

UUA Endowment Spending Policies

Current policies:

1. For UUA endowment, including permanently restricted and board restricted (“quasi-endowment”) calculated as of 12/31 of the calendar year preceding the fiscal year:
 - A. Trailing four quarter MV average [Q2 FY15, Q1 FY15, Q4 FY14, Q3 FY14]
 - B. Above times Spending Factor [5.5%] times weight factor [30.0%]
 - C. PLUS FY15 “Authorized Spending” times Inflation Factor [.8%] times weight factor [70.0%]
 - D. FY16 Authorized Spending / Budget = sum of B and C.

2. For funds donated to the UUA to benefit congregations or other UU-related organizations (“trust funds”):

5% of the 13-quarter rolling average MV

Historical Perspective

Effective payout as a percentage of market value over last 5 years:

	2012	2013	2014	2015	2016
Payout %	5.32%	5.64%	5.27%	5.69%	5.47%

Average payout: 5.48%

During the same period, the UUCEF has returned approximately 5.1% net of fees and expenses.

Inflation during that period has averaged approximately 1.0%/year. The result is an erosion of endowment value of approximately 1.4% per year.

Recommendation

1. For UUA Endowment: Reduce the Spending Factor in B above to 4.5% over next 3 years. Specifically, 5.5% in FY 2016 (current year), 5.0% in FY 2017 and 4.5% in FY 2018.
2. For Trusts: Reduce the payout percentage that is applied to the 13-quarter rolling average to 4.5% over next 3 years. Specifically, 5.0% in FY 2016 (current year), 4.75% in FY 2017 and 4.5% in FY 2018.