	Previous FFE Policy **Admin Guide 3.1.2 University Funds**	**New FFE Policy** **Approved 6/8/16** **(attached)**	**Changes**
Applicability[1]	FFE established prior to 9/1/16	FFE established after 9/1/16	
Approval	Dean or Dept. chair, and School's Senior Finance Officer	Dean or Dept. chair, and School's Senior Finance Officer	No change
Minimum investment	i) $100k-500k ii) $500k+	i) Initial investment minimum: $1M ii) Subsequent "new" addition in increments of $250k (excluding reinvestment of payout)	Increased threshold for creation of FFE
Lockup period	i) $100k-500k: 20 years ii) $500k+: 5 years	i) Funds established on or after 9/1/2016: 7 years ii) Grandfathered funds established prior to 9/1/2016: 5 years	Increased lock up period
Withdrawal Amount limitation (per fiscal year)	None	i) Funds established on or after 9/1/2016: Greater of $5M or 10% of the fund's market value after meeting lock-up period. ii) Grandfathered funds established prior to 9/1/16: No limit.	New withdrawal limitations for FFE established after 9/1/16
Withdrawal Approval	i) $5M+ requires BoT approval, executed through University CFO's office ii) $500k-$5M requires approval of School financial officer, University CFO or Provost iii) Smaller amounts can be withdrawn if entire balance is being withdrawn	i) Withdrawal requests of $5M or 10% of the fund's market value require approval of School financial officer, University CFO and Provost ii) Withdrawal requests falling outside the $5M or 10% require BoT approval	All withdrawal requests require CFO and Provost approval
Notice periods	Once approval obtained, 60 days notice to Fund Accounting	Minimum notice to CFO for withdrawal requests: i) Up to $150M – 90 days ii) $150M-$250M – 150 days iii) Greater than $250M – 270 days	New notice periods, applicable to all FFE funds i.e. established prior to and after 9/1/16

[1] New policy does not address term endowments; assume withdrawals per donor; or, if not specified, subject to same withdrawal limits as other funds

June 16, 2016

Funds Functioning as Endowment Policy
Adopted by the Board of Trustees June 9, 2016

This policy supersedes all prior Trustee policies with respect to "Funds Functioning as Endowment (FFE)".

Background

The Board of Trustees has the power to authorize that expendable funds be treated as quasi-endowment or FFE, and to authorize that FFE be turned back into expendable funds. Historically, the Trustees have delegated authority to convert expendable funds into FFE to a variety of University officers, and to the Provost and the Chief Financial Officer, acting jointly, to convert FFE of up to $5 million back to expendable funds. The most recent revision of these delegations was approved by the trustees in June 1999.

Nearly all FFE are invested in the Merged Pool (MP), the primary long-term investment vehicle for University investments. There are many different shareholders in the MP, including permanent endowment funds, FFE, the Expendable Funds Pool (EFP), School and Department Funds, Donor Advised and Pending Funds, Living Trusts, and funds invested on behalf of others, like the Stanford Health Care and Lucile Packard Children's Hospital at Stanford.

Investors in the MP are expected to view their investments as very long term, if not permanent capital. This is what allows the Stanford Management Company to avoid holding cash and other highly liquid investments, and instead invest the capital of the Merged Pool in higher yielding asset classes. Schools and departments that expect to use their capital within a few years should not expose their funds to the MP's near-term market risk.

Conversion of Expendable Funds to FFE

Expendable resources (both restricted and unrestricted per internal reporting definitions) may be converted to FFE at the request of any internal University unit (department, school, etc.). Requests from a school or academic department must be approved by both the Dean or Chair, and the school's Senior Financial Officer. Requests from an auxiliary must be approved by a University Vice Provost or Vice President. Requests from an administrative unit must be approved by the Provost. Requests to approve the creation of FFE involving gift funding must also be reviewed by the Office of Planned Giving.

Minimum Investment Amounts, Lock-up Periods, and Notification Requirements

FFE invested in the MP are expected to be viewed much like permanent endowment. Accordingly:

- The minimum investment in a new FFE is $1,000,000 and the minimum addition to an existing FFE is $250,000.
- Any investment of capital made on or after September 1, 2016, is subject to a 7-year "lock-up" period, during which it cannot be redeemed.
- Any investment made prior to September 1, 2016 is subject to the previous 5-year lock-up period, during which it cannot be redeemed.

FFE invested in the MP after September 1, 2016 are also subject to an annual withdrawal limit, which is the greater of:

- $5 million, or
- 10% of an individual fund's market value

The 10% limit will be calculated as 10% of the fund's market value which is eligible for withdrawal at the time the request is made, less any amount that has been redeemed or is pending redemption during the same fiscal year.

All requests to withdraw FFE are subject to the following minimum notification requirements:

- Up to $150M – 90 days
- $150M - $250M – 150 days
- Greater than $250M – 270 days

Fundholders may elect to reinvest payout in their FFE, even if the amount is less than the minimum for new principal investments.

Conversion of FFE to Expendable Funds

The Provost and the University's Chief Financial Officer are jointly authorized to approve FFE withdrawal requests which adhere to the withdrawal limits outlined above. Any redemptions which exceed the annual withdrawal limits require Board of Trustees approval.