THIS VERSION IS NO LONGER IN FORCE

Statement of Policies and Goals

for the Management and Investment

of Endowment Funds

at the University of Windsor

Approved by:

The Board of Governors

November 24, 2020

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APPENDICES

I. ENDOWMENT FUND - DESCRIPTIONS AND GOALS

The following definitions will be used in the document:

- The University of Windsor's Endowment Fund will be referred to as the "Fund";
- The investments made from the Fund will be referred to as the "Portfolio";
- The Investment Committee of the Board of Governors will be referred to as the "Committee";
- The Statement of Investment Policies and Goals for the Management and Investment of Endowment Funds will be referred to as the "SIPP";
- The firm(s) hired to invest the monies allocated to them by the Committee in keeping with the mandate provided by the Committee will be referred to as the "Investment Manager(s)";
- The firm(s) engaged to assist or provide advice in the management of the Endowment Fund will be referred to as the "Consultant(s)";
- The firm(s) engaged to provide custodial service for the administration of the Endowment Funds will be referred to as the "Custodian(s)";
- The Board of Governors will be referred to as the "Board"; and
- The University of Windsor will be referred to as the "University".

The University of Windsor's Endowment Fund was established to generate a stable source of income to fund specific programs identified by the donors and the Board of Governors. With the impact of inflation and increase in student costs, the Fund will have an equity component that will allow the funds to grow over the long run. The Funds' Portfolio was established to ensure the appropriate investment of funds in cases where a donor, legacy or the Board of Governors have placed restrictions on the expenditure of capital in the endowed fund.

The donors normally, but not always, specify the manner in which the revenue generated from their "funds" may be spent. The majority of these funds support scholarships in specific faculties or academic units, where they are an essential source of revenue.

The Portfolio will be managed with the primary qualitative objective of generating a stable income to fund endowment requirements while maintaining the real long term capital value of the Portfolio.

The SIPP was developed to establish policies for the prudent management and investment of the University's endowments. The SIPP provides policy guidelines for investing the Portfolio to ensure sufficient funds to achieve the objectives of the Fund.

The University has developed policies for spending income from endowments. The policies were designed to balance three goals: a flow of revenue adequate to meet donor requirements, growth of revenue over time, and protection for the stream of revenue against market fluctuations. The policies are described in *Section IV - B* of the SIPP.

II. ALLOCATION OF RESPONSIBILITIES

This section outlines the responsibilities of those charged with managing the Funds.

The Committee will:

- recommend to the Board policies for the investment of the Portfolio;
- recommend to the Board management and spending policies for the Endowment Funds;
- recommend to the Board appropriate levels for the Growth and Protection component of the Fund;
- recommend to the Board the selection and respective mandate(s) of Investment Manager(s), the Consultant(s), and the Custodian(s), if required;
- conduct a review of the SIPP every 3 years or more often if necessary, including a review of the asset mix policy;
- monitor the administration of the SIPP to ensure compliance;
- review and evaluate, both quantitatively and qualitatively, the Investment Manager(s') performance at least semi-annually, including an evaluation of the rates of return achieved relative to the objectives established, and monitor the degree of risk assumed in pursuing the objectives;
- provide Consultant(s) and the Custodian(s), if applicable, with relevant information as it relates to the administration of the Fund;
- recommend to the Board the implementation of contingency plans in circumstances where funds are not available to meet donor requirements; and
- delegate any responsibilities not specifically mentioned in the SIPP.

The Investment Manager(s) will:

- manage the asset mix and select securities within their respective mandate(s), subject to applicable legislation and the constraints set out in the SIPP;
- calculate monthly rates of return on their portion of the Portfolio and be prepared to report on all periods requested;
- provide the Committee and the Custodian(s), if applicable, with information in a common format as requested;
- provide the Committee with quarterly reports on the Portfolio, including a transaction listing and a Certificate of Compliance with the SIPP in a format determined by the Committee;
- provide the Committee with information regarding any material changes concerning their firm, including but not limited to, its key personnel or any legal or regulatory proceedings that may impact their specific company; and
- present to the Committee semi-annual reviews of investment performance as well as expectations for future returns on various pooled funds and proposed investment strategies for the following 12 - 24 months and the ensuing business cycle.

