



POLICY NAME	ENDOWMENT FUNDS POLICY
Revision	V2.2
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PURPOSE AND SCOPE

The McGill endowment is comprised of (i) bequests and donations received by the University, for the most part with specific designations, and to be held in perpetuity (ii) those assets designated by the Board of Governors to be endowed and (iii) those assets of certain McGill units and affiliated entities which have been allocated to the McGill Investment Pool (“MIP”) as an investment vehicle. The endowment is managed by McGill’s Office of Investments under the direction of the Investment Committee.

Refer to the Procedures for details regarding the implementation and interpretation of the following Regulations.

POLICY

P1. General

P1.1 All endowments require the creation of an endowment capital fund and a spendable income fund. An endowment capital fund is the donated capital held in perpetuity by the University and used to generate annual income. On an exceptional basis and in accordance with donor wishes the endowment fund may be encroached upon. When funds are deposited into an endowment capital fund, they purchase McGill Investment Pool (MIP) units at the rate per unit applicable at the time of purchase (i.e. the gift date).

- P1.2.** The spendable income fund is the fund linked to an endowment, where the annual income and related expenditures will be recorded. The income generated by the endowment capital fund is calculated according to the number of MIP units held in the related capital fund and the prescribed income distribution rate for the year. All expenditures must be in accordance with donor wishes.

P2. Distribution

- P2.1.** The annual distribution rate per unit shall be based on 4% of the three-year rolling average of the MIP unit value at the close of the University's fiscal year-end. For budgetary reasons, the three-year average is calculated based on the previous three year-end values or as directed by the Board of Governors.
- P2.2** Annually, at year-end, all current year unspent income will be capitalized back to the respective endowment fund unless otherwise specified by the donor agreement or approved for carry forward (see section P3.1 & PR2.).

P3. Capitalization/De-capitalization of unspent income

- P3.1.** A formal request to carry unspent income funds over to the following year must be submitted to Endowment Accounting for approval.
- P3.2.** De-capitalization requests are limited to unspent income capitalized in the five previous fiscal periods. De-capitalized income will be credited to the corresponding spendable income fund at the MIP rate in effect at the date of the approved de-capitalization request.
- P3.3.** Only the unspent income carried-forward is eligible for capitalization during a fiscal year (i.e. prior to year-end).

P4. Over Expenditure

- P4.1.** Should an over-expenditure occur in the spendable income fund of an endowment, it is the responsibility of the Fund Financial Manager to provide a resolution of the situation prior to the close of each fiscal year.

PROCEDURES

PR1. Administrative Responsibility

The administrative responsibility of all endowment and spendable income funds is assigned to Endowment Accounting within Financial Services.

PR2. Capitalization/Decapitalization

PR2.1. Only the Fund Financial Manager may submit a request by the posted year-end deadline to have unspent income carried forward. All requests must be submitted in writing to Endowment Accounting and include the reason.

PR2.2. The Fund Financial Manager may request at any time during the current fiscal year to have balance-forward income capitalized with a confirmation that the funds will not be required.

PR2.3. The amount will be capitalized and credited to the corresponding endowment fund using the MIP rate in effect at the date of the request.

PR2.4. The Fund Financial Manager may request at any time to have income capitalized within five previous fiscal periods de-capitalized explaining the need for the additional funds. The amount will be de-capitalized and credited to the corresponding spendable income fund using the MIP rate in effect at the date of the request.

Requests will be accepted by e-mail from the Fund Financial Manager or by appropriately approved hard-copy submission.