

**NC State Investment Fund, Inc.**  
**ENDOWMENT SPENDING AND DISTRIBUTION POLICY STATEMENT**

**OBJECTIVE**

The objective of a spending and distribution policy statement is to establish spending rates and methodology 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 to help provide for intergenerational support.

To achieve these objectives, the NC State Investment Fund (NCSIF) has a total return spending policy. Total return spending allows spending budgets and assessments to be funded from interest and dividend income, realized gains, and unrealized appreciation, more commonly known as spending reserves. Spending reserves are determined for each NCSIF Participant at the individual endowment level and are computed annually at fiscal year-end.

In addition, unless the gift instrument specifies otherwise, up to 15% of the corpus (historic gift value) of an endowment may be expended if spending reserves are not sufficient, subject to the guidelines provided in NCGS Chapter 36E, Uniform Prudent Management of Institutional Funds Act. (See Attachment A, UPMIFA)

**POLICY**

1. **Programmatic Spending:** Programmatic spending will be 4.0% of the average market value per unit of the long-term investment pool for each NCSIF Participant computed over the previous twenty quarters, which results in a spending rate per unit. The spending rate per unit is then multiplied by the number of units owned by each endowment as of the prior fiscal year end.
2. **Assessments:** Assessments for supporting the cost of fundraising and other administrative expenses may be charged annually to each endowment. 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. **Stability / Longevity Measure:** To provide stability during periods of market volatility and to ensure spending levels can be maintained over time, the programmatic spending rate per unit for each Participant will be measured as of the prior fiscal year end to ensure that, when multiplied by the Participant's total investment pool units, the resulting spending amount falls within a band of 3% to 5% of the Participant's ending pooled market value. Any year in which a Participant's effective pooled spending measurement falls outside of the established band, the policy spending rate (see #1 above) will be adjusted as necessary to fall within this band.
4. **Schedule for Programmatic Spending Computations and Notifications:** Programmatic spending budgets for next fiscal year will be determined each fall for fully funded endowments as of the prior fiscal year end, and NCSIF Participants will be notified of these budgets prior to the December holiday break. (See Attachment B-Endowment Spending Budgets Time Line.) Spending budgets for new endowments that are UPMIFA compliant and are established during the current fiscal year and for distinguished professorships that receive Distinguished Professors Endowment Trust Fund (DPETF) matching from UNC-GA during the current fiscal year will be computed and communicated to campus by fiscal year end.
5. **Evaluation:** This policy statement will be formally reviewed and evaluated by the University Treasurer every three years and recommendations for changes, if any, will be brought to the NCSIF Members Board for their consideration.
6. **Donor requirements** included in executed endowment agreements will take precedence over this policy statement.
7. **Exceptions:** Exceptions to this policy statement for individual endowments held by Participants must be jointly approved by the respective Dean or President and respective Treasurer or Assistant Treasurer.

**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.

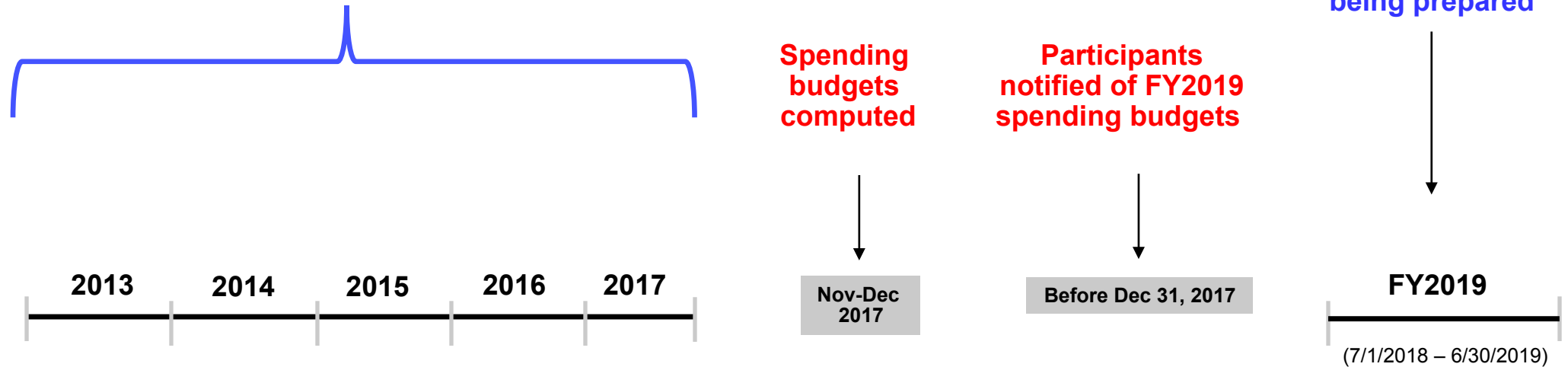
(b) To limit the authority to appropriate for expenditure or accumulate under subsection (a) of this section, a gift instrument must specifically state the limitation.

(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.

# Spending Budgets Time Line

Fiscal years used for calculation of twenty quarter average market value per unit for each Participant's investment pool



*To spend in FY2019, endowments must have adequate spending reserves at June 30, 2017 OR have an UPMIFA compliant agreement that allows spending of corpus and a market value greater than 85% of corpus.*