The Consultants(s) will:

- participate with the Committee and the Investment Manager(s) in the preparation and subsequent annual reviews of the SIPP, as requested;
- in discussion with the Committee prepare recommendations affecting changes to the endowment policies which may affect investment of the Funds' assets, as requested;
- participate with the Committee and the Investment Manager(s) in the annual review of expectations about future returns on asset classes and planned investment strategies, as requested;
- support the Committee in its quantitative and qualitative review and ongoing monitoring of the Investment Manager(s)' performance, as requested;
- support the Committee in the search, selection, and termination of Investment Manager(s) , as requested;
- advise the Committee and Administration of changes in legislation, developments at the Investment Manager(s)' firms, and emerging business and investment strategies, including alternative investments, that may affect the Fund; and
- provide the Committee with appropriate statistical information to review the SIPP, as requested.

The Custodian(s) (if applicable) will:

- fulfill the regular duties required by law of a Custodian in accordance with the SIPP if appointed.

III. INVESTMENT POLICIES AND GOALS

Based on the Capital Market Assumptions as outlined in Section III - F, the University's benchmark has an expected real return of 3.6% and an expected volatility of 10.0% based on the analysis outlined in that section.

A. Asset Mix Benchmarks

Long-term asset mix benchmarks listed in Table 1 will best balance the various goals of the Fund.

Table 1: Asset Mix Benchmark	
Asset Class	*Percentage of Asset Mix*
Cash	5
Fixed Income	30
Canadian Equities	30
Global Equities	30
Alternative Investments (including Infrastructure and Private Equity Investments)	5
TOTAL	100

As the Portfolio is being actively managed, the asset mix may deviate from the mix in Table 1, but must remain within the limits presented in *Section III - C: Asset Mix Policy and Investment Constraints*. The asset mix benchmark will be reviewed by the Committee during periodic reviews of the SIPP.

B. Investment Manager(s): Objectives and Evaluation

I. Active Management Objectives

The Fund will be actively managed by the Investment Manager(s), employing security selection and asset mix strategies in an attempt to add value to the returns that would be earned by passively managing their mandate within the asset mix benchmark as described in Section III - A. The Investment Manager(s') decisions, however, shall always be subject to the aggregate and individual investment limits set out in Section III. The expected added value is included in *Section III - G: Basis of Active Management Objectives*.

The quantitative objective of active management will be to add 70 basis points per annum (.70 percent capital) to the Investment Policy Return (see item (c) below). This objective is to be achieved over four years.

(a) <u>Analysis and Evaluation of Investment Performance</u>

A semi-annual analysis of the total performance of the Fund will be used to evaluate the quantitative performance of the Investment Manager(s), the asset mix benchmark and the contribution of active management to investment performance. This analysis will involve comparing the actual fund return with the return that would have been earned had the asset mix benchmark been passively managed.

The following return definitions will be used in the attribution of Portfolio performance:

(b) <u>Actual Total Fund Return</u>

Actual total fund return is the time-weighted return actually earned by the total Fund. It contains the combined impact of investment policy and active management.

Time-weighted return for a given period is the investment return earned on a constant unit of assets held throughout the measurement period. This return is unaffected by a funds external cash flow and is therefore an effective standard for evaluating the Investment Manager(s') performance.

(c) <u>Investment Policy Return</u>

Investment policy return is the return that could have been earned by the passive management of the asset mix benchmark, assuming quarterly rebalancing. This return is the sum of the market index returns in the appropriate asset class multiplied by the proportion of the asset mix benchmark allocated to each class.

The difference between the actual total fund return and the investment policy return indicates the total impact that active management (security selection and asset mix shifts) has on investment policy. The performance of the Investment Manager(s), as stated earlier**,** will be considered satisfactory if the annualized return (before investment management fees) meets or exceeds the value added targets outlined in Table 4 (See *Section III – G*).

(d) Evaluation of Investment Manager(s)

The Committee will consider the following criteria as it evaluates Investment Manager(s) or their respective mandates.

