

## Endowment Spending Formula

Excerpt from *Bryn Mawr College Statement of Investment Policies and Objectives*

### IV. Spending Policy

The Committee, in conjunction with the Budget Subcommittee of the Finance Committee, together develop the spending rate for the Fund. The Policy must then be confirmed by the Finance Committee and approved by the Board of Trustees.

The current Fund Spending Policy as adopted by the Board in October 2005 is as follows:

Three steps in determining the total amount of the Fund distributed for spending.

- 1) Constant growth factor - 4.5% increase over the previous year's spending.
- 2) Gifts - Added to the 4.5% growth is 5% of Fund gifts received in the most recent of the three years used to calculate the Floor/Ceiling
- 3) Floor/Ceiling - The total spending must be within a band of 5.5% and 4.5% of the trailing 12-quarter average of the Fund market value. This floor and ceiling on the spending is in place to make sure you do not spend too much or too little of the Fund in any one year. If the calculated Fund payout is outside the floor or ceiling then the Fund payout is limited to the floor and ceiling amount.

#### Timing

To facilitate the budgeting process, the calculation of 5% of the gifts and floor and ceiling trail by two years the budget period. The FY07 Fund spending is based on the gifts received in FY05 and the floor and ceiling are based on the FY03, FY04, FY05 quarterly data. This allows the College to know the Fund payout one year in advance and plan budget accordingly.

#### New Gifts

New Gifts are immediately invested in the Fund, and receive a full share of Fund spending in the fiscal year beginning after the gift has been received.

