



TITLE: Statement of Investment Management – Endowment Funds	SPONSOR: VP, Administration & CFO
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Distribution: All	Issuing Authority: Chair, Board of Trustees

## PREAMBLE/BACKGROUND

The Statement of Investment Management – Endowment Funds outlines the Foundation’s position on endowment spending allocation, utilization of a stabilization fund, recapitalization and administrative recovery.

## POLICY

The QEII Foundation manages endowment funds for a variety of purposes such as advancing medical research, establishing endowed chairs in collaboration with Dalhousie University, supporting professional education and funding new patient care technologies. In order to ensure that endowment funds meet funding objectives for current programs as well as those in the future, the following endowment management principles and priorities will be followed:

1. The QEII Foundation must be able to assure donors that endowment gifts will maintain or increase purchasing power over time. To accomplish this objective the Investment Committee will recommend to the Board of Trustees, on an annual basis, an amount to add to the Capital account of each endowment. This capitalization amount will be determined as at April 1 of each fiscal year. The rate shall be informed by the 5-year average of the annual Nova Scotia CPI released in January of each year. The recommended rate of capitalization may be capped by the Investment Committee to ensure the endowment can meet all its stated objectives in the IPS based on the long-term expected rates of return. The capitalization will be funded from the Stabilization Fund.  
NS CPI: <https://novascotia.ca/finance/statistics/topic.asp?fto=21u>
2. Fees for investment management and custodian services are paid from income earned.

3. An administrative fee equal to 0.5% of the market value of the endowed investments will be charged to ensure management of endowments will be cost neutral to the QEII Foundation.
4. Stabilization Fund
  - a. History - A Stabilization Fund was created on April 1<sup>st</sup>, 2006. The purpose of this fund is to provide stable cash flows to the individual endowments. All returns for the endowment funds investment portfolio are recorded in the stabilization fund. The spending allocation, CPI capitalization amount, and administrative fee are distributed from this fund. In times of low or negative returns the balance of the fund can be expected to decrease or become negative. Initial funding was comprised of the former VG Endowment (internally restricted funds) and unrealized gains on the endowed investment portfolio as at April 1<sup>st</sup>, 2006.
  - b. The QEII Foundation Investment Committee will establish an annual spending allocation of 2%-5% and CPI capitalization amount. The spending allocation will be distributed to the individual endowments on a quarterly basis, based on their average monthly ending balance over the last quarter.
  - c. The CPI capitalization is subject to funding availability from the Stabilization Fund.
  - d. This fund shall be reviewed no less than annually by the QEII Foundation Investment Committee to determine if adjustments are required to the spending allocation and recapitalization distributions.
5. Cash Management for Endowment Funds
  - a. The Foundation will disburse the spending allocation throughout the fiscal year from the undesignated bank account.
  - b. The Foundation will deposit any new endowments in the undesignated bank account.
  - c. These transactions will be recorded in a "Due to/from" account and shall be considered as part of the Cash asset class.
  - d. To limit the exposure of the undesignated fund to liquidity risks, at no point should the absolute balance of the "Due to/from" account exceed 10% of the Investment Portfolio balance.
  - e. The committee will review the balance of the "Due to/from" account at least quarterly.
  - f. At the end of each fiscal year the committee will review the "Due to/from" account and approve allocation of any shortfall or surpluses in the account. A shortfall (expressed as a negative balance) between the cash received and disbursed during the period may require the committee to request the investment managers to transfer funds to the undesignated bank account. A surplus (expressed as a positive balance) between the actual cash received and disbursed through the period may require the Foundation to send funds to the investment managers. Based on the account balance, the committee may choose to retain any shortfall or surpluses in the account into the next fiscal year.

6. Endowments may be created with a minimum balance of \$100,000.

#### RELATED FOUNDATION DOCUMENTS

- Statement of Investment Policy – Endowment Funds

#### HISTORICAL DATES

- New Policy April 2006
- Minutes - Executive Committee Meeting, January 14<sup>th</sup>, 2009
- Reviewed and approved by Board of Trustees – November 10, 2010