Such criteria include but are not limited to:

- failure to meet the value-added performance targets in *Section III*;
- significant turnover in the firm's key personnel;
- Committee's decision to alter investment management strategy;
- significant change in the ownership of the firm, which may result in operational changes in the organization;
- dissatisfaction with client servicing;
- failure to satisfy the responsibilities in *Section II*;
- failure to meet the investment constraints in *Section III – C* or any other expectations contained in this SIPP;
- any legal proceedings and/or regulatory investigations that may impact their specific firm; and
- significant changes in the method used by the firm to manage the funds and select investments (i.e. a change in style).

An Investment Manager(s) can be replaced only by the action of the Board.

C. Asset Mix Policy and Investment Constraints

Based on a style mix decision of a value bias being most appropriate for the objectives of the Fund, a 60/40 (slight growth/deep value) target mix was established.

The market value proportions will be monitored quarterly by Administration. Should the market values deviate +/- five percent (5%) from the above weightings, monies will be redistributed to rebalance the portfolios. Private market alternative asset classes are not expected to be rebalanced due to the long term illiquid nature of the investments.

The Portfolio is subject to investment constraints as stated below:

1. *Asset Mix Policy*

The market value of the individual asset classes will fall within the following minimum and maximum aggregate investment limits:

Table 2: Allowable Asset Mix Ranges			
Asset Class	*Benchmark (percent)*	*Minimum (percent)*	*Maximum (percent)*
Cash	5	0	15
Fixed Income	30	20	40
Canadian Equities	30	15	40
Global Equities	30	15	40
Alternative Investments (including Infrastructure and Private Equity Investments)	5	0	10

2. *Investment Constraints*

The following are the acceptable investment vehicles for the Portfolio:

Cash:

Cash on hand, demand deposits, treasury bills, commercial paper, short-term notes and bankers' acceptances, term deposits and guaranteed investment certificates of less than or equal to a one-year term.

Fixed Income:

Bonds, debentures or notes of Canadian or developed market foreign issuers whether denominated and payable in Canadian or a foreign currency. Preferred shares, mortgage-backed securities, maple bonds and asset-backed securities are also permitted. See fixed income limits section.

Note: The Board has approved an exception to the investment constraints regarding fixed income limits to allow for investment into the FGP Universe Bond Fund. For the purpose of these investments, the investment constraints contained in the investment policy statement for the FGP Universe Bond Fund (Appendix B) applies.

Equity:

Common shares, limited-liability income trusts, rights, warrants, American Deposit Receipts, Global Deposit Receipts, subscription receipts and securities convertible into common shares. All equity investment categories may be in Canadian or non-Canadian funds.

Currency Hedging and Derivatives:

Currency hedging and the use of derivatives including options and futures may only be used with the prior permission of the Committee.

Private placements:

Private placements may only be purchased with prior written permission of the Committee.

Infrastructure:

Indirect domestic or foreign infrastructure investment via independently managed open-ended or closed-ended pooled funds, limited partnerships, trusts and/or specialized corporate structures.

3. Fixed Income Limits

The Investment Manager(s) may invest in the permitted investment categories listed above, subject to the following quality constraints:

- The cash, short-term and fixed income investments in the securities of one issuer will not exceed ten percent (10%) of the total market value of all cash, short-term and fixed income investments held by the Fund, unless the issuer is guaranteed by the Government of Canada or one of the provinces of Canada.

- The purchase of short-term investments issued by corporations and financial institutions is restricted to those with a minimum rating of R1 (low) or Single A by the Dominion Bond Rating Service, Standard & Poor's or Moody's.

- The purchase of fixed income instruments is restricted to those which have a minimum rating of BBB as established by the Dominion Bond Rating Service, Standard & Poor's or Moody's. In the event of a split rating, the more conservative rating will be used. The market value of fixed income instruments with a BBB rating shall not exceed ten percent (10%) of the market value of the cash, short-term and fixed income securities. The average credit quality of the Portfolio shall be maintained at no lower than an A rating. The credit quality of the fixed income instruments shall be reported quarterly to Administration.

- The market value of cash and bond investments in Canadian securities issued in a foreign currency will not exceed twenty percent (20%) of the total market value of the fixed income investments.

