

Summary of Endowment Management, Investment and Spending Policies

Goal – The primary goal of the Endowment is to provide consistent financial support to Michigan Tech’s students and faculty in perpetuity. The Michigan Tech Fund Board of Directors, as recommended by its Investment and Finance Committee, sets Management, Investment and Spending policies. Each policy is described in more detail below. These policies are periodically reviewed and revised to best position the Endowment to meet its primary goal.

Management Policy – It is necessary to set minimum amounts to endow new and existing funds in order to achieve beneficial levels of support for Michigan Tech’s students and faculty. The minimum amount to endow a new scholarship fund or fellowship fund is \$25,000, and the minimum amount to endow an existing scholarship fund or fellowship fund is \$10,000. The minimum amount to endow a faculty chair is \$2,000,000. These amounts may be contributed in full or pledged over a maximum period of five years.

Investment Policy – Assets from all endowed funds are pooled together and invested using an asset allocation of approximately 43% equities, 20% fixed income and cash equivalents, and 37% other assets, such as real assets, private equity and hedge funds. The Endowment’s assets are re-balanced quarterly to these target percentages. Each endowed fund grows through additional gifts, its share of the pool’s investment income, and a controlled spending policy. A Total Return Concept is used to distribute all investment income, including dividends and interest, realized gains (or losses) from the sale of investments, and unrealized gains (or losses) from holding investments. The Total Return Concept should maximize each endowed fund’s balance, before calculating awards. Management, custodial and investment fees are a reduction of investment earnings.

Spending Policy – The amounts available to be disbursed annually from an endowed fund are based on the Endowment Spending policy. The Michigan Tech Fund Board of Directors determines this policy to maximize disbursements and, at the same time, sustain growth in the Endowment. It is the policy to distribute to every endowed fund an amount equal to the product of the investment portfolio’s average market value for the trailing twelve quarters ending June 30th, multiplied by the spending rate. The current spending rate is 3.5%. Disbursements from an endowed fund, however, will not begin until after the gift has been invested for twelve quarters. Additionally, the Michigan Tech Fund shall retain the earnings from each new gift for the first twelve months.