OBERLIN

COLLEGE & CONSERVATORY

ENDOWMENT SPENDING POLICY

Policy Background

Responsible Position for Policy:	Vice President of Finance
Office/Department Responsible for Policy:	Office of Finance and Budget
Division Responsible for Policy:	Finance & Budget
Scope of Policy:	Institutional
Original Issue Date:	06/08/2007
Last Revision Date:	02/15/2021
Log of Previous Revisions:	02/2002 Established Hymes Protocol

I. Policy Purpose

Calculate the Endowment Payout Per Unit (PPU) based on December 31 units of the Current FY for the Upcoming FY.

II. Policy Statement

The purpose of the Endowment Spending Policy (the "Policy") of Oberlin College Endowment (the "Endowment") is to set forth rules and guidelines for spending from the Endowment to balance the needs of the current and future generations of stakeholders by providing appropriate levels of current support to operations and preserving the long-term, intergenerational purchasing power of the Endowment, as well as to document the method to ensure compliance with Ohio's Uniform Prudent Management of Institutional Funds Act or UPMIFA. The Oberlin College Board of Trustees (the "Board") monitors, adjusts, and approves the annual spending distribution.

Based on the Policy, the Oberlin College Administration (the "Administration") is responsible to calculate and determine the annual payout in budget planning. There are two components in the Policy: 1) distribution formulas and 2) rules relating to additional withdrawals from the Endowment.

A. Distribution Formulas

The Annual Spending Payout (the "Payout") formula is based on a two-step formula. Step 1) The prior fiscal year's Payout multiplied by the annual growth rate (CPI plus 1 percent) adjusted for inflation multiplied by 80 percent, which can minimize the fluctuation of the spending payout and mitigate the impact on operations. The annual growth rate is based on the average growth rates for the past five years. Step 2) The Endowment's market value at December 31 of the current fiscal year is multiple by 20% of the long-term spending rate of 5.0 percent. Step 1 is added to Step 2 for the total spending payout.

The formula illustrates the spending payout calculation: *Fiscal Year Spending Payout = [80%*(Payout of prior Fiscal Year) * (1 + inflation)] plus [20%*(Market Value of Endowment at December 31 of current Fiscal Year)*5.0%]*

Further, the Annual Spending Payout is subject to a "Ceiling" and "Floor".

1. The Ceiling is calculated as a percentage of the 36-month moving average market value of the Endowment in the last three calendar years, adjusted for weightings for respective years times the approved Ceiling Rate for the spending payout.

The formula illustrates the Ceiling calculations for Fiscal Year 2022 with the approved Ceiling Rate of 4.4%: Spending Payout (*FY22) = 4.4%*[(3/6) *(Monthly Average Market Value of Calendar Year 2020) +(2/6) *(Monthly Average of Calendar Year 2019) +(1/6) *(Monthly Average of Calendar Year 2018)]*

2. The Floor is calculated as a percentage of the 36-month moving average market value of the Endowment in the last three calendar years, adjusted for weightings for respective years times the approved Floor Rate for the spending payout.

The formula illustrates the Floor calculations for Fiscal Year 2022 with the approved Floor Rate of 4.0%: Spending Payout *(FY22) = 4.0%*[(3/6) *(Monthly Average Market Value of Calendar Year 2020) +(2/6)*(Monthly Average of Calendar Year 2019)+(1/6)*(Monthly Average of Calendar Year 2018)]*

B. Additional Draws

While the spending policy dictates spending within prescribed limits, there are also exceptions to the rules. These draws may be for the following types of spending:

1. Capital campaign expenses
2. Debt service or debt repayment
3. Capital expenditures
4. Operating budget support
5. Investment administration
6. Extraordinary withdrawal

C. HYMES Protocol

An extraordinary withdrawal is defined as (i) a strategic withdrawal, and (ii) a withdrawal from the endowment in excess of the payout rate the Trustees shall not adopt any motion to approve an extraordinary withdrawal from the endowment except upon a two-thirds written affirmative vote of the total Oberlin College Board of Trustees active membership. If two-thirds of the active membership is not present, then a written poll of all absentee members will be required.

The extraordinary withdrawals shall be tracked and monitored using a Spending Variance Report as more fully described in the Ad Hoc Sub-Committee on Endowment Spending Policy Evaluation presented December 6, 2002.

III. Policy Scope/Eligibility:

If necessary, in a prolonged down market, the Board reserves the right to review the spending payout and make appropriate adjustment to the Annual Spending Policy.

IV. Definitions / Resources

CPI – based on following web link each year: https://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008/

V. Administration:

The Investment Office and VP Finance via executed signed copy of the calculation will be review and approve the PPU.

VI. Related Information / Communication

Once the PPU is approved it should be forwarded to the Controller's Office

Approval Process [Required]

Frequency of Review: Annually

Review Process: VP of Finance (Finance and Budget Office)

Necessary Approval Constituents: Board of Trustees