- The market value of investments held by non-Canadian bond issuers will not exceed twenty percent (20%) of the total market value of the fixed income investments.

4. Equity Limits

The market value of a single Canadian equity investment, represented as a percentage of the Canadian Equity Portfolio, shall not exceed ten percent (10%) of the portion of the Canadian Equity Portfolio managed by a particular Manager. An Investment Manager(s) may request permission to hold more than ten percent (10%) of the Canadian Equity in a single equity. Such a request shall be made in writing and shall specify reasons for the request. In appropriate circumstances, the Committee is authorized to allow the Investment Manager(s) to hold up to ten percent (10%) of the Total Canadian Equity Portfolio in a single equity investment.

If the S&P/TSX Composite Index weight of any single equity is greater than ten percent (10%), the Committee shall take into account the restrictions placed on the Investment Manager when evaluating their performance.

For non-Canadian equities, an investment in the shares of any single company should not exceed ten percent (10%) of the market value of all non-Canadian equities held.

5. Infrastructure Investments

Infrastructure investments shall consist primarily of well diversified core or core plus funds predominantly invested in developed countries. Infrastructure investments will include, but are not limited to, transportation, energy, power, utilities, water, waste, natural resources, communications, and certain social infrastructure projects.

6. Other Limits

All investments shall be made in accordance with all applicable legislation and with Standard III C of the Institute of Chartered Financial Analysts. The standard requires that when an Investment Manager(s) undertakes an investment action for a specific portfolio or client, they consider its appropriateness and suitability for the portfolio or client. In such matters, the Investment Manager(s) shall take into account:

- the needs and circumstances of the client;
- the basic characteristics of the investment involved; and
- the characteristics of the total portfolio.

The Investment Manager(s) will use reasonable judgment to determine the applicable relevant factors.

7. Policies of the Investment Manager(s)

In some circumstances the Investment Manager(s) will have published policies in place, which are more restrictive than those outlined in the SIPP. Should the Investment Manager(s) wish to change existing policy, while respecting the SIPP, they shall inform the University in writing at least 60 days prior to the change. The Investment Manager(s) shall specify the reason for the proposed change and the proposed time at which the change would be effected. Unless the Committee registers concern within reasonable mutually-agreed upon period of time, the Investment Manager(s) will be authorized to effect the change.

To the extent the Fund invests in an Investment Manager(s') pooled funds, the foregoing investment constraints, and any other provisions of the SIPP that may be affected (including the proxy voting guidelines), shall not apply. The Investment Manager(s) shall be governed by the Investment Manager's own investment policy for the applicable pooled funds. The Investment Manager(s) shall inform the Chair of the Committee when and how the guidelines of the pooled funds differ from the guidelines of the SIPP and provide a minimum of 45 days advance notice of any changes to their pooled fund policies.

D. Conflict of Interest Policy and Disclosure Requirements

These guidelines apply to:

- the Committee;
- the Board;
- the Investment Manager(s);
- the Custodian(s);
- the Consultant(s); and
- any individual involved in the administration or decision-making process relating to the investment of the Fund.

1. Conflict of Interest

Any person listed above must disclose any direct or indirect association or material interest or involvement in aspects related to their role with regard to the Fund that would result in any potential or actual conflict of interest.

Without limiting the generality of the foregoing, a conflict of interest arises when one of the individuals governed by the guidelines receives a material benefit from any asset held in the Portfolio, or a benefit from any actual or proposed contracts which are or will be included in the Portfolio or arise out of other normal business relationships.

2. Procedures on Disclosure

Any persons listed above must disclose the nature and extent of their conflict to the Committee in writing, or request to have entered in the minutes of the meeting of the Committee at the earliest of:

a) upon first becoming aware of the conflict;
b) at the first meeting in which the matter at issue is discussed;
c) at the first meeting and every subsequent meeting in which they know or ought to have known that they had an interest in the matter discussed.

For the purposes of b) above, the disclosure must be made verbally if knowledge of the conflict arises in the course of a discussion at the meeting. If the party cannot exercise voting power on decisions affecting the Fund, they may elect not to participate in the activities related to the issue in conflict, or they may continue their activities with the approval of the Committee.

