Policy

Endowment Distribution and Investment

1.0 Purpose

This policy outlines the University's approach to the distribution of endowment fund investment returns.

2.0 Scope

This policy applies to endowment fund investment returns to all endowment donations included in the fund (both capital preservation and amortising donations).

It does not apply to gifts or donations made with the purpose of distributing the initial capital sum in the short-term.

3.0 Policy statement

- The University's endowment funds exist to receive, manage, invest, and distribute income from financial contributions made by third parties, as well as contributions from the University's own reserves.
- Endowment funds are intended to support the mission and operations of the University over the long-term. They may support a variety of University programs and activities, including the provision of University scholarships.
- The strategy for endowments is to limit the number of funds established, leveraging existing funds to gain scale and efficiency.
- The required minimum value for establishing a capital preserved endowment fund is $100,000, with a $50,000 minimum value for amortising endowments.
- Endowment Funds are invested in accordance with the Treasury Policy.

3.1 Annual distributions from endowment funds

- The Distribution Rate is approved annually by the Finance, Resources and Risk Committee. Only in exceptional circumstances will an alternative rate be considered and requires prior approval from the Vice President (Advancement) and Chief Financial Officer, with subsequent reporting to the Finance, Resources and Risk Committee.
- The rate balances the objectives of preserving the real value of endowments over time while providing a stable flow of income for the activities specified by the initial donation/s.
- A conservative but stable rate is calculated to smooth Endowment Fund distributions. Distributions will be transferred monthly to each endowment, based on the prior month's balance.

- The annual rate is approved by 30 June each prior year. A portion of the approved rate (to compensate for and in line with CPI) is invested back into the endowment to preserve the original donated value. The remaining rate earned is used for the endowment's stated purpose.
- Any unallocated distribution at the end of each year will be retained in each endowment to be redrawn in future years as required.

4.0 Roles, responsibilities and delegations

Role	Responsibilities
Finance	Ensuring appropriate records are kept; Calculating distributions to be made periodically; Ensuring distributions are allocated to the correct departments across the University; Ensuring investment practices comply with the University's Treasury Policy. Reporting to Finance, Resources and Risk Committee on distributions made from the endowment fund.
Vice President (Advancement)	Approval of the establishment of a new Endowment Fund. Approval of any exception to the distribution rate (with Chief Financial Officer)
Chief Financial Officer	Approval of any exception to the distribution rate (with Vice President (Advancement))
Finance, Resources and Risk Committee	Approval of the annual Distribution Rate (including noting any exceptions as approved by the Vice President (Advancement) and Chief Financial Officer) Approval of the asset allocation Assessment of investment performance and strategy to support the objectives of the University

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5.0 Definitions

Endowment Fund is an investment fund established by the University for receiving third party donations as well as contributions from the University's own reserves, specifically with the purpose of generating operating income for specific or general purposes (normally to support scholarships), whilst preserving the capital base (except for amortising endowments where the capital decreases over time).

Consumer Price Index (CPI) is the Australian All Groups CPI (Percentage Change from Corresponding Quarter of Previous Year), for the 12 months ending December, published by the Australian Bureau of Statistics.

Real value is the value of an initial sum of money which has been adjusted for inflation as measured by the CPI so that purchasing power remains constant.

Distribution Rate is the annual distribution from the Endowment Fund and reflects the long term targeted return on invested funds. This rate is set annually by the Finance, Resources and Risk Committee. For amortising endowments, CPI is added to the approved distribution rate.

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INFORMATION	Printable version (PDF) Downloadable version (Word)
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Policy advisor	Manager, Accounting Tax & Treasury, Finance
Approving authority	Chief Operating Officer

RELATED POLICY DOCUMENTS AND SUPPORTING DOCUMENTS	
Legislation	N/A
Policy	Treasury Policy Philanthropy and Fundraising Policy
Procedures	N/A
Local protocols	N/A
Forms	N/A