

	LEVEL 1 FOUNDATION POLICY: PMIEF Board authors, approves and monitors	No.:
		Date Approved:
POLICY TITLE:	PMIEF Endowment Policy	Rev No.: 1
		Rev Date: 29 July 08 Page: 1 of 1
RESPONSIBILITY OF:	PMIEF Board of Directors	
PREPARED BY: PMIEF Board; PMIEF/PMI Staff		APPROVED BY: PMIEF Board of Directors

I. POLICY STATEMENT: The PMI Educational Foundation’s establishment and utilization of endowments as part of its fundraising program and grant giving program shall be guided by the PMIEF *Endowment Policies and Guidelines* developed in November 2006 and utilized since then subject to recent edits made in July 2008. The current document is embedded in as the Supporting Document for this Level 1 Policy.

II. PURPOSE: The purpose of this policy is to ensure that there is a policy and guidelines pertaining to the acquisition and implementation of endowments obtained through the fundraising efforts of the foundation.

III. DESIRED RESULTS/OBJECTIVES: The purpose of this policy is to ensure that there is a policy and guidelines pertaining to the acquisition and implementation of endowments obtained through the fundraising efforts of the foundation. This policy:

- a. Provides clear direction from the PMIEF Board of Directors.
- b. Defines clearly the responsibilities of the PMIEF Board, the PMIEF COO, staff and auditors.
- c. Provide an adequate basis for evaluating compliance with the policy.

IV. DEFINITIONS: Endowment funds represent a special reserve of money and / or assets, often including some form of stipulation or restriction on the use of the earnings generated by the endowed fund. The stipulations may be as general as for use in “unrestricted scholarships” to varying degrees of specific criteria to be closely observed in the use of the generated funds.

For the purpose of this Policy Statement, “endowment fund” shall refer to any fund, or any part thereof, not wholly expendable by the PMI Educational Foundation (PMIEF) on a current basis under the terms of the applicable gift instrument.

V. POLICY DISSEMINATION:

Internal: PMIEF Board, PMIEF COO, PMIEF and PMI Executive Staff as needed, PMIEF and PMI finance and accounting staff as needed.

External: Utilized by PMIEF Board Directors and PMIEF staff as needed in dealing with prospective donors.

V. SUPPORTING DOCUMENTATION: The following endowment policies and guidelines:

ENDOWMENT POLICIES AND GUIDELINES
PMI EDUCATIONAL FOUNDATION
NOVEMBER 2006; REVISED JULY 2008

Endowment funds represent a special reserve of money and / or assets, often including some form of stipulation or restriction on the use of the earnings generated by the endowed fund. The stipulations may be as general as for use in “unrestricted scholarships” to varying degrees of specific criteria to be closely observed in the use of the generated funds.

For the purpose of this Policy Statement, “endowment fund” shall refer to any fund, or any part thereof, not wholly expendable by the PMI Educational Foundation (PMIEF) on a current basis under the terms of the applicable gift instrument.

From the point of view of the PMIEF, the terms of the endowment should be written to allow the most flexibility. However, the donor must be comfortable and satisfied with the terms of the agreement. Both parties must understand exactly what is expected from the donor and the PMIEF as stated in a Gift Letter or Memorandum of Understanding.

All new endowments will be invested in instruments conducive to the appreciation of capital and guided by the PMIEF investment policy guidelines. Endowment by nature begs for a long term approach so the endowed fund will not only fulfill its purpose of generating annual income to be used for its stated purpose, but will also go beyond that level so as to produce earnings that can be added back into the principal (the corpus) to promote growth in principal and provide a hedge against inflation.

The amount of endowment fund earnings that the PMIEF may expend is to be set periodically by the PMIEF Board of Directors. These *Endowment Policies and Guidelines* set an initial spending policy at 5% of the three year rolling average of the market value of the fund. If a donor restricts the PMIEF from expending the appreciation for a period of time while the principal of the fund is building, these funds may not be spent. Only the donor or their designees may alter this restriction.