If the party disclosing the conflict does have voting power, they may continue in their activities in respect to the issue in conflict only with the unanimous approval of the other participants with voting rights. In this situation they may elect not to participate with respect to the issue in conflict, but they must not participate without the unanimous approval of the other members. The notification made by them shall be considered a continuing disclosure on that issue, subject to any future notification by them, for the purpose of the obligations outlined by these guidelines.

No purchase by an Investment Manager(s) is to be made of its own securities. Purchase of any related company, or companies in which the Investment Manager(s) may have a conflict of interest, may not be made without prior approval by the Committee.

E. Other Investment Issues

1. Delegation of Voting Rights

The Investment Manager(s) are delegated the responsibility of exercising all voting rights acquired through the Portfolio's investments. The Investment Manager(s) will exercise all acquired voting rights with the intent of fulfilling the investment objectives and policies as outlined in the SIPP. Should the Investment Manager(s) vote against management of a particular investment, they will notify the Committee.

2. Valuation of Investments

It is expected that all securities held by the Portfolio will have an active market. Their valuation, therefore, will be based on their market value. If a security held by the Portfolio does not have an active market, it will be valued at least annually by the Investment Manager(s), using accepted principles of valuation analysis.

3. *Lending of Cash and Securities*

The Portfolio may not lend cash for any purpose. The purpose of the Fund is to make investments permitted in the SIPP.

The Portfolio may enter into securities loan agreements providing the loaned investments are secured by cash or highly liquid investments having a market value of at least 102 percent of the loan, and that this 102 percent level of security is maintained at least daily.

F Capital Market Assumptions

The capital market assumptions were used in the development of the benchmark. These assumptions, contained in Table 3, are intended to represent reasonable expectations for the next 20 years.

The development of asset class assumptions incorporates a wide range of considerations including:

- Historical return, risk and correlation statistics of broad indices;
- Estimation of expected future bond yields and returns, based on:
  - Convergence to the equilibrium yield curve (EYC), with
  - 10-year maturity of the EYC set to 90% of assumed long-term nominal GDP growth;
  - Remainder of the EYC established using long-term average term premia for other maturities;
- Estimation of component returns to develop total equity returns, using as starting points such items as:
  - Current level of equity earnings yield;
  - Inflation expectations (based on the inflation target set by the central bank);
  - Expected economic growth;
- Expected relative relationships between asset classes;
- Some forward-looking judgment.

The use of different historical periods, different indices and/or different assumptions about the distribution of returns will produce different estimates of return and risk characteristics in the asset mix benchmark.

