

**Consolidated Endowment Fund Investment Policy
Schedule of Significant Changes
From Policy Draft Approved June 20, 2008**

Consolidated Endowment Fund Investment Policy:

1. Article III. Duty of Loyalty and Standard of Care

- a. A statutory reference to applicability of UPMIFA was added.
- b. Although not a change it should be noted that the “prudent expert” standard applies all fiduciary functions and that decisions shall be based on the “best financial interest of the fund.”

2. Article IV. Principles and Considerations for Fund Management and Investment

- a. The statements were reordered alphabetically.
- b. A subsection was added addressing consideration of *Charitable Purposes* of the Foundation and the fund as well as documented donor intent.
- c. A sentence was added under *Distributions* addressing relevant factors to be considered when making investment and spending decisions.
- d. The subsection regarding *Inflation* was revised by indicating that the CPI (Consumer Price Index) would be utilized rather than HEPI (Higher Education Price Index) in setting the Target Rate of Return for the portfolio.
- e. The subsection regarding *Liquidity* was revised by indicating that the liquidity concerns or requirements would be considered modest rather than low.
- f. Added a statement regarding the responsibility for *Verification of Facts*.

3. Article V. Target Rate of Return

A statement was added requiring the Committee to make a good faith effort to preserve intergenerational equity by providing for a reasonable rate of inflation in setting the Target Rate of Return.

4. Article VIII. Portfolio Performance Benchmarks

- a. For *Policy Benchmark 2* regarding performance and *Policy Benchmark 3* regarding portfolio risk the equities allocation was increased from 65% to 80% and the fixed income allocation reduced from 30% to 15% to better reflect the amount of forecasted risk required to support the portfolio. (Reference 3 includes a graph of the forecasted risk required to produce an 8% return each year from 1991 through 2010. It reflects the substantial increase in the estimated risk required today vs. ten years ago to earn an expected 8% return.)

5. Article IX. Delegation and Assignment of Duties and Authority (Subsection 4g)

The requirement to engage an investment consultant to review fees was revised to upon request rather than annually due to the high cost of the analysis relative to the potential savings.

6. Article XII. Management of Funds

- a. The statements were reordered alphabetically.
- b. *Investment Earnings*: deleted the statement that earnings will be allocated in accordance with guidelines approved by the Committee because the earnings are allocated based on the provisions of the Consolidated Fund Agreement.
- c. *Permanently Restricted Net Assets*: added a definition of permanently restricted net assets in order to comply with accounting and reporting requirements.
- d. *Quasi Endowment Fund*: Added a definition of a quasi endowment fund in order to help distinguish endowments created by the Board of Trustees from those created by donors, the Board of Regents or other independent parties.
- e. *Term Endowment*: added definition of a term endowment.
- f. *True Endowment*: added definition of a true endowment.
- g. *Underwater Endowment*: added definition of an underwater endowment.

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

(As Approved _____)

I. INTRODUCTION AND PURPOSE

The University of Alaska and University of Alaska Foundation Consolidated Endowment Fund (the “Fund”) was established effective July 1, 1997 in order to enhance the management of the University of Alaska’s Land Grant Endowment Trust Fund held by the Board of Regents and the Pooled Endowment Funds held by the University of Alaska Foundation (the “Foundation”). The Fund is maintained and operated by the Foundation pursuant to the Consolidated Endowment Fund Agreement, by and between the University of Alaska Board of Regents (the “BOR”), the University of Alaska (the “University”) and the University of Alaska Foundation Board of Trustees (the “BOT”). This Investment Policy (this “Policy”) establishes an investment framework that reflects the investment management philosophy of both the BOR and BOT (collectively the “Boards”), thereby providing the University of Alaska Foundation Investment Committee (the “Committee”) with a guide for investment of the Fund. The Fund consists of the investable resources of the University Land Grant Endowment, its related Inflation-Proofing Fund, the Foundation’s Pooled Endowment Fund, and such other funds as the University’s Chief Finance Officer or Foundation’s Treasurer (the “Treasurer”) invests in the Fund.

II. SCOPE OF THIS POLICY

This Policy governs the investment activities of all assets owned or managed within the Fund. It is intended to be interpreted liberally so that the investment strategies employed can be accomplished effectively and efficiently.

III. DUTY OF LOYALTY AND STANDARDS OF CARE

The Boards, the Committee, the Treasurer, and others serving in a fiduciary capacity for the Fund are subject to compliance with AS 13.70.010 – 13.70.095 and AS 37.10.071. As such, the prudent investor (expert) standard applies to all fiduciary activities and each fiduciary shall exercise his or her fiduciary duties in the sole financial best interests of the Fund and treat all beneficiaries with impartiality. For all other matters related to the Fund, the prudent person standard shall apply to the Boards, Committee, Treasurer and University and Foundation staff.

IV. Principles and Considerations for Fund Management and Investment

The Primary Investment Goal of the Fund is to provide a real rate of return (total return minus investment expenses, administrative fees and inflation) sufficient to support the purposes of the various endowments that make up the Fund in perpetuity. Of paramount concern is the preservation of the value of the assets in real terms in order to maintain the

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

purchasing power of the funds for support of the University without eroding the real, long-term value of the corpus.

