

Institution:	University of North Texas at Dallas (UNT Dallas)
Policy Number & Chapter Title:	10.006 Fiscal Management
Policy Title:	Endowment

- I. **Policy Statement.** This policy sets rules and guidance for the acceptance, management, investment, and distribution of endowment funds.
- II. **Application of Policy.** All members of the University.
- III. **Definitions.** None.
- IV. **Procedures and Responsibilities.**
 - A. **Preface.** Gifts are critical to the University of North Texas at Dallas’s mission to develop and maintain quality in faculty, students, and facilities. The UNT System Board of Regents (Board) recognizes the importance of establishing policies and procedures to meet the development needs of UNT Dallas and of directing vigorous efforts to attract private fund support. This policy is intended to establish administrative processes to accept and administer gifts in a fiduciarily prudent and efficient manner. When this policy does not indicate the appropriate course of action, or may be inappropriate in light of all aspects of a specific situation, the Chief Financial Officer and Executive Vice President for Finance and Administration is to work with the Finance Committee of the Board to establish the recommended course of action. This policy shall be reviewed annually.

An endowment is established with a gift, which comprises the corpus or principal of the endowment. The corpus is invested, and distributions supported by investment returns are used to fund a project or need. Endowments are divided into the following three categories:

1. **Permanent endowments.** Permanent endowments, also referred to as "true" or "pure" endowments, are assets designated by the donor to be held in perpetuity. The corpus of these endowments may never be spent. Distributions must be expended in accordance with the terms and conditions established by the donor. However, it must be recognized that the corpus may decline during unfavorable market conditions.
2. **Term endowments.** Term endowments are established when the donor specifies that the endowment shall terminate following a particular date or event and that the corpus of the endowment may be expended in accordance with the terms and conditions specified by the donor. Until the passage of the specific date or event, term endowments operate in a manner similar to permanent endowments with expenditures made in accordance with the conditions established by the donor.
3. **Quasi-endowments.** Quasi-endowments are funds functioning as endowments.

The University Administration will specify the use of the assets and spendable income, and set other terms and conditions relating to the fund. The University Administration may change the terms and conditions of the endowment or terminate the endowment.

- B.** Gifts to Establish Endowments. A written donative instrument should be provided for each new endowment fund established. This instrument would provide:
1. A statement providing that additions to the endowment from any other person or entity, unless prohibited, are made subject to the provisions of the donative instrument, and
 2. A statement that if, in the opinion of the Board of Regents, future circumstances change so that the purposes for which the endowment is established become illegal, impractical or no longer able to be carried out to meet the needs of UNT Dallas, the Board may designate an alternative use for the endowment payout to further the objectives and purposes of UNT Dallas, giving consideration to the donor's special interest as evidenced by the original purpose of the endowment.

In cases when an endowment is established pursuant to a component solicitation or campaign, the solicitation letter or document sent to the donor or donors may be used as the donative instrument to evidence the donative intent and purposes.

The Board reserves the right to establish the amount required for a permanent endowment for an academic position (*i.e.*, chairs, professorships, lectureships, and fellowships). In no case will an endowment for an academic position be established without prior approval of the President.

- C.** Fiduciary Responsibility. The University of North Texas System Board of Regents has a fiduciary responsibility to comply with the restrictions imposed by the donors of endowment funds. The Regents also have a legal responsibility to ensure that the management of endowment funds is in compliance with Subchapter A, Chapter 51, Education Code, Section 51.0031 and, to the extent applicable, Chapter 117 Property Code (The Uniform Prudent Investor Act).

The primary and constant standard for making investment decisions for endowment is the "Prudent Person Standard" which states that the investment manager may manage investments... "that standard of judgment and care that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment."

- D.** Investment Policy. No endowment shall be accepted in which the donor directs the investment transactions or holdings or may approve investment policy or strategy. The endowment fund shall be under the sole control of the Board.

It is the specific and strong preference of the Board that all endowment gifts be eligible for commingling for investment purposes with other endowment funds. This

commingling permits enhancement of long-term investment programs, affords appropriate risk control through diversification, and provides for optimization of asset mix through time.

The financial goal for management of endowment funds is to preserve the real (*i.e.*, inflation adjusted) purchasing power of principal and income after accounting for endowment spending, inflation, and costs of investment management. Performance of the endowment fund against this objective is to be measured over rolling 5-year periods.

- E.** Unitization of Endowments. The commingled endowment funds, excluding endowments not permitted to be invested in equities, shall be unitized and each new endowment gift added to the Fund shall receive units in the Fund based upon the market value of the gift and the unit value of the Fund for the preceding quarter. The unit value of the endowment fund shall be determined at least quarterly. Income determined under the “Spending Policy for Unitized Endowments” section below should be calculated on a unit basis for distribution purposes.
- F.** Spending Policy for Unitized Endowments. UNT Dallas recognizes the need for spendable income by the beneficiaries of the endowment funds under their custodianship. The following spending policy reflects an objective to distribute as much total return as is consistent with overall investment objectives defined herein while protecting the real value of the endowment principal.

An endowment should be excluded from the target distribution until the endowment has been established for one complete quarter.

The target distribution of spendable income to each unit of the endowment fund will be between 3 to 6 percent of the average market value of a unit of the endowment fund for the preceding twelve quarters. Unless otherwise determined by the Finance Committee of the Board, the target annual distribution rate shall be 3.75 percent of the average unit market value.

Distribution shall be made quarterly, as soon as practicable, after the last calendar day of November, February, May, and August. This distribution amount shall be recalculated each quarter based on a 12-quarter rolling average. The calculation for distribution will mirror the UNT Foundation management’s model.

- G.** Investment of Endowment Funds. The endowment funds shall be invested in the UNT Foundation endowments investment pool for the duration of any existing investment management agreement between UNT Dallas and the UNT Foundation.
- H.** Asset allocation for Unitized Endowments. To achieve the goal and objectives of the endowment fund, the fund's assets will mirror the UNT Foundation Endowments.

The asset allocation shall be monitored on an ongoing basis and reviewed on a yearly basis or as needed during the fiscal year.

- I.** Endowments Not Unitized. Endowments that do not provide for investments in

equities will not be unitized and they will receive interest and dividends on their funds invested in fixed income securities.

- J.** Management Fees. The UNT Foundation will manage specified UNT Dallas endowments. Management fees will be charged based on the official investment management agreement with the UNT Foundation.
- K.** Reporting. The performance of endowment investments will be reported with the investment reports submitted each quarter to the Board of Regents. The report shall contain a summary of:
 - 1.** Book value, by asset class;
 - 2.** Market value, by asset class;
 - 3.** Performance measures;
 - 4.** Benchmarks against which to measure performance; and
 - 5.** Beginning and ending market values for the quarter, with changes in market values

V. References and Cross-references.

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