POLICY 2.11 – Investment Payout Policy

Policy Category:	Financial
Subject:	Investment Payout Rates and Timing
Approving Authority:	Board of Governors
Responsible Officer(s):	Vice-President (Operations & Finance)
Responsible Office(s):	Financial Services
Effective Date:	May 1, 2015
Supersedes:	February 1, 1990, May 1, 2011

I. PURPOSE & SCOPE

This policy establishes the payout rates and timing of payouts of endowed and non-endowed funds, supplemental pension plan funds, and term endowments.

II. POLICY

1.1 Non-Endowed Funds

1.2 The payout rate on all non-endowed funds will be set each calendar quarter to be equal to the rate of return on 30 day Treasury bills for the immediately preceding calendar quarter. This rate will be reduced by 42 basis points per year to contribute to the cost of custodial services, administrative costs and investment management fees.

2.1 Endowed Funds

2.2 Actual investment returns less investment managers' fees, investment consultant's fees, and custodial fees will be allocated proportionally to the capital of each endowed fund at April 30 each year.

2.3 Endowed funds will be permitted to spend an amount equal to 4.0% of the average value of the total endowment over the most recent five year period. In the case of new endowments, the average will be calculated based upon the number of years the endowment has been at Western.

Any exceptions will require the prior approval of the Vice-President (External) in consultation with Financial Services, with annual reporting of exceptions to the Property & Finance Committee for information.

2.4 In any particular year, should accumulated investment returns of any individual endowment be insufficient to fund the amount made available for spending, endowment capital will be used, with the expectation that such amounts will be recovered from future investment returns.

3.1 <u>Supplemental Pension Plan</u>

3.2 The payout rate for the Supplemental Pension Plan will be the actual rate of return on the Operating and Endowment portfolio, less an allocation for investment managers' fees, investment consultant's fees and custodial fees.

4.1 <u>Term Endowments</u>

4.2 A term endowment may be established with the approval of the Vice-President External or his/her designate where a gift of at least $100,000 is made with an agreement with the donor to spend the principal and any investment returns over a period of time of between 5 to 15 years.

4.3 Actual investment returns less investment managers' fees, investment consultant's fees, and custodial fees will be allocated proportionally to the capital of each term endowment at April 30 each year.

4.4 The amount allocated for spending each year from each term endowment shall be based on the donor agreement, taking into account the anticipated life of the term endowment, the anticipated rate of return and an inflation adjustment. In the event that actual returns are greater or less than the anticipated rate of return, spending amounts and/or the number of years will be modified accordingly.