JEWISH COMMUNITY
FOUNDATION OF CALGARY

JCFC Policy on the Distribution and Reinvestment of Annual Investment Income for Permanent Endowments

Background:

The purpose of the Distribution Policy is to provide a framework for the management of endowment funds held by the JCFC. Investment returns can vary significantly from year to year and as a result, so will distributions if all income is distributed annually. Moreover, as the stewards of funds held for the long-term benefit of our community, the Board has a responsibility to preserve the granting power of endowment funds against inflation.

In order to smooth distributions and preserve the real purchasing power of funds, the JCFC is adopting the following guidelines to determine the annual percentage of investment income to be distributed to each endowment fund (to be used for charitable purposes and administrative fees) and the percentage of the investment income that should be added to the Capital of each fund and reinvested as a reserve against inflation. “Capital” means all contributions to the fund including tribute cards and amounts that may be capitalized by the board pursuant to this policy.

This Distribution Policy will be reviewed periodically to ensure that it continues to reflect the Foundation’s requirements and responsibilities in the context of its endowment objectives, taking into consideration the needs of fund holders and grant recipients alike.

This Distribution Policy does not apply to endowment funds subject to written separate agreements with fund holders that set out alternative distribution requirements and arrangements. It is, however, the recommendation of the Board that every fund holder consider reserving a portion of the earned investment income to grow the Capital of endowment and in this way to preserve the granting power of the fund over the long term.

Guidelines:

1. The funds managed by the JCFC are pooled together for investment purposes. Endowment funds are managed as part of this pool: they receive a pro-rated share of the investment income earned and the administrative expenses incurred by the Foundation.

2. On an annual basis, the Board of Directors will use its discretion to establish the level of distribution and reinvestment. In making its decision, the Board will consider the recommendation of the Investment Committee and other factors deemed by the Board as appropriate, including community needs.

3. The recommendation made by the JCFC Investment Committee will take into consideration the investment income earned by the Foundation’s funds in the current and preceding fiscal year(s), the

current rate of inflation as measured by the Canadian CPI and trends in inflation, current market conditions and anticipated market conditions, and any other factors the Investment Committee considers relevant. The recommendation will be presented to the Board for approval at its regular May meeting.

At this time, the Investment Committee believes that the mandate of the JCFC will best be served by adopting a graduated approach to the allocation of earned income as follows:

i. At the end of each fiscal year, earned income up to the first 5% of the Capital (net of investment management fees) should be disbursed to each endowment fund on a prorated basis and be available to be used for the purposes of charitable grants and to pay the administrative fees due to be recovered from that fund.

ii. In years where the earned investment income (net of investment management fees) exceeds the threshold of 5% per (i) above and is less than the threshold set out in (iii) below, that portion of the earned investment income exceeding 5% up to an amount that is equal to the rate of inflation as measured by the Canadian CPI plus 1% should be added to the Capital of each endowment fund to preserve the real long term granting power of that fund.

iii. In years where the earned investment income (net of investment management fees) is greater than 6% plus the rate of inflation, the investment committee believes, in principal, that some portion of the additional earned income should be made available to each endowment fund to be used for granting purposes and that some portion of the additional earned income should be added to the Capital of each endowment fund for reinvestment, the proportion to be determined by the investment committee according to the economic conditions prevailing at that time.

In those circumstances wherein, the prior year(s) investment returns were negative and the current year investment returns (net of investment management fees) are positive, the committee reserves the right to recommend a distribution that is less than the guidelines set out in i, ii and iii above in order to preserve the Capital of endowment funds.

iv. In years where the pooled funds have particularly strong returns, or when there are successive years of strong returns following successive years of moderate returns, the committee will consider recommending that a larger percentage of the earned investment income be withheld and added to the Capital of each fund.

    For example, if the investment income reaches 13% after two years of 4% returns, there would have been no holdbacks to account for inflation for the previous two years. If the inflation rate had been 2% in each of those years, the investment committee would consider recommending that a larger percentage of that year’s earned income be withheld to compensate for the rate of inflation and preserve the real purchasing power of the funds). In this example, the committee might recommend that 6% be withheld and added to the Capital of each fund and that 7% be disbursed to each fund to be used for granting purposes and to cover administrative expenses.

The Investment Committee will review these guidelines regularly to ensure that they remain consistent with the mandate of the JCFC and the needs of grant recipients.

4. Underwater Endowments. If the endowment market value at fiscal year end is less than the Capital, that fund will not be eligible to make a charitable distribution in the following fiscal year. All income earned by the fund will be reinvested back into the endowment until the Capital has been rebuilt. This guideline will not apply to endowment funds subject to specific gift agreements with fund holders that set out alternative distribution requirements and arrangements.

Standard of Care:

The amount of money available for each endowment fund to disburse for charitable purposes in any one year will depend upon the income earned on investments held by the Foundation, the Foundation's operating expenses, and the disbursement percentage adopted by the Board of Directors of the Jewish Community Foundation of Calgary.

It is recognized that the need to maximize the amount of money available to each fund to be used for immediate charitable purposes and the need to preserve the real purchasing power of the endowment pool over the long term are inherently in competition, and that the Board of Directors must exercise its discretion each year in setting the level of distribution and reinvestment of the annual investment income.

The standard of care applied to the Distribution Policy shall be the care, diligence and skill that a prudent person would exercise in dealing with the property of another person.

The Current Distribution Policy Reflects the following Approvals and Amendments:

Adopted May 2015

Amendment Approved by the JCFC Board, October 20th, 2015

Amendment Approved by the JCFC Board, September 28, 2016

Amendment Approved by the JCFC Board, January 18, 2017

Approved without amendment by the JCFC Board May 27th, 2020

Amendment Approved by the JCFC Board, September 28, 2022