

**NC State University  
Physical & Mathematical Sciences Foundation, Inc.  
ENDOWMENT SPENDING RULE**

**OBJECTIVE**

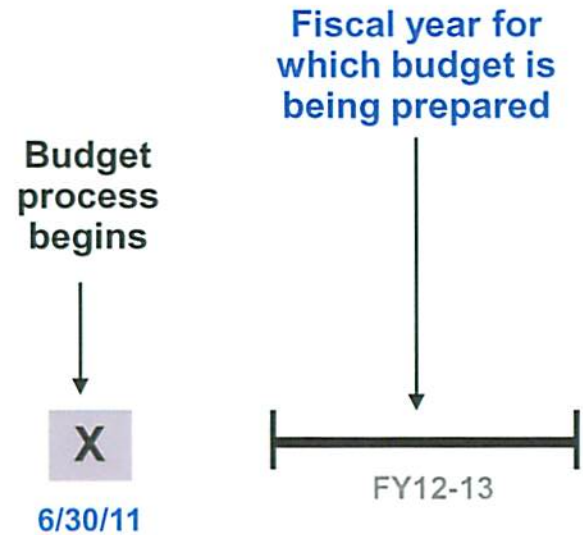
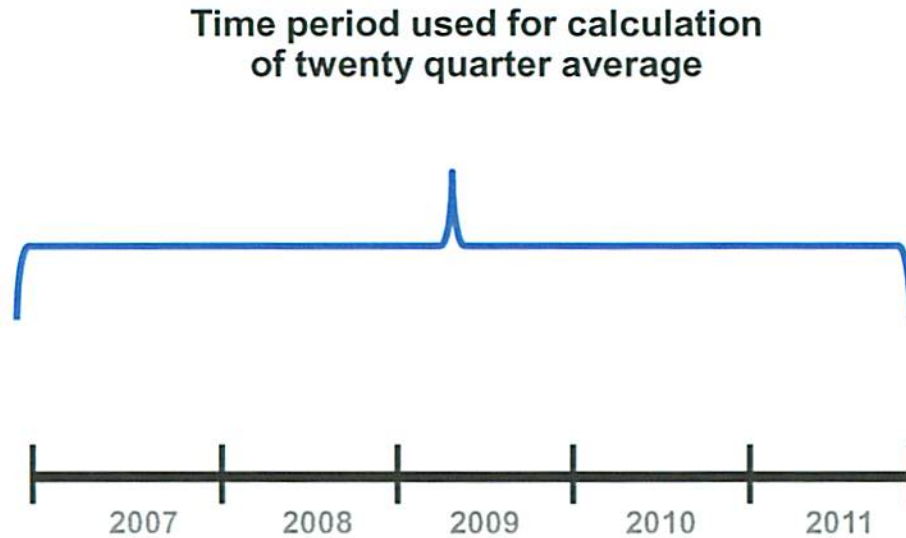
The objective of a spending rule is to establish a spending rate which: 1) will result in a stable spending amount from year to year, 2) can be maintained over the long term, and 3) will preserve the real value of the endowment over the long term so as to help provide for intergenerational support.

To achieve these objectives, the NC State University Physical & Mathematical Sciences Foundation, Inc. has a total return spending rule. Total return spending allows spending budgets to be funded from interest and dividend income, realized gains, and unrealized appreciation.

**RULE**

1. **Programmatic Spending**: Programmatic spending will be 4.00% of the average market value per unit of the long-term investment pool computed over the previous twenty quarters, multiplied by the number of units owned by each endowment as of the prior fiscal year end (See Attachment A, "Budget Timetable").
2. **Assessments**: Assessments for supporting the cost of fundraising and other administrative expenses may be charged annually to each endowment. The number of basis points assessed will be determined annually and subject to university procedures or board approval. The assessment amount will be computed following the same methodology used for programmatic spending. In the event that reserves are insufficient, priority will be given to the programmatic spending budget.
3. **Cap on Increases**: Increases in programmatic spending and assessments will be capped at CPI plus 1% over the prior fiscal year spending amount, except in cases of new gifts.
4. **Spending of Corpus**: Unless the gift instrument specifies otherwise, up to 15% of the corpus (historic gift value) of an endowment may be expended if reserves are not sufficient to fund the programmatic spending amount, subject to the guidelines provided in NCGS Chapter 36E, Uniform Prudent Management of Institutional Funds Act. (See Attachment B, UPMIFA).
5. **Evaluation**: The spending rule will be formally evaluated by the Treasurer every three years and recommendations for changes will be brought to the board for their consideration.
6. **Donor requirements** included in endowment agreements will take precedence over this rule.
7. **Exceptions**: Exceptions must be approved by the Dean and Treasurer.

# Spending Budgets Time Table



*To spend in FY12-13, at June 30, 2011 endowments must have adequate spending reserves **OR** an UPMIFA compliant agreement and a fund balance of more than 85% of corpus.*

**EXCERPT FROM:**

**NCGS Chapter 36E. Uniform Prudent Management of Institutional Funds Act (UPMIFA)**

**§ 36E-4. Appropriation for expenditure or accumulation of endowment fund; rules of construction.**

(a) Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution 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, if relevant, the following factors:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the institution and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the institution; and
- (7) The investment policy of the institution.

(b) To limit the authority to appropriate for expenditure or accumulate under subsection (a) of this section, a gift instrument must specifically state the limitation.

(c) Terms in a gift instrument designating a gift as an endowment, or a direction or authorization in the gift instrument to use only "income," "interest," "dividends," or "rents, issues, or profits," or "to preserve the principal intact," or words of similar import:

- (1) Create an endowment fund of permanent duration unless other language in the gift instrument limits the duration or purpose of the fund; and
- (2) Do not otherwise limit the authority to appropriate for expenditure or accumulate under subsection (a) of this section.