Table 3: Asset Class Input Factors

Asset Class	Median 20 year return	Standard deviation	Correlations 1	2	3	4	5	6	7	8	9	10	11	12	13	14
1 Treasury Bills	1.6%	1.5%	1.00	(0.05)	0.01	(0.01)	0.09	(0.08)	(0.26)	(0.24)	(0.30)	(0.05)	(0.03)	(0.07)	0.07	0.36
2 Real return bonds	2.6%	7.5%	(0.05)	1.00	0.73	0.76	0.72	0.26	0.06	0.15	0.08	0.28	0.03	0.07	0.35	0.02
3 Strip 20+	1.3%	17.0%	0.01	0.73	1.00	0.98	0.92	(0.03)	0.05	0.35	(0.02)	0.09	0.11	0.17	0.23	0.03
4 Overall long-term bonds	2.5%	8.5%	(0.01)	0.76	0.98	1.00	0.96	(0.05)	0.02	0.36	(0.03)	0.08	0.07	0.14	0.22	(0.03)
5 Overall Universe	2.8%	5.4%	0.09	0.72	0.92	0.96	1.00	(0.15)	(0.07)	0.31	(0.11)	(0.01)	0.03	0.14	0.22	(0.09)
6 Canadian equity (large cap.)	6.4%	19.5%	(0.08)	0.26	(0.03)	(0.05)	(0.15)	1.00	0.68	0.31	0.73	0.78	0.12	(0.04)	0.21	0.16
7 Global equity (large cap.)	6.4%	16.1%	(0.26)	0.06	0.05	0.02	(0.07)	0.68	1.00	0.77	0.95	0.71	0.50	0.40	0.29	0.20
8 Global low vol equity	5.8%	13.0%	(0.24)	0.15	0.35	0.36	0.31	0.31	0.77	1.00	0.69	0.37	0.58	0.52	0.25	0.15
9 Global equity (small cap.)	7.0%	17.6%	(0.30)	0.08	(0.02)	(0.03)	(0.11)	0.73	0.95	0.69	1.00	0.71	0.45	0.36	0.25	0.17
10 Emerging equity	7.6%	25.0%	(0.05)	0.28	0.09	0.08	(0.01)	0.78	0.71	0.37	0.71	1.00	0.22	0.15	0.38	0.20
11 Private equity	9.7%	25.0%	(0.03)	0.03	0.11	0.07	0.03	0.12	0.50	0.58	0.45	0.22	1.00	0.81	0.28	0.46
12 Hedge funds	5.1%	11.0%	(0.07)	0.07	0.17	0.14	0.14	(0.04)	0.40	0.52	0.36	0.15	0.81	1.00	0.20	0.14
13 Infrastructure	6.2%	13.0%	0.07	0.35	0.23	0.22	0.22	0.21	0.29	0.25	0.25	0.38	0.28	0.20	1.00	0.21
14 Real estate unlevered	5.2%	13.0%	0.36	0.02	0.03	(0.03)	(0.09)	0.16	0.20	0.15	0.17	0.20	0.46	0.14	0.21	1.00

Source: Mercer's Canadian long-term capital market assumptions (March 31, 2020). Expected return represents expected return over the next 20 years.

Based on the Mercer's Capital Market Assumptions , which used the foregoing inputs, the University's benchmark has an expected real return of 3.6% and an expected volatility of 10.0%.

The asset classes reported in Table 3 are modeled based on the following Total Return Indices:

Asset Class	Total Return Index
Cash	FTSE 91 Day Treasury Bill
Overall Universe	FTSE Overall Universe
Overall long-term bonds	FTSE Overall Long Term
Real return bonds	FTSE RRB Overall
Canadian equity (large cap.)	S&P/TSX 60
Global equity (large cap.)	MSCI World Standard (CAD)
Global low vol equity	MSCI World Minimum Volatility (CAD)
Global equity (small cap.)	MSCI World Small Cap (CAD)
Emerging equity	MSCI Emerging Markets (CAD)
Real estate	REALpac/IPD Canada Property
Infrastructure	Composite of Mercer GIMD unlisted infrastructure managers
Hedge funds	HFRI FOF: Diversified (CAD)

[1] Expected returns include the expected level of inflation (2%) but do not include allowance for manager value added. Returns are gross i.e. do not reflect the expenses of investment management.

[2] Risk is measured as the annual standard deviation in returns of the asset class.

G. Basis of Active Management Objectives

The following table was used to establish the Active Management Objectives of the Portfolio:

Table 4: Annual Value-Added Targets by Asset Class

Asset Class	*Premium (Base Points)*	*Benchmark Index*
Cash	0	FTSE Canada 91-Day T-Bill Total Return Index
Fixed Income	25	FTSE Canada Universe Bond Total Return Index
Canadian Equities	100	S&P/ TSX Capped Total Return Index (note *)
Global Equities	150	MSCI All Country World Total Return Index (Gross of Dividends) or MSCI World Index
Alternative Investments	0	Consumer Price Index (Canadian) + 4%
TOTAL	70	

*This index represents the Main index including income trusts.

H. Environmental, Social, and Governance Factors

Environmental, Social, and Governance (ESG) factors can affect the performance of companies and other entities in which the plan invests, and may therefore be considered where relevant and material to the assessment of investment value and mitigation of investment risk.

The plan administrator has delegated to the investment portfolio managers full discretion in evaluating ESG risks and opportunities, alongside other considerations, in regards to the Fund's investments.

