



## NON-EXPENDABLE ENDOWMENT FUNDS POLICY

### PURPOSE

1. The purpose of this policy is to outline the rules governing the non-expendable endowment funds (“Fund”) with the Canadian Engineering Memorial Foundation (Foundation).

### FUND INVESTMENT

2. The Investment Policy provides the objectives, guidelines and procedures for the management of the assets of all funds. The Investment Policy is approved by the Board of Directors of the Foundation and reviewed annually by the Finance and Investment Committee, chaired by the Treasurer.

### GENERAL PHILOSOPHY

3. Endowed funds are to be held by the Foundation in perpetuity, with the expectation that their capital will grow at a rate approximately equal to inflation to maintain their real value. Endowed funds are also expected to generate an income stream at a level sufficient to meet their annual spending obligations. The Foundation has chosen to use an investment strategy that will balance the competing needs of a stable income stream and long term capital growth required to offset inflationary erosion.
4. Endowed funds must be managed to preserve intergenerational equity. This is done by maintaining expenditure guidelines that help ensure current spending is not so high that it will compromise future spending thereby disadvantaging future generations and vice versa.
5. Endowed funds are invested in accordance with the Investment Policy with all investment accounts managed separately with transparency for audits.
6. Endowed scholarships must be a \$5,000 minimum per year, with no set maximum, plus a \$1,500 administrative fee which covers criteria writing, application review, translation, promotion and public relations, judging, and administration.
7. If the donor wishes the scholarship winner to attend the annual Awards Luncheon, hosted by Engineers Canada, attended by other CEMF scholarship winners and prominent engineers from across Canada, an additional amount of \$1,000 to \$1,500 will apply.

## **FUND EXPENDITURE**

8. The Foundation maintains a separate account for each individual non-expendable endowment fund ("Account").
9. Effective January 1, 2013, an expenditure rate of 4.0% of the original donated capital of each Account will be made available to meet its current obligations. The expenditure amount will be increased by inflation every year.
10. The Foundation adds the investment income net of internal and external fees and expenses paid from the Fund to each Account on an annual basis. Investment income includes interest, dividends and realized and unrealized capital gains or losses.
11. In any single year, the amount available for expenditure from each Account will be the lesser of the two amounts calculated in accordance with paragraphs 7 and 8 above. In any event, there will be no spending if the Account value is below the original donated capital.
12. Subject to paragraph 9 above, every year the total of all Account expenditures should be a minimum of 3.0 % and a maximum of 5.0 % of the market value of the Fund. This is a secondary measure used to balance the competing needs of a stable income stream and long term capital growth required to offset inflationary erosion.
13. Spending for new donations will normally commence in the year following that donation. The expenditure amount for the first year after receipt of such donation will be pro-rated based on the time period invested.
14. For donations of \$1,000,000 and above that require spending during the first three years, the Foundation will withhold 9.0 % of the original donated capital from investment in the Fund, subject to approval by the donor. In each of the first three years, 3 per cent of the original donated capital shall be spent. The remaining 91 per cent of the original donated capital is invested in the Fund and spending after the initial three year period will be based on the amount in the Account in accordance with paragraphs 7, 8, and 9 above.
15. The annual expenditure rate will only be applied to an Account once it has reached a minimum capital amount of \$20,000 and has remained at this level for a full year.

## **PERIODIC REVIEW**

16. This Policy will be reviewed on an annual basis to ensure it remains consistent with the Foundation's objectives and the external environment.
17. From time to time the value of the annual scholarship, bursary or expenditure budget provided by each Account may be reviewed by Financial Services and adjustments made if necessary.

## **EXCEPTION**

18. No exception may be made to this policy without the written consent of the Board of Directors and passed by motion at a meeting of the Board.