FUND POLICIES

Fund Types

Permanent Endowment
- $25,000 minimum
- Gift/principal may not be spent
- Invested in long-term pool
- Payout is based on UMF Spending Policy
- Principal investment earnings/losses based on actual pool performance (net of investment management fees)
- Unspent payout (‘available funds’) remains invested in long term pool. Earnings limited to demand fund rate. Losses absorbed by principal
- Reinvestment of ‘available funds’ to principal is permitted on an annual basis
- Annual administrative fee is 1% of the fund’s market value

Quasi – Endowment
- $10,000 minimum
- Spending is limited to 20% of the prior year’s cash balance (special exceptions considered)
- Invested in long-term pool
- Investment earnings/losses based on actual pool performance (net of investment management fees)
- Annual administrative fee is 1.5% of the fund’s market value

Demand
- No dollar minimum
- Operates like an interest-bearing checking account
- Guaranteed interest rate determined by Board (currently 0.1%)  
- No market risk / 100% liquidity
- Invested in short-term pool
- Administrative fee is calculated at 3% of new cash received during the period (collected from gift proceeds unless units prefer to pay with other resources; cash receipts will only be assessed one time)

Special Projects
- $5 million minimum
- Investment strategy is designed on a case by case basis
- Administrative fee will align with the Demand fund fee unless otherwise negotiated

Spending Policy
- 4.5% of the five year trailing average principal fund balance
- Calculated monthly and transferred to ‘available funds’
- Average balance ‘Restarts’ available upon request and meeting criteria
- Governed by Uniform Prudent Management of Institutional Funds Act (UPMIFA)
  - Objectives:
    - Provide stable and predictable funding for designated programs
    - Maintain purchasing power into perpetuity
    - Strive for intergenerational neutrality

Underwater Policy (Implemented if fund principal falls below original gift value)
- UMF will automatically suspend payout for one quarter when a fund balance reaches:
  - 20% underwater for non-match funds
  - 25% underwater for matched scholarship funds (U of M match amounts will be forfeited if alternative resources cannot be found to replace suspended payout)
- Funds’ underwater status is evaluated every three months
- Spending of existing ‘available’ dollars is allowed and encouraged

May 2, 2016