LEWIS & CLARK COLLEGE
ENDOWMENT SPENDING POLICY

Amendments approved by the Board of Trustees on August 6, 2024

A. Spending Policy Objective

The objective of the spending policy is to provide stable support for existing programs with limited changes from year to year, while insuring intergenerational equity by balancing current and future real levels of spending.

B. Base Spending Rate

The base spending rate for endowments is 5.0%, except for any endowments that are underwater at the end of the trailing sixteen-quarter measurement period. Base endowment spending will be computed as the "trailing sixteen-quarter average market value multiplied by the base spending rate". Endowments that have been held for less than sixteen quarters will be computed based upon the trailing average for each quarter held. The base endowment spending computation will be done separately for each endowment. Average market value refers to the pro rata portion of pooled cash and investments plus any direct cash and investments held by an endowment. The total value of pooled cash and investments will be the amount provided by the investment advisor in their quarterly report. To qualify for base spending, an endowment must meet guidelines and minimum levels for the type of endowment as defined by the Gift Acceptance Policy as of the Measurement Date.

C. Supplemental Spending Rate

The maximum supplemental spending rate for endowments supporting College of Arts and Sciences operations, that are not underwater, will be 0.5% for fiscal years 2026, 2027 and 2028. The specific supplemental spending rate in these fiscal years will be approved by the Finance Committee in conjunction with the annual operating budget for each year. If a supplemental spending rate is applied during the fiscal periods 2026 – 2028, in following fiscal periods the supplemental spending rate will be reduced in measured terms. In phasing out the supplemental spending rate, the rate should be reduced annually by 0.2% per year unless such reduction will result in the overall endowment spending rate for the new year to be less than 99.9% of the current year spending. In such case, the Supplemental Spending Rate will be reduced by 0.1%. Supplemental endowment spending will be computed as the "trailing sixteen-quarter average market value multiplied by the supplemental spending rate". Endowments that have been held for less than sixteen quarters will be computed based upon the trailing average for each quarter held. The supplemental endowment spending computation will be done separately for each endowment that allows supplementary spending. The supplemental spending calculation will provide a maximum supplemental endowment spending for each year. For those endowments that do not meet the eligibility requirements of base spending above, there will be no supplemental spend. No supplemental spending rate is provided for endowment funds supporting Common Services, the Law School or Graduate School of Education and Counseling.

D. Underwater Endowments

At the end of the measurement period, defined as September 30 of the year prior to the start of the fiscal period for which the spending is being determined, any endowments that have a current market value less than their permanently restricted original gift value shall be considered underwater. Underwater endowments will be limited to a base spending rate of 2.5% unless specifically agreed to in the endowment terms. There will be no supplemental endowment spending from endowments that are underwater unless specifically agreed to in the endowment terms.

E. Spending Calculation Method for New Endowments

New gifts for endowments will be placed in the endowments as soon as practical after they are received. Endowments that have been held for less than sixteen quarters will be computed based upon the trailing average for each quarter held. New endowments, or additions to existing endowments, that are received after the September 30 measurement date are not eligible for spending until the next fiscal year.

F. Measurement Date

The Measurement Date is defined as September 30 of the year prior to the start of the fiscal period for which the spending is to be determined. The trailing sixteen-quarter average refers to the sixteen calendar quarters (March 31, June 30, September 30, and December 31) ending on the Measurement Date.

G. Fund Distributions

Fund distributions (spending) will be applied towards the designated purpose as set forth by the endowment agreement or by Board designation. Endowment-related expenses (e.g. investment manager and consultant fees, custody charges, interest rate swap payments and other related administrative expenses etc.) will be charged against the Fund's market value.

One quarter of the annual base endowment spending will be drawn on or before each calendar quarter end (March, June, September and December). The full supplemental endowment spending will be drawn before the end of the fiscal year May 31st, upon completion of the May fiscal forecast. The supplemental spending will only be drawn if it is necessary to meet approved budget objectives.

H. Relationship between Spending Rate and Investment Returns

It is recognized that the College's investment objective and spending policy need to be in balance in order to have a reasonable chance of achieving the College's long-term financial objective. It is further recognized that given the inherent volatility of capital market returns, there could be extended periods when the realized investment returns would deviate significantly from the spending rate.

I. Effective Date

This Spending Policy shall be effective commencing with the 2024-2025 fiscal year of the College.