Investment Pools and Endowment Types

At the University of Minnesota, endowments are combined or “pooled” for investment purposes and invested with external investment advisors. Two fund pools exist for endowments: Consolidated Endowment Fund (CEF) and Group Income Pool (GIP).

Monies are deposited into a fund by buying shares in the fund (CEF or GIP). The shares are said to “participate” in the fund. CEF and GIF differ in their investment objectives and restrictions. CEF is the predominant fund and is also referred to as the “Endowment” fund. The table compares the pools.

<table>
<thead>
<tr>
<th>Endowment Source</th>
<th>Consolidated Endowment Fund (CEF)</th>
<th>Group Income Pool (GIP)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public and private sources (e.g., gifts, royalties, MN State).</td>
<td>UM Long-term Reserves (e.g., excess departmental funds). <strong>Should be invested for at least three years</strong>; initial twelve-month lock-up period; minimum deposit $25,000.</td>
</tr>
</tbody>
</table>
| Allowable Endowment Types **(See Side B for explanation of endowment types.)** | • True  
• Quasi-Restricted  
• Quasi-Unrestricted  
• Term  
• Life | • Quasi-Restricted  
• Quasi-Unrestricted |
| Primary Investment Objectives | Maintain the purchasing power of the fund and maximize total return, with acceptable risk parameters. | Maximize total return and preserve principal until the principal is to be spent on the intended use. |
| Income Distribution Frequency | Quarterly:  
• September 30  
• December 31  
• March 31  
• June 30 | Quarterly:  
• September 30  
• December 31  
• March 31  
• June 30 |
| Receipt of Income Distribution | Income may be either one or both of these options:  
• Reinvested (into a Quasi-Restricted/Quasi-Unrestricted endowment).  
• Distributed to an EFS account. | Income may be either one or both of these options:  
• Reinvested (into a Quasi-Restricted/Quasi-Unrestricted endowment).  
• Distributed to an EFS account. |

**SPECIAL SITUATIONS**

Participation in GIP requires a $25,000 minimum. All non-sponsored accounts in the investment pool must have positive aggregate balances. If the balance falls below the minimum, the balance must be brought up to $25,000 in two months or participation ceases.

Quasi endowments will not be established for amounts under $25,000, except to invest income from a True endowment.
ENDOWMENT TYPES

In total, there are five types of endowments at the University of Minnesota, each defined by the degree of principal and income distribution which is allowed according to the donor’s stipulated intentions. For example, an endowment donor may have stipulated that the endowment’s investment income may only be spent to sponsor a faculty member. These faculty members are “endowed chairs.” The endowment would be set up as a “True endowment.”

<table>
<thead>
<tr>
<th>Endowment Type</th>
<th>Principal</th>
<th>Income Distribution</th>
<th>Typical Funding Source</th>
</tr>
</thead>
</table>
| True           | Can never be spent. | Can be spent for a designated purpose stipulated by the donor. | • Gifts  
• PUF Matches |
| Quasi-Restricted | Can be spent for a designated purpose; normally is an endowment set up to reinvest unspent distributed income from a True endowment. | Can be spent for a designated purpose stipulated by the donor. | • Reinvested Earnings  
• Restricted Gifts |
| Quasi-Unrestricted | Some endowments in this category have a designated purpose; most do not. Can be spent for a designated (if specified) or any purpose. | Can be spent for a designated purpose if specified, or any purpose if none was specified. | • Royalties  
• Unrestricted Gifts |
| Term           | Can be spent at the end of the designated term for the designated purpose. | Can be spent for a designated purpose. | • Gifts |
| Life           | Can never be spent. | Paid to donor or donor designee or combination thereof for the life of the recipients or for a fixed period of time. Thereafter, becomes a True endowment. | • Gifts |