

Southern Illinois University Edwardsville Foundation Policy for the Allocation of Endowment Fund Earnings & Distributions to Program Funds

I. Purpose of the Policy

The purpose of this policy is to ensure that fiscal officers of endowments and related program funds are able to make the best possible use of the earnings attributable to endowment funds while preserving the interests and intent of the donor, the Foundation and the University. To accomplish this purpose, earnings and other amounts available for program purposes will be determined according to each endowment fund's classification. Current endowment fund classifications are student assistance endowment funds and general endowment funds.

0 Definitions

A. Endowment Fund: An endowment fund consists of two parts, as follows:

1. **Principal:** The principal is the total of net contributions to the endowment fund plus other permanent additions.
2. **Reserve:** The reserve is the accumulation of earnings (positive or negative) attributable to the endowment fund after reduction for that portion of earnings distributed to the program fund reduced by amounts distributed from the reserve to the program fund in accordance with this policy.

B. Student Assistance Endowment: Student assistance endowment funds support academic and honorary awards, loans, grants and scholarships for students as well as academic and honorary awards for faculty.

C. General Endowment: General endowment funds are those endowment funds not related to student assistance such as those supporting development funds, book funds, faculty research, etc.

D. Program Fund: A program fund is related to the endowment fund(s) and receives the distribution from earnings and the reserve available to be spent in program support. The endowment fund stipulation defines how the money is to be used. The distribution to program fund is determined by the classification of the endowment fund.

E. Earnings: Earnings attributable to endowment fund investments include interest and dividends earned, as well as realized and unrealized gains and losses on endowment fund investments, less an investment management and administration fee determined annually. Earnings will be allocated among endowment funds no less frequently than annually on the basis of a method uniformly applied to all endowment funds maintained by the SIUE Foundation. Such earnings shall be distributed to the program fund or credited to the reserve in accordance with the provisions of this policy.

F. Earnings Available for Distribution: As of the date of distribution, earnings available for distribution is the positive excess, if any, of earnings for the year over the amount required to eliminate a negative reserve balance.

G. Target Yield: A target yield is established for each endowment fund classification. The target yield reflects the investment experience of the assets supporting endowment funds and the expectation of the earnings level on such assets reflecting the investment policy applicable to endowment funds. The current target yield is 6% for general endowment funds and 6% for student assistance endowments funds. The target yield is subject to change at the direction of the Board of Directors of the Foundation.

H. Reserve Level: The reserve level is the reserve expressed as a percentage of principal.

III. Distribution to Program Funds

Current year earnings attributable to the endowment fund are first applied to eliminate a negative reserve or to reduce the reserve if such earnings are negative. Distribution of earnings available for distribution and supplemental amounts from the remaining reserve are determined as follows:

A. Student Assistance Endowment Funds

1. Earnings available for distribution up to the amount of interest calculated at the target yield on the endowment fund (principal and reserve) are distributed to the program fund. Any earnings in excess of such amount are added to the reserve.
2. If interest calculated at the target yield exceeds earnings available for distribution, such excess may be distributed from the reserve to the extent that such distribution is not greater than the reserve.

B. General Endowment Funds

1. Earnings available for distribution up to the amount of interest calculated at the target yield on the endowment fund (principal and reserve) are distributed to the program fund.
 2. Earnings in excess of the above amount are added to the reserve or distributed to the program fund on the basis of the reserve level.
 - a. If the reserve level is greater than or equal to three (3) times the target yield, all excess earnings are distributed to the program fund.
 - b. If the reserve level is greater than or equal to two (2) times but less than three (3) times the target yield, a portion of excess earnings is distributed to the program fund. Excess earnings up to twenty-five percent (25%) of interest calculated at the target yield, plus that portion of remaining earnings that when added to the reserve would cause the reserve level to be greater than three (3) times the target yield are distributed to the program fund. Earnings not distributed to the program fund are added to the reserve.
 - c. If the reserve level is less than two (2) times the target yield, that portion of remaining earnings that when added to the reserve would cause the reserve level to be greater than three (3) times the target yield are distributed to the program fund. Earnings not distributed to the program fund are added to the reserve.
 3. If interest calculated at the target yield exceeds the earnings available for distribution, such excess may be distributed from the reserve to the extent such distribution is not greater than one-half of the reserve prior to distribution.
- C. Endowment funds that are not fully funded: The allocation of earnings related to endowment funds that have not reached full endowment level as established by the Southern Illinois University Edwardsville Foundation Board of Directors will be to the reserve.