

Investment Earnings Policy

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I. Purpose

To facilitate effective cash management, the University and its affiliated corporations use a consolidated approach for the deposit, investment and disbursement of all cash. This pooling of cash and investments maximizes the control and utilization of operating funds held by the University. It minimizes the number of bank/investment accounts required and therefore reduces the overall cost of banking for the entire University.

- All operating fund investment returns accrue to the general fund of the University except as provided for under this policy.

II. Definitions

- *Quasi Endowment*: A fund established by the Board of Trustees with unrestricted or restricted resources that are otherwise expendable. A quasi endowment is generally established upon receipt of large, unexpected or unusual revenues, such as an estate gift or litigation settlement, and should be viewed as a permanent investment for purposes of generating a reliable revenue stream in the form of endowment spending distributions. Upon establishment, total return of a quasi endowment fund is distributed in accordance with the endowment spending policy approved annually by the Board of Trustees Investment Committee (see [Endowment Investment Policy](#)). The Board has delegated the Executive Vice President for Finance and Administration the authority for establishment and liquidation of individual quasi endowment funds valued at less than \$1,000,000. In extenuating circumstances and with approval of the Board of Trustees, a quasi endowment may be liquidated and returned to operating funds for current expenditure. Liquidation of a quasi endowment is an unusual/rare occurrence and would only be recommended to the Board of Trustees due to financial hardship or if the funds are needed for another purpose or strategic investment.
- *Restricted Gifts*: Funds available for financing current operations, endowments, or capital expenditures, but which are limited by donors and other external agencies to specific expenditure purposes, programs, or organizational units. Funds received in support of specific sponsored projects that benefit the sponsor directly are not considered gifts to the University.
- *Short-Term Investment Participation Agreement*: A form used to request that all or a designated portion of a restricted gift be allowed to participate in investment earnings of the University. Permitted on an exception basis only.

III. Policy

Investment earnings on cash and investments held as part of the University's operating funds on behalf of affiliated organizations, endowment funds, loan funds, certain restricted funds, certain grant funds and certain other funds will be allocated based on the investment earnings rate of the University's Tier I – Cash, Overnight and Short-Term Investments, as defined in the [Operating Fund Investment Policy](#). Authorization, administration and determination of the allocated earnings shall be made by University Financial Services.

Restricted gifts, as defined above, and other funds under special circumstances, may be approved for allocation of investment earnings. When restricted gifts are not anticipated to be expended for at least one year they can, with approval, be invested in the University's Tier III – Short/Intermediate-Term Investments. Funds not expected to be

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expended in the next ten years may be invested in the University's Endowment Investment Pool. The procedures outlined in section IV below must be followed to facilitate the investment in the Short/Intermediate-Term Investments and the Endowment Investment Pool.

IV. Procedures

- A. Individual restricted or other funds that are expected to be permanently invested may participate in the University's endowment investment pool as quasi endowments in accordance with the following:
 - 1. A minimum of \$100,000 is required to establish a quasi endowment.
 - 2. The Board of Trustees must approve participation in the endowment investment pool and subsequent withdrawal for expenditure purposes. See Definitions section above for additional information.
 - a. Requests to establish or liquidate quasi endowments should be made to the Endowment and Gift Accounting department within University Financial Services.
 - 3. However, the Board has delegated the Executive Vice President for Finance and Administration the authority for establishment and liquidation of individual quasi endowment funds valued less than \$1,000,000.
 - 4. Spending distributions from quasi endowments will be made to support current expenditures in accordance with the endowment spending policy approved annually by the Board of Trustees Investment Committee (see [Endowment Investment Policy](#)).

- B. Individual restricted or other funds may be short-term invested on an exception basis as follows:
 - 1. A minimum of \$100,000 must be set-aside for twelve months during which the funds cannot be expended.
 - 2. A [Short-Term Investment Participation Agreement](#) must be completed and submitted for approval to:
 - a. the appropriate Dean or Director;
 - b. the Area Fiscal Officer;
 - c. the Vice President for Financial Planning and Chief Budget Officer; and
 - d. the Treasurer.
 - 3. When submitted for approval, the [Short-Term Investment Participation Agreement](#) must be accompanied by:
 - a. an explanation of the source of funds and purpose of the restricted gift, if applicable; and
 - b. an explanation of why investment participation is appropriate, such as unrestricted or restricted gifts in support of building or renovation projects that will not commence until fundraising is complete.
 - 4. There will be no proration of income for funds withdrawn early.
 - 5. The amount of earnings credited at the end of the investment period will be determined by the average rate of return earned by the University on the Tier III – Short/Intermediate-Term Investments, as defined in the [Operating Fund Investment Policy](#).