Utilization Policy
Dartmouth's endowment utilization policy balances support of the current generation of students and faculty with the need to preserve the College's endowment for future generations. While peer institutions have various endowment management policies, Dartmouth's is a common one, and all such policies embody the same goal of balancing current use with long-term preservation. Dartmouth's utilization policy provides that an annual amount of current and accumulated endowment investment return will be distributed monthly from each individual endowment fund which can be utilized by the College for operations. The amount of endowment return actually utilized for operations must be spent in accordance with donor restrictions, if applicable, or with Board approved directives.

Distribution Policies
The amount to be appropriated from the endowment each fiscal year is approved by the Board of Trustees. In making this determination, a distribution formula is used as a guideline and consideration is given to the seven factors included in the prudence standard required by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of New Hampshire effective July 1, 2008, as follows: 1) the duration and preservation of the endowment fund; 2) the purposes of the institution and the endowment fund; 3) general economic conditions; 4) The effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the institution; and 7) the investment policy of the institution.

Dartmouth's distribution formula is designed to moderate the potential volatility of endowment distributions during periods of large positive and negative investment returns. The general guideline for this smoothing formula uses the prior year's distribution amount as the main factor of the distribution. More specifically, 70% of the current year distribution is based on the prior year’s distribution, times an inflation factor, and the remaining 30% is based on the 4 quarter average calendar year market value times the long term payout goal of 5%. This formula helps manage volatility in budgeting, but it also takes into account changes in the market value of the endowment.

To fund the distribution as approved by Dartmouth’s Board of Trustees accumulated investment appreciation may be expended; and surplus appreciation is retained in the endowment. In some instances, there may be investment losses that cause the market value to fall below the original gift amount (also known as historic book value). In this scenario, a fund is considered to be “underwater”.

In order to provide stable funding for the programs supported by the endowment, effective October 2016, spending from a portion of historic book value on underwater funds will be permitted provided...
there are no donor-imposed restrictions that prohibit such spending. Taking into account the prudence standard factors listed above, no more than 20% of the historic book value shall be distributed for programs, with the remaining 80% of historic book value remaining intact. It is expected that over the long-term, positive investment performance will allow underwater funds to regain prior losses, support a full formula distribution, and experience real growth.

**Total Program Cost Distribution Policy**
Endowments are expected to contribute to, if not underwrite entirely, the total costs of the programs such funds support. Most of the annual endowment distribution offsets direct program costs incurred. The balance is reserved to defray associated program costs (such as space and support) which make up a significant portion of a program's total cost and represent the many dimensions of underlying support essential for any program to succeed.

Effective July 1, 2011, this allocation was adjusted to 19.1 percent for support of associated program costs, and 80.9 percent for direct program costs.

**Disclosure in Donor Gift Agreements**
Statements of Understanding for new restricted endowments are required to have the following disclosure:

As with other endowment funds, the College's Office of Finance & Administration will oversee this fund in accordance with the endowment management, distribution, and utilization policies established by the Trustees. These policies govern the investment of endowment funds and the distribution and utilization of endowment earnings to defray the direct and associated costs of programs designated for support by donors. These policies may be revised from time to time by the Trustees. A summary of current policies is available from the Development or Finance Office upon request.

There is a small subset of gifts, such as bequests, that established endowments where the College either has no Statement of Understanding, or the documents that establish the fund do not contain the above disclosure. These funds are treated the same way as funds that were established with the disclosure unless expressly advised otherwise in the applicable gift instrument.

*The policies described above may be revised from time to time by the Trustees of Dartmouth College.*

**Responsible office:** Finance and Administration

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