Types of Endowment

- 1. Pure Endowment:** These endowments are intended to be permanent and the principal (the corpus) is never to be invaded.
- 2. Quasi-Endowments:** The principal of these endowments may be used upon the approval of the PMIEF Board of Directors by 2/3 majority vote.
- 3. Term Endowments:** These endowments are usually set up for a specified time period, usually 3-10 years. It is understood that all of the principal will be withdrawn from the investment pool within the stated period of time. The PMIEF Board of Directors will determine whether the PMIEF will accept endowments of this type on a case-by-case basis.

The Endowment Agreement should specify the plans, if any, for withdrawing principal. If the Endowment Agreement does specify these plans and they are accepted by the PMIEF Board of Directors, funds can be withdrawn from Quasi-Endowments without returning to the PMIEF Board for approval.

Endowment Restrictions

Any restrictions on how any gift may be used by the PMIEF will not be honored without prior approval of the PMIEF Board of Directors and subject to review, as necessary, by PMIEF General Counsel.

Policies Pertaining to Named Endowment Funds

Endowment funds are invested according to policies established by the PMIEF Board of Directors.

Endowment gifts may be used to establish a special endowment fund or may be added to an existing endowment fund.

Persons interested in establishing a named endowment fund should be encouraged to consult with the PMIEF prior to making the gift so that the donor's intentions are appropriately established in writing. Negotiation of any named endowment agreement on behalf of the PMIEF shall be recorded over the signature, and with full knowledge, of the PMIEF Chief Operating Officer and/ or Chair of the PMIEF Board of Directors.

In designating an endowment gift for a specific purpose, the donors are to be encouraged to:

- Describe that purpose as broadly as possible;
- Avoid detailed limitations and restrictions; and
- Provide a clause granting the PMIEF maximum flexibility to make use of designated funds in a manner most consistent with the interests of the donor and with the interests of the PMIEF. This is particularly true in those cases in which future programmatic or other developments may make it impossible to apply the endowment proceeds to the purpose for which they were designated originally.

Gifts to establish named endowment funds for specific purposes must meet the minimum dollar requirements set by the PMIEF Board of Directors. The principal amount of the original gift need not meet the minimum dollar requirements if the donor agrees to fully fund the endowment at the minimum dollar requirement within a specified period of time. Minimum dollar requirements may be changed from time to time at the sole discretion of the PMIEF Board of Directors.

On a select, case-by-case basis, "challenge" endowment funds may be established by a donor without agreeing to fully fund the endowment at the minimum dollar requirement. The purpose of a challenge endowment fund is to create an opportunity for multiple, unrelated donors to

contribute to a fund that is intended to serve a specific purpose. Any donor who contributes to a “challenge fund” will do so with the understanding that, if the minimum dollar requirement is not met within a specified period of time, the fund may be closed. Any contributions to a closed challenge fund may be combined to other existing endowment funds or applied to other programs at the discretion of the PMIEF Board of Directors.

The minimum dollar requirements established by the PMIEF Board of Directors for a named endowment fund shall not apply to any named endowment fund(s) already established at the time these policies are adopted.

The PMIEF reserves the right to review the minimum amounts required for named endowments periodically and to amend the minimum amount required to ensure that endowment proceeds are sufficient to fund the intended purpose(s) of the endowment. If and when the PMIEF acts to increase the minimum amount required to establish a particular named endowment fund, such action shall not be retroactive to funds already established and named.

If the minimum amount required to establish a named endowment fund is not met within the agreed upon pledge period, the PMIEF and the donor must determine, if possible, a mutually acceptable extension period. If an extension cannot be made, or if the minimum amount is still not met after the extension period has expired, the PMIEF can no longer honor the donor with the naming opportunity.

If the endowment fund is for a scholarship, a termed endowment can be established using the corpus to the fund scholarship for a fixed number of years depending on the size of the corpus and the annual award.

- Named endowment funds can only be established in amounts of \$50,000 or greater.

The maximum total annual award(s) from each fund shall be based upon the spending policy established by the PMIEF Board of Directors.

The amounts established herein for endowment fund objectives are absolute minimums and will be “open-ended funds” (available for additions to the corpus) unless otherwise restricted by the donor and approved by the PMIEF Board of Directors.

At the request or based on the needs of the donor, equivalent currency conversions for the endowment fund levels will be provided however, all contributions to the PMIEF are to be made in US dollars.