

Clayton State University Foundation General Endowment Spending Policy

Clayton State University Foundation, Inc. (the "Foundation") will endeavor to ensure, to the degree reasonably possible, that the endowment funds with which it is entrusted grow and keep pace with inflation so that the original purpose of the donor in establishing the endowment fund can be met in perpetuity. Toward that end, the Foundation has adopted the following spending policy, which will apply to all endowed funds unless a particular donor has otherwise stipulated spending restrictions.

In adopting this policy, the Foundation seeks an appropriate balance among these goals:

- Maintain the purchasing power of the endowment
- Achieve a reasonable degree of stability and predictability in income available for recipients
- Achieve a proper balance between present and future needs of the University
- Be relatively simple to understand and calculate for the recipients as well as the donors.

The Foundation's endowment spending policy is calculated by applying a payout rate (proposed 4%) to a moving average market value (the prior five years' market value as of December 31).

- The payout rate is influenced by the expectation of future portfolio returns.
- To help provide stability and predictability in actual payout several mechanisms are employed:
 - The base upon which the rate is applied is intended to reduce the volatility of distributions. The five year averaging process provides a smoothing effect in both rising and falling markets.
 - For new endowments or those endowments coming out of impairment (value of less than 100% of corpus), it is required that the endowment value be at 108% of its corpus before allowing a full payout. This allows for a cushioning effect in that it allows a buildup of appreciation from which to draw on should the payout exceed the appreciation in early years of an endowment.

The utilization of a moving average has been the most common approach to determine endowment spending. 75% of the respondents in the 2011 NACUBO – CommonFund Study of Endowments reported spending a percentage of a moving average of endowment value. The average policy spending rate among all respondents for FY11 was 4.5%, and the average policy spending rate for the Foundation's peer group was 3.7%.

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), adopted in Georgia in 2008, eliminated the requirement that historical dollar value always be maintained on an endowment which, in turn, allows flexibility in determining appropriation of funds from both impaired and unimpaired endowments. The Foundation has the ability to determine a payout, if otherwise deemed prudent, while considering the following factors: 1) duration and preservation of the endowment fund; 2) the purpose of the fund; 3) general economic conditions; 4) the possible effect of inflation or deflation; 5) expected total return; 6) other resources of the institution; and 7) investment policy.

Spending Policy

An endowment is considered "fully eligible" when it has achieved a market value of at least 108% of the original corpus and has a market history of at least one year.

For "fully eligible" endowments with a market history of five years or more, authorized expenditures during the Foundation's upcoming fiscal year shall be limited to four percent (4.0%) of the average

annual total market value of the endowment over a trailing five year period ending December 31 of the current fiscal year; or, if the endowment is less than five years old, four percent (4.0%) of the average annual total market value as of December 31 since it became “fully eligible.”

For “partially eligible” endowments (endowments with a market value less than 108% of the original corpus and/or less than one year old), the Foundation shall instead distribute 2% until such time as the endowment becomes fully eligible provided that a payout has been made the previous year. In making such distributions, the Foundation is authorized to use both Net Income and Net Capital Appreciation (defined as realized and unrealized appreciation in the fair market value of the investments) in excess of the fund’s corpus in accordance with UPMIFA.

Administrative Fees

Because of the long range nature of the invested assets of the endowments, the Foundation assesses a management fee on market value of all endowments. This fee is used for overseeing the endowment’s share of the invested assets and operations of the Foundation.

For “fully eligible” endowments, a management fee of one percent (1%) of a five year average of the endowment market value will be assessed annually. Of the total management fee, one quarter of one percent (0.25%) will be allocated to the fund manager and three quarters of one percent (0.75%) will be directed to cover the Foundation’s costs for endowment management.

For “partially eligible” endowments, the management fee would be waived until the endowment becomes “fully eligible.”

The management fees are reviewed annually by the Clayton State University Foundation Investment Committee.

Exceptions to or changes in this spending policy shall be made only upon the approval of the Foundation’s Board of Trustees based on specific recommendations from the Investment Committee.

Authorized Signer

#1: _____(signature)
_____(printed name)
_____(date)

Authorized Signer

#2: _____(signature)
_____(printed name)
_____(date)

Authorized Signer

#3: _____(signature)
_____(printed name)
_____(date)