Here for Good
Community Foundation
for Monterey County

Uniform Prudent Management of Institutional Funds Act (UPMIFA) Policy

Established April, 28, 2009

Community Foundation for Monterey County

Background and Statement of Philosophy

The Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in California in August, 2008, gives fiduciaries more latitude in setting spending policies than its predecessor, UMIFA. UMIFA stipulated that any fund that dropped below its "historic dollar value" (the total of all contributions to the fund principal) had to revert to paying only the fund's net income from the previous year until the fund recovered to its original principal value. The concept of "historic dollar value" was eliminated from the UPMIFA law in order to give a prudent fiduciary the option of spending more than the interest, dividends, and accumulated appreciation of an endowment fund, even in periods of reduced principal value. The seven factors that prudent managers need to consider were reiterated in UPMIFA, including the preservation of principal and protection of donor intent.

POLICY

I. FOR ENDOWMENT FUNDS ABLE TO MAKE FULL PAYOUTS

For permanent endowments that have enough accumulated interest, dividends, and appreciation to make the annual payout set by the Board of Directors, we recommend that we continue to calculate the payout based on the rolling average 12-quarter fair market value of the fund as of September 30th each year. If a fund has not been in existence for the full 12 quarters, we will calculate the average FMV based on the number of quarters that we have held the fund.

II. FOR ENDOWMENT FUNDS THAT HAVE LESS THAN THE ORIGINAL PRINCIPAL VALUE

Any fund whose principal value (the sum of all original contributions made to it, with no inflation adjustment) drops up to 5% below its original value will still be able to make the full board-approved payout (i.e., 5% for 2009), using the rolling average 12-quarter market value.

Any fund that drops more than 5% but no more than 10% below its original principal value will make half of the board-approved payout (or 2.5% for 2009) until it recovers to at least 95% of its original value. At that point, the fund will qualify for the full board-approved payout.

Any fund that drops more than 10% below its original principal value will revert to paying out only the net income (if available) until it recovers to at least 90% of its original value.