

INVESTMENT SPENDING POLICY #116

Policy Administrator:	Executive Director or designee
Authority:	Section 89900 of the Education Code and Section 42400 of Title 5 of the California Code of Regulations
Effective Date:	09/19/13
Updated:	05/23/19 (approved 06/20/19)
Cross References:	

Policy Statement: The objectives of the CSU Fullerton Auxiliary Services Corporation (ASC) Spending Policy are to (1) maintain the purchasing power of investable funds with respect to inflation and achieving growth of the funds over the long term and (2) provide spendable income at levels which are reasonably stable from year to year. Investment funds in this policy are all investable funds available on a predetermined date in the fiscal year.

Procedures:

Spending Amount is that portion of total return allocated for spending and withdrawn from the investment pool. It shall be calculated as a set percentage of a three-year moving average of the market value of investable assets. Such a policy will allow for greater predictability of the spendable amount for budgeting purposes and for gradual steady growth in spending. In addition, this policy will minimize the probability of erosion of the principle value of investable assets in real terms.

Spending amounts which are allocated annually to individual spending accounts are generally intended to be spent within the immediately following fiscal year. Amounts not spent within the fiscal year can be carried over within the individual spending account subject to review and approval by the Investment Committee

Total Return is the sum of current income or yield (interest and dividends) and realized and unrealized capital gains (or losses), less investment management costs. Total return in excess of the actual spending distribution shall remain invested and shall be considered principle for all future distribution computations. Earning distribution will occur in the first quarter of each fiscal year.

Spending Rule is the guideline used to determine annual distributions from the fund (e.g., spend all income, spend 5% of three-year moving average market value, increase spending by 4% each year, etc.). The spending percentage will be reviewed annually by the Investment Committee and adjusted if market conditions or investment performance warrant. It is the ASC’s goal to distribute annually a minimum net return of three and a half percent (3.5%) of a three (3)-year moving average of the market value of investable assets as established on June 30, each year. Allocations will be proposed by ASC management and approved annually by the Board of Directors.

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