

**Investment Earnings Policy****Investment Earnings Policy****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 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**

Cash and investments held as part of the University's operating funds on behalf of affiliated organizations, endowment funds, certain loan funds, certain restricted funds, certain grant funds and certain other funds will be allocated investment earnings based on the University's Tier I – Cash, Overnight and Short-Term Investments earnings rate or a blend of the University's Tier I – Cash, Overnight and Short-term Investments earnings rate and Tier II – Cash on Deposit with the Commonwealth earnings rate, as defined in the [Operating Fund Investment Policy](#). The investment earnings rates will be net of a 0.05% annualized non-endowment management fee. Authorization, administration, determination and distribution 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

**Investment Earnings Policy**

expended in the next ten years may be invested in the University's Endowment Investment Pool as a quasi endowment. 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 withdrawals for expenditure purposes. See Definitions section above for additional information.
  3. Requests to establish or liquidate quasi endowments are made to the Office of Philanthropy and then submitted to the Executive Vice President for Finance and Administration (EVPFA) for approval.
  4. the Board has delegated the authority to approve the establishment and liquidation of individual quasi endowment funds valued less than \$1,000,000 to the EVPFA.
  5. Spending distributions from quasi endowments will support current expenditures in accordance with the endowment agreement, as well as the endowment spending policy, which is approved annually by the Board of Trustees Investment Committee (see [Endowment Investment Policy](#)).
- B. Individual restricted or other funds may be invested short-term 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 given 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](#). The average rate of return will be net of a 0.05% annualized non-endowment management fee.
    - a. The rate of return represents the net gain or loss of an investment over a specified period. Participants in the University's Tier III – Short/Intermediate-Term Investments have market exposure and will experience market gains and/or losses.