IV. ENDOWMENT MANAGEMENT AND SPENDING POLICY

A. Introduction

The policies of the Fund were designed to comply with the terms of reference outlined by donors in the documents establishing the individual endowments and to balance the following goals of the University:

- to fund programs at the desired level, normally the level which is stipulated by the donor;
- to grow funding over time to provide continued support for future generations; the growth should reflect, as far as possible, the loss in value of money over time; and
- to protect the flow of funds to programs in any year when income earned is less than the required four percent (4 %) as outlined in the terms of reference.

B. Spending Policy and Endowment Protection

This policy provides for the use of re-invested income from the endowment as a source of funding in any year in which earnings are not adequate to support the designated program. This portion of the endowment will henceforth be referred to as the "Growth and Protection Fund".

1. General Operation of Policy

Expenditures from the Endowment Fund will be made from investment income earned net of applicable expenses, in the previous year or from the Growth and Protection Funds if required. The Fund operates under the University's fiscal year, May 1 to April 30. Annual net income earned is reported for this period.

Three sub accounts are to be established for each endowment:

a. the original endowment donation;
b. funds re-capitalized by the University; and
c. the Growth and Protection Fund.

Note: The original donation and funds re-capitalized by the University are considered the endowment capital.

Each year the University will first allocate income up to four percent (4%), as per the terms of reference of the endowment, of the previous year's endowment capital for expenditure. The expenditure shall be funded from the previous year's income on the endowment capital. Note: there are certain exceptions to the four (4%) allocation due to grandfathering of this policy.

The University's policies are designed to provide spending stability should income fall below the four (4%) percent of capital. (*See IV - B - 2: Contingency Plans*.) That portion of the previous year's income which exceeds four (4%) percent of capital is allocated to the Growth and Protection Fund.

The size of the Growth and Protection Fund is established by the Board as a percentage of the endowment's capital. As of May 1, 2000 the Growth and Protection Fund will be set at 12 percent (12%) of the endowment's capital. When the Endowment Growth and Protection Fund reaches this size, any additional income will be allocated to the endowment's capital, i.e. the "Funds - Re-capitalized by the University" account. This procedure increases the capital on which the four (4%) percent for spending is calculated as noted above.

Scholarships will normally be increased in $100 increments. Where possible, donors will be consulted regarding any non-routine change to scholarship amounts.

2. Contingency Plans (where the previous year's income is less than four (4 %) percent of the endowment capital)

The University's policy is to maintain spending at the level published in the University calendar. The Growth and Protection Fund is now set at twelve percent (12%). The Growth and Protection Fund will enable the University's policy to be maintained in all but the most negative market conditions.

Specific policies governing the operation of the Growth and Protection Fund in adverse market conditions are the responsibility of the Committee. The appropriate response may vary, depending on specific market conditions.

In cases of severe and prolonged adverse market conditions where the University cannot maintain this policy, donors will be contacted wherever possible, to identify a mutually acceptable course of action. If donors cannot be contacted, the Board's policy will be applied.

3. Protection of New Endowments

New endowments will be protected should income be less than four (4%) percent of capital before an endowment has built up an adequate Growth and Protection Fund.

New endowments will be protected as follows:

- No payments will be made in the year in which an endowment is received. Expenditures made in the year after an endowment is established will depend on the income which it earns. Partial expenditures may be necessary if funds were not endowed for a full year.
- The University has established a General Growth and Protection Fund for emergency support.

4. General Growth and Protection Fund (see Table 5)

The University has several general endowments which allow the Board very broad discretion in spending. The Board has also established several endowments under its direct control (Board endowments). A General Growth and Protection Fund will be established by increasing the Growth and Protection Funds of these endowments by three (3%) percent to fifteen (15%) percent as of May 1, 2000. The policies governing the operation of this fund in years when income is less than five (5%) percent of capital are the responsibility of the Committee.

5. Donor Restricted Endowment Funds

Endowed Funds are generally restricted for use on a specific purpose (for example, in support of a certain Faculty or academic program) by the donor. These restrictions are documented through the Endowment Fund's Terms of Reference. In the event that the circumstances make the specified use of a Fund no longer practicable or desirable (for example, the discontinuation of an academic program), the University will make reasonable attempt to contact the donor(s) to amend the Terms of Reference. Where donor amendment is not possible, the University is authorized to make changes it deems necessary in the Terms of Reference of the Fund. However, such changes are to be keeping, as far as possible, with the spirit and general intent of the original Terms of Reference for the Fund.

