



FIRST UNITARIAN UNIVERSALIST SOCIETY IN NEWTON

FUUSN Issuance 2018-26

Policy **Information**

From: Catherine Morocco
Chair, Board of Trustees

Date: May 16, 2018

Subject: **FUUSN Board of Trustees Endowment Spending Policy**

Purpose: To allow the endowment of the First Unitarian Universalist Society in Newton to hold its value in real terms (after inflation) and to keep the dollar value of the annual draw from the endowment as stable as possible.

Background: The bulk of the funds managed by the Board of Investment are in the Society's general Endowment, with the principal to be preserved and the income to be used to support the Society's operations.

The Financial Oversight Committee and the Board of Investment are proposing a revised policy for withdrawals from this endowment as the current policy (reducing the draw on the amount by half a percentage point per year until it reaches 3% of the value of the endowment at the close of the last fiscal year) is not workable and is not being followed.

After lengthy discussions between the Board of Investment and the Financial Oversight Committee we are jointly proposing the following policy. It was adopted by the Board of Trustees at its meeting held on December 12, 2017.

Policy: The amount available to be budgeted for expenditure from each of the Society's endowment funds in a fiscal year shall be a weighted average of:

- the prior year's budgeted withdrawal, adjusted for annual inflation* (weighted at 70%), and
- 5% of the trailing four-quarter average market value of the unrestricted endowment fund and available restricted endowment funds as of the previous December (weighted at 30%).

However, the budgeted amount must be at least 3% and not more than 6% of the trailing four-quarter average market value of the endowment fund as of the previous December.

Going forward, for any endowment fund, any available amount that was not budgeted, or was budgeted but not spent, shall remain in that endowment fund.

This policy will take effect as of the 2019 fiscal year and supersedes any previously adopted policy concerning the spending of endowment funds.

The Board of Trustees – in consultation with the Board of Investment and the Financial Oversight Committee – should review this policy after five years.

*The inflation rate used should be the 12 month US Consumer Price Index as of December 31st of the previous calendar year, as published by the US Bureau of Labor Statistics.