap payments and other related administrative expenses etc.) will be charged against the Fund's market value.

One quarter of the annual base endowment spending will be drawn on or before each calendar quarter end (March, June, September and December). The full supplemental endowment spending will be drawn before the end of the fiscal year May 31st.

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 2020-2021 fiscal year of the College.

LEWIS & CLARK COLLEGE
ENDOWMENT SPENDING POLICY

Amendments approved by the Board of Trustees on ~~February 19, 2016~~________, 2020~~xxxx~~

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". Endowments that have been held for less than sixteen quarters will be computed based upon the trailing average for each quarter held. 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. To qualify for base spending, an endowment must meet ~~endowment~~ guidelines and minimum ~~endowment~~ levels for the type of endowment as defined by the Gift Acceptance Policy as of the ~~last m~~Measurement ~~D~~date ~~for spending to be calculated for the next fiscal year (September 30th)~~.

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~~ supplemental spending is eliminated ~~[See Table Below]~~. The Supplemental Spending Rate was reduced by 0.1% per year from 2009-10 to 2016-17. Beginning in 2017-18 the Supplemental Spending Rate will be reduced by 0.2% per year unless such reduction will result in the overall endowment spending rate for the new year to be less than 99.9% of the current year spending. In such case, the Supplemental Spending Rate will be reduced by 0.1%. Supplemental endowment spending will be computed as the "trailing sixteen-quarter average market value multiplied by the supplemental spending rate". Endowments that have been held for less than sixteen quarters will be computed based upon the trailing average for each quarter held. The ~~S~~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. For those endowments that do not meet the eligibility requirements of base spending above, there will be no supplemental spend.

~~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, defined as September 30 of the year prior to the start of the fiscal period for which the spending is being determined, any endowments that have a current market value less than their permanently restricted original gift value shall be considered underwater. –Under-water endowments will be limited to a base spending rate of 2.5% unless specifically agreed to in the endowment terms. There will be no supplemental endowment spending from endowments that are underwater unless specifically agreed to in the endowment terms.

E. Spending Calculation Method for New Endowments

New gifts for endowments will be placed in the endowments as soon as practical after they are received. Endowments that have been held for less than sixteen quarters will be computed based upon the trailing average for each quarter held. New endowments, or additions to existing endowments, that are received after the September 30 measurement date are not eligible for spending until the next fiscal year. ~~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~~ Measurement Date

The Measurement Date is defined as September 30 of the year prior to the start of the fiscal period for which the spending is to be determined. The trailing sixteen-quarter average refers to the sixteen calendar quarters (March 31, June 30, September 30, ~~December~~and December 31) ending on the Measurement Date. ~~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 (spending) will be applied towards the designated purpose as set forth by the endowment agreement or by Board designation. ~~include expenses for grants, capital, operating, and administrative costs of the College's programs. Investment~~Endowment-related expenses (e.g. investment manager and ~~investment~~ consultant fees, custody charges, interest rate swap payments and other related administrative expenses etc.) will be charged against the Fund's ~~investment return~~market value.

~~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.~~ One quarter of the annual base endowment spending will be drawn on or before each calendar quarter end (March, June, September and December). The full supplemental endowment spending will be drawn before the end of the fiscal year May 31st.

~~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~~2020-2021 fiscal year of the College. ~~and be used to calculate spending for the 2010-2011 budget.~~