C. Donation Policies

1. Small Donations

The University and each Faculty or other campus unit of sufficient size will have a General Endowment Fund to encourage small donations. Donations in excess of $100 may be made directly to the

Faculty/unit endowment.

The fund will be administered as is any other endowment. Each Faculty will maintain an endowment fund. When an academic unit's endowment has accumulated $25,000 for a specific program, a new endowment for that program will be established.

2. Larger Donations ($1,000 per annum awards)

A donation that would generate $1,000 per annum will normally become a Named Award. Although such awards would generally require a $25,000 donation, exceptions may apply. Naming opportunities associated with an endowed fund are governed by the Policy on Naming of University Assets.

Named endowments will be administered separately and any income not required for expenditure will be used to increase the endowment's Growth and Protection Fund or it will be re-capitalized as per the above policies. All endowments will be reviewed at least at each five-year anniversary for possible increases in the award in $100 increments.

3. Implementation

Wherever possible, existing endowments will be restructured to conform to this policy.

V. CROSS-REFERENCES

The University of Windsor Responsible Investing Policy (adopted November 24, 2020) cross-references this policy.

APPENDIX A: SUPPLEMENTARY INFORMATION FOR THE BOARD OF GOVERNORS

The Investment Committee will use the following general guidelines in managing the Growth and Protection Fund. Specific approaches may vary depending on circumstances.

1. Guidelines for the Operation of Individual Growth and Protection Funds of Named Endowments

If income in any year is insufficient to meet the endowment's required spending, withdrawals shall be made first from the endowment's Growth and Protection Fund. If further funding is required, withdrawals shall be made from the General Growth and Protection Fund as outlined in item 2 of these guidelines.

2. Guidelines for the Operation of the General Growth and Protection Fund in Adverse Conditions

If income in any year is insufficient to meet the endowment's required spending, withdrawal will be made first from the endowment's individual Growth and Protection Fund and then from the General Growth and Protection Fund. To prevent the rapid depletion of the General Growth and Protection Fund, such withdrawals in aggregate shall be limited to 50 percent of its opening balance.

Funds will be withdrawn in the following order:

- <u>first</u>, to protect new endowments;
- <u>second</u>, to pay four (4%) percent on the original capital from all other endowments on a *pro-rata* basis if insufficient funds are available from individual Growth and Protection Funds;
- <u>third</u>, to pay on the re-capitalized amounts of original endowments in the age order of the original endowments, i.e. oldest to newest; and
- <u>finally</u>, funds from the General Growth and Protection Fund will be withdrawn *pro-rata*, based on capital, regardless of how the funds will be spent.

If in any one year where there is a shortfall of interest earned to satisfy the spending policy requirement of four (4%) percent for any individual endowment, the allocation of Growth and Protection to fund the respective shortfall will be as follows:

- first, up to 100% of the individual endowment's Growth & Protection Fund;
- second, up to 100% of the General Growth & Protection Fund; and
- third, up to 100% of the Expendable portion of the Board endowments.

In subsequent years when interest earned to satisfy the spending policy of any individual endowment exceeds the requirement of four (4%) percent, the amount of the shortfall from prior years funded from the Expendable portion of the Board endowments will be directed to the General Growth & Protection Fund to replenish the fund.

3. Endowments for Which a 15 Percent Growth and Protection Fund is Recommended

Table 5: Endowments for Which a 15 Percent (15%) Growth and Protection Fund is Recommended	
	Account#
General Endowment (General Donations) †	60109
Gertrude Rock (General Donation) †	60144
University Graduate Scholarships (Board Established)	60083
OSOTF Graduate (OSOTF restrictions only) ‡	60415
University Undergrad (Board Established)	60076
OSOTF Undergraduate (OSOTF Restrictions) ‡	60362
Pension Contribution Holiday	60427

† The expendable portion could be re-capitalized to start the general Growth and Protection Fund.

‡ The terms under which an endowment would be protected should be compatible with general OSOTF terms.