



SUBJECT	Main Endowment Pool Spending Rate FY2026
SUBMITTED TO	Finance Committee
MEETING DATE	November 20, 2024
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	APPROVAL REQUESTED IT IS HEREBY RESOLVED that the Finance Committee recommends to the Board of Governors approval of retaining the endowment spending rate at 4.0% for Fiscal Year 2026 for the Main Endowment Pool.
LEAD EXECUTIVE	Frank Laezza, Vice-President Finance & Operations
SUPPORTED BY	Yale Loh, Treasurer Doug Cheung, Director, Treasury

PRIOR SUBMISSIONS

The subject matter of this submission was previously considered by the Board of Governors on [November 20, 2023 \(OPEN SESSION\)](#) – Main Endowment Pool Spending Rate FY2025.

EXECUTIVE SUMMARY

In accordance with the Endowment Management Policy (FM5), the spending rate for each of the endowment pools is established by the Board of Governors annually based on advice from the Administration and UBC Investment Management. In addition to the annual review, an asset mix review is conducted every three to five years by UBC Investment Management to assess the ability to preserve intergenerational equity, the outlook for long term investment returns and ultimately the spending rate.

UBC Investment Management conducted the last asset mix review in 2021. Given the cyclical nature of financial markets, aggregate stabilization ratios are expected to vary over shorter periods but to generally trend towards the 105% target range over the long term. As at September 30, 2024, there were 3,938 endowment funds in the Main Endowment Pool (“MEP”) with an aggregate stabilization ratio¹ of 115% versus 3,872 endowment funds at 109% as at September 30, 2023. Strong investment returns for the MEP had a positive impact on the stabilization ratio as financial markets continued to rebound.

Date	Number of Endowments ¹	Inflation Adjusted Capital Account	Stabilization Account	Aggregate Stabilization Ratio
31-Mar-21	3,700	1,209,314	227,441	118.80%
31-Mar-22	3,771	1,317,498	232,345	117.60%
30-Sep-22	3,800	1,362,452	133,605	109.80%
30-Sep-23	3,872	1,483,799	135,820	109.20%
30-Sep-24	3,938	1,567,560	234,177	114.95%

¹ Excludes TREK and Killam Endowment Funds

¹ The stabilization ratio is defined as the ratio of the market value of assets to inflation-adjusted value of endowment capital for an individual endowment. The aggregate stabilization ratio is calculated using the aggregate market value and inflation adjusted capital in consideration of the entire endowment.

As part of the spending rate analysis, UBC Investment Management conducts economic and climate scenario analysis to test the impact of stressed environments on the MEP's aggregate stabilization ratio. It should be noted that a scenario of persisting elevated levels of inflation and/or declines in financial markets may threaten the sustainability of the current spend rate for future years beyond FY2025 and may require the Board of Governors to consider other options. Developments will continue to be closely monitored and reported to the Board of Governors.

Given the aggregate stabilization ratio of 115% at September 30, 2024 remains above the target range, management believes that retaining the existing spending rate of 4.0% for FY2026 is appropriate, balancing the financial health of the endowment and the ongoing uncertainty around the short-to-medium term level of inflation and investment market returns. It is recommended that a spend rate of 4.0% for FY2026 be approved. The MEP spend rate will continue to be reviewed on an annual basis, while the stabilization ratio of the MEP and financial markets are monitored closely by UBC Finance and UBC Investment Management through the year.
