



Endowment Spending Policy

Effective Date: August 2016

Last Revised: October 2021

Policy Owner: Board of Directors

Policy Contact: Vice President, Chief Investment Officer or Vice President, CFO

1. Policy Statement

The State University of Iowa Foundation dba the University of Iowa Center for Advancement (“UICA”), is the University of Iowa’s designated fundraising organization. The UICA and the Investment Committee of the UICA Board of Directors have developed a “banded inflation” payout policy with the long-term objective of maintaining the purchasing power of the endowment while providing a reasonable, predictable, and sustainable level of funds to support current needs. The funding for spending distributions includes interest and dividends and capital appreciation on investments and includes bands that will reduce spending volatility during market fluctuations.

Under the banded inflation model, payout for the fiscal year (FY) starting July 1 will be tied to the Consumer Price Index (CPI)ⁱ (inflation rate) ending December 31 of the prior calendar year (CY). Thus, the current payout amount (i.e., that of the previous fiscal year) will increase by the percentage of positive CPI in periods of inflation or decrease by the percentage of a negative CPI in periods of deflation. To protect the endowment during extreme market volatility, bands of 4 percent (floor) and 6 percent (ceiling) annualized, are calculated quarterly based on the current market value of the fund. If the market value adjustment causes the payout rate to fall below the 4 percent floor, a 4 percent payout rate is used. If the market value adjustment causes the payout rate to exceed the 6 percent ceiling, a 6 percent payout rate is used. Any payout rate adjustments impact the quarter of the adjustment only and do not carry forward to future quarters. New gifts invested during the current fiscal year will begin with an annualized 4.5 percent payout rate for the remainder of the fiscal year; payout will begin the quarter after the gift has been invested.

Example:

If, on June 30, your current FY payout is \$10,000 and CPI for last CY was 1.5%, then your next FY payout will be $\$10,000 \times 1.015$ or \$10,150.

ⁱ The CPI, calculated by the U.S. Bureau of Labor Statistics, represents changes in prices of all goods and services purchased for consumption by urban households.

2. Responsibilities

Any questions about this policy statement should be directed to either the UICA Vice President, Chief Investment Officer or the Vice President, Chief Financial Officer.

3. Related/Reference Information

Resource	Link
Long-Term Investment Policy Statement	OnBoard/Resources

4. Policy History

Revision Date	Author	Description
08-01-2016	Board of Directors	Initial approval.
08-01-2020	Legal Department	New policy format; no substantive revisions
10-08-2021	Board of Directors	Added Endowment to title and updated Policy Statement
09-30-2022	Board of Directors	Reviewed policy; no changes recommended by Investment Committee