

ENDOWMENT FUND FACT SHEET

(Long-Term Investment Fund)

Governing Authority

ALA Spending/Payout Policy 8.5.1 (see Treasurer's page)

Fiduciary Structure

ALA Executive Board – Final/Ultimate Authority

ALA Endowment Trustees – Primary/Day to Day Authority

ALA Investment Advisor – Merrill Lynch

ALA Finance Staff

General Requirements

Minimum \$50,000

Purpose of fund

Fees that Impact Individual Endowment Funds

Annually funded Awards/Scholarships: Administrative Fee - \$500 minimum or 20% up to a maximum of \$1,000.

Grant/Matching Grant (projects) related endowments will likely have higher negotiated overhead/administrative fees.

Bank Fees: Proportional % of fees incurred by the entire endowment portfolio. Currently .59

Funding Expectations

Funding for every scholarship and award i.e. \$1,000, \$3,000, \$5,000 etc. or any other activity related to an endowment is dependent on funds being available at the time each is granted. As of the 2011 Annual Conference in New Orleans, the spending formula in policy 8.5.1 – the governing authority for the Endowment Fund - was revised to the following:

The annual spending formula in ALA policy 8.5.1 will be a range of “3% to 5% of the trailing five-year quarterly (20) rolling average of each funds calendar year end net asset balance.” The annual spending rate will be subject to an annual review and assessment by the ALA Endowment Trustees and the Finance and Audit committee with final approval by the ALA Executive Board. The current spending/payout rate for FY21 is 5%. Note that this rate is approximately one year in advance of the development of a particular budget.

As a result of the revised spending/payout policy, funding will come primarily from the accumulation of the average of the previous 20 quarter net asset balance resulting from the **appreciation from realized and unrealized gains and losses, and interest income and dividends** generated throughout those years. For budgeting purposes under the old formulation, ALA uses a conservative 3% rate of return for interest and dividends. Actual results may be higher or lower depending on the market. Note that the total return, which will include the growth (appreciation) in principal, is 7% i.e. interest @ 3% + principal @ 4%. Assuming a 3.0% return in interest, to generate enough interest/dividend income to

Additionally, the Endowment Trustees employ the services of nineteen portfolio managers with different