Fairfield County’s Community Foundation adopts an annual spending policy to preserve and build the endowed funds entrusted to us and to maintain grant levels during periods of down markets.

Endowment studies by the Council on Foundations and the Commonfund Institute demonstrate that prudent spending levels allow a fund to grow, while spending more than net returns after inflation reduces the fund’s purchasing power over time. The Foundation’s spending policy model is:

\[
6.7\% \text{ (long-term net investment returns)} - 2.2\% \text{ (long-term rate of inflation)} = 4.5\% \text{ (grants & administrative spending)}
\]

The spending rate for FY19 is 4.5% and includes grants and administrative fees as follows:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Spending Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent donor advised, designated and agency endowment funds</td>
<td>3.5% grants and 1% administrative fee</td>
</tr>
<tr>
<td>Permanent discretionary and field of interest funds</td>
<td>2.9% grants and 1.6% administrative fee</td>
</tr>
<tr>
<td>Scholarship funds</td>
<td>3.0% grants and 1.5% administrative fee</td>
</tr>
</tbody>
</table>

Additional Information about the Spending Policy

- The Community Foundation’s spending policy is based on “total return,” rather than “income-only.” This enables us to invest for the highest possible long-term return, regardless of the source and whether the gains are realized or unrealized, consistent with our investment policy. This definition applies to existing Community Foundation documents that refer to “income” or “net income.”

- This policy applies to discretionary, donor designated, field of interest, scholarship, and other permanent funds from which grants are recommended by the Community Foundation’s program committees, unless the donor has clearly expressed a different intent. This policy is optional for donor advised funds.

- The spending rate is applied to average fund balances for the prior 12 quarters to determine spending levels for the next fiscal year.

- The intent of the policy is to set a maximum amount available for spending for each covered fund, but not to mandate that such an amount be spent. At the time a fund is established, staff reviews with donors the benefits of adhering to the spending policy.

- The spending rate is reviewed annually by our Investment Committee and a recommendation is presented to the Board for approval in June when the budget is approved.