

**Number & Title:**

FN4 - Endowment Management Policy

**Effective Date:**

March 28, 2024

**Approval Date:**

March 27, 2024

**Policy Type:**

Internal Policy

**Review Date:**

This policy shall be reviewed every three (3) years in tandem with the AMS Financial Plan.

**Responsible Body:**

Finance Committee

**Designated Executives and Staff Members:**

Managing Director, Controller, and VP Finance

**Authority:**

AMS Code of Procedure Section II, Article 11(1)

“Council may create external and internal policies as well as combined policies.”

**Purpose and Goals:**

The purpose of this policy is to ensure the AMS Endowment Fund is preserved and sustainably grown over time to support the AMS’s mission, adhering to fiduciary responsibilities, emphasizing balanced growth with risk, and effectively responding to economic changes and unforeseen circumstances.

**Applicability:**

This policy applies to all AMS Executives and staff members who interact with the AMS Endowment Fund as a part of their duties and responsibilities.

**Exclusions:**

There are no exclusions for this policy.

**Definitions:**

For the purposes of this policy and in all other policies in which they are not otherwise defined:

1. Endowment: A financial asset donated to and permanently set aside by the institution, the principal of which is kept intact while the income generated is used for specific purposes.
2. Return on Investment (ROI) is a measure of the gain or loss generated on an investment relative to the amount of money invested.
3. Risk-adjusted Returns are a concept that adjusts an investment's returns by the risk involved, providing a more accurate reflection of its performance.
4. Sunset Clause: A provision within the policy that sets an expiration date for certain conditions or regulations, after which they must be reviewed and renewed, if necessary, to remain in effect.

## **Policy:**

### ***Governance***

1. The Finance Committee, under the oversight of the AMS Council, is responsible for implementing this policy, setting investment strategies, and overseeing fund performance.

### ***Investment Policy***

2. The VP Finance and the Finance Committee shall achieve a balanced maximization of returns and minimization of risks through a diversified portfolio that adheres to prudent investment practices.

### ***Performance Benchmarks and Evaluation Metrics***

3. Performance benchmarks shall be industry-standard indexes aligned with the fund's investment objectives.
4. Evaluation metrics shall include Return on Investment (ROI), Risk-adjusted Returns (e.g., Sharpe Ratio), and Volatility. These metrics help assess performance relative to benchmarks and guide strategy adjustments.

### ***Provisions for Unforeseen Circumstances***

5. Adjustment Mechanism: In response to extraordinary events or significant economic changes, the policy permits temporary deviations from established investment guidelines. The scope and nature of these deviations will be clearly defined, with the maximum allowable deviation capped at 5% of the fund's total value, ensuring the fund's core purpose is maintained.
6. Approval Process: Any deviation from the policy guidelines requires prior approval by the Finance Committee and must be ratified by the AMS Council. A detailed proposal outlining the necessity and extent of the deviation must be submitted for review and approval.
7. Duration of Temporary Measures: 'Temporary' is defined as not exceeding one fiscal year unless expressly extended by the Finance Committee and ratified by the AMS Council. This ensures periodic assessment and alignment with the fund's strategic objectives.

8. **Criteria for Activation:** Activating these provisions requires demonstrating an extraordinary event or significant economic change threatening the fund's objectives. This may include, but is not limited to, severe market downturns, pandemics, or other crises that impact financial stability. The Finance Committee must assess and determine the situation's impact on the fund using predefined criteria such as market volatility indices, economic indicators, or other relevant metrics.

### ***Methodology***

9. Utilizes a fixed percentage policy (2%) to allocate funds into operational budgets, balancing between reinvestment to grow the fund's principal and spending to support immediate organizational needs.
  - a. **Example of Operational Budget Integration:** Given the endowment fund's standing at approximately \$5 million CAD at the time of this policy's effective date, adopting a fixed percentage policy of 2%, the AMS would allocate \$100,000 into its operational budgets for the upcoming fiscal year. This allocation supports various AMS programs, initiatives, and administrative operations, providing a stable revenue stream while ensuring the fund's principal amount continues growing.
10. No funds will be transferred to support operational budgets if the overall interest earned in the previous fiscal year is less than 2%, ensuring that the principal is preserved and the fund's sustainability is maintained.

### ***Transparency and Reporting***

11. The endowment fund balance and usage shall be reported in the society's quarterly reports and funds report.

### **Consultations:**

The following groups were consulted during the initial development of this policy: the Executive Committee, Managing Director, Controller, VP Finance, and President.

### **History:**

N/A

### **Related Policies:**

FN1 - Investments

### **Appendix:**

N/A