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Financial Advisor's Presentation to UUA Board of Trustees

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Financial Decisions for 2009-10



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- Endowment spending policy
- Level of spending on stewardship and development after campaign ends
- How to pay for these expenses
- Choice of record-keeping firm for pension plan
- Status of Pension Committee (CBPC)

Endowment Spending Policy



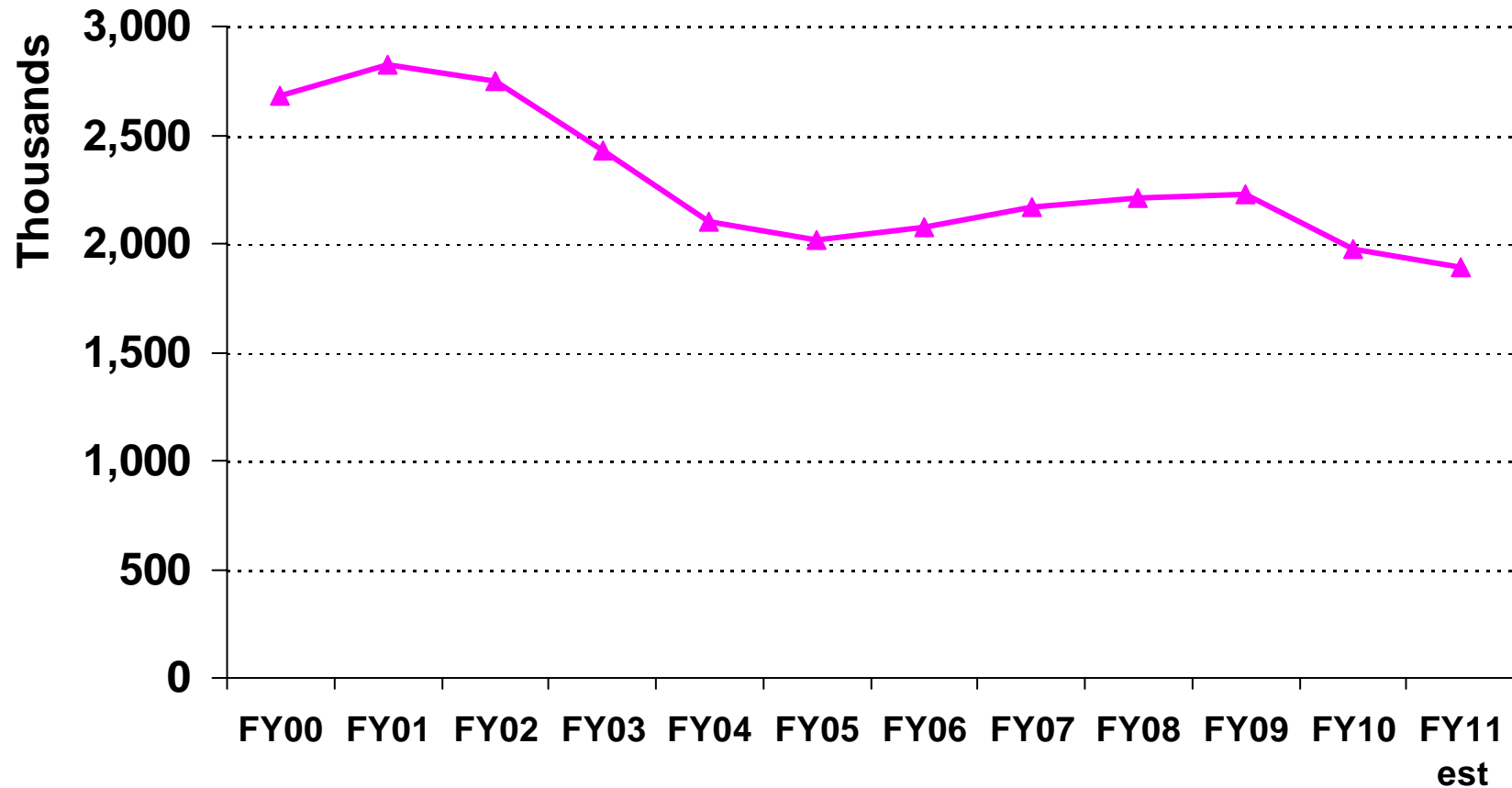
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- Policy goals
 - Preserve inflation-adjusted endowment value
 - Avoid fluctuations (up or down) in payout
- Expected endowment return and payout
 - 8.5% target return = 5.5% payout + 3.0% inflation

General Investment Income



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Endowment Spending Policy

- “Hybrid” formula that combines inflation with spending rate target
- Keeps allowable spending from falling even in years of severe market declines
- Modeled after policies of Yale, Stanford, Dartmouth universities
- Restrains spending increases in good years

Spending Policy Details



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- Weighted average determines allowable spending
 - 70% is based on prior-year spending, adjusted for inflation
 - 30% is based on one-year average value of endowment times 5.5% spending rate
- Spending may not be less than 4.5% or more than 6.25% of market value

Proposal to Replace “Extra” 2% Endowment Draw



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- Increase base endowment payout to 5.5%
- 15% overhead fee on spending from campaign gifts and other restricted income
- Use excess unrestricted bequest income from prior fiscal year

Executive Limitations



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“It is the board's job to examine its values to determine those means which it does not want in its organization, then to name them. The board can then tell its CEO that as long as the Ends are accomplished and the unacceptable means do not occur, the CEO can make all further decisions in the organization that he or she deems wise.”

--Miriam and John Carver

Proposed Policy Revisions



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- Authorize 15% overhead fee on spending from restricted funds (2.8.7)
- Delete purchasing policy (2.10.8) and add vendor non-discrimination language to 2.1.1
- Delete 2.11 (External Relations) and Appendix 2.G (International Vision); consider moving to Ends
- Move 2.12 (Presidential Incapacity) to 2.3.9
- Delete 2.13 (Election Practices), moving prohibition against favoritism to 2.3.8
- Create Endowment Spending Policy (Appendix 2.H) to implement new “hybrid” policy



Future Agenda Items

- Health insurance plan
- Investment policy and SRI
- Internal rent allocations
- Conflict of interest and whistleblower policies
- Paying for future capital campaigns
- Endowment spending policies
- Financial reporting and chart of accounts
- Use of bequest income
- Audit committee
 - Compliance with state planned giving rules
- LRCS
- Asset management
 - Debt management
 - Cash management
 - Short-term investments in UUCEF
 - Facilities renewal
- ... and more