The greatest investment risk for the Fund is the probability of not meeting its Primary Investment Goal. Therefore, in order to minimize this risk the Committee will consider in all aspects of its investment decision-making process (1) the probability of missing the objective and (2) the asset allocation, which is the primary determinant of long-term performance. Achievement of the Primary Investment Goal and management of funds will be driven by the core principles and considerations listed below.

Charitable Purpose: Endowment management and investment decisions shall be made with consideration to the purposes of the institution and the participating fund(s) and documented donor intent.

Distributions (Spending Allowances): Distributions from the endowment funds shall be made in accordance with spending policies adopted for the particular endowment or class of endowments by the responsible Board. In making such distributions and managing endowments the responsible board shall consider the duration and preservation of the fund, the purposes of the institution and the fund, the general economic conditions including inflation and deflation, the expected total return, other resources of the institution, and the applicable investment policies.

Diversification: The likelihood of realization of the Primary Investment Goal is enhanced substantially through diversification and the reduction of risk; therefore, the Committee will diversify assets among various classes of investments and managers.

Fees and Expenses: Fees and expenses may cause a significant drag on returns and appreciation, which can limit the Boards' ability to attain the Primary Investment Goal; therefore, the Committee will monitor fees and expenses associated with investment activities on an annual basis and incur only costs that are appropriate and reasonable.

Inflation: The Consumer Price Index shall be used as the basis for determining the real rate of return, attainment of the Primary Investment Goal, and for setting the Target Rate of Return and Target Asset Allocation.

Liquidity: The Fund has relatively modest cash outflow requirements; therefore, excessive amounts of liquidity are not required and modest portions of the Fund may be invested in non-liquid investments.

Time Horizon: The Fund has an infinite life; therefore, investment strategies may take a long-term perspective.

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

Total Return: The Boards have adopted a “Total Return” approach to managing endowments, unless otherwise directed by the donor; therefore, the Committee will manage the Fund’s investments without regard to the distinction between current income and net realized or unrealized gains and losses, and will emphasize returns net of fees when assessing overall performance of the Fund and recommending spending rates.

Verification of Facts: A reasonable effort shall be made to verify facts relevant to the management and investment of funds.

Volatility: The Primary Investment Goal can best be achieved by assuming acceptable risk levels commensurate with long-term market volatility; therefore, the Committee will measure and seek to limit the overall level of volatility to an acceptable level as it makes specific asset allocation decisions.

V. TARGET RATE OF RETURN

The Committee shall periodically review, no less frequently than annually, and modify the Target Rate of Return as considered necessary by the Committee. In setting the Target Rate of Return the Committee shall make a good faith effort to preserve intergenerational equity by providing for a reasonable rate of inflation, the expected spending rate, administrative fees, and expenses charged to the Fund, as well as, any planned real portfolio growth from investment earnings. (See the Attachments to this Policy for the most recent assumptions regarding the Target Rate of Return.)

VI. TARGET ASSET ALLOCATION

A significant portion of a portfolio’s investment behavior can be attributed to the asset classes which are employed and the weighting of each asset class; therefore, a major responsibility of the Committee is the determination of the Target Asset Allocation.

The Committee shall identify the Target Asset Allocation that it believes will offer a reasonable probability of achieving the Fund’s investment objectives within a framework of commonly accepted risk factors and this policy. The Committee shall periodically review capital market conditions, the universe of investment options, the current asset allocation, and recommend revisions to the Target Asset Allocation as it considers necessary.

The Treasurer shall conduct an asset allocation analysis for review by the Committee at least annually to determine if modifications are appropriate.

(See the Attachments to this Policy for the most recent target asset allocation.)

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

VII. ASSET ALLOCATION REBALANCING

The asset allocation shall be rebalanced regularly to minimize extraordinary deviations. The asset allocation shall be rebalanced through investment of new contributions and reinvestment of other cash flows to the extent practicable, and through or by such other means as directed by the Treasurer.

The Treasurer shall report to the Committee each quarter any uncorrected variances from the Target Asset Allocations (those deviations that are outside of the pre-authorized asset allocation variance bands) and the plan to correct such deviations. The approved asset allocation variance band for each of the major asset allocation categories shall be 20% of the subject major asset allocation category or 3% of the total Fund, whichever is less.

VIII. PORTFOLIO PERFORMANCE BENCHMARKS

Performance of the Fund will be measured by several benchmarks in order to evaluate attainment of its Primary Investment Goal, the performance of the Fund relative to its peers, and the impact of asset allocation and active management, as follows:

Policy Benchmark 1: Baseline performance at the compounded Target Rate of Return for rolling five year periods (Primary Investment Goal);

Policy Benchmark 2: Baseline performance of a Policy Benchmark Portfolio consisting of 80% Russell 3000, 15% Lehman Aggregate, and 5% 30-day Treasuries for the relevant periods;

Policy Benchmark 3: Baseline risk adjusted returns (Sharpe Ratios) for a Policy Benchmark Portfolio consisting of 80% Russell 3000, 15% Lehman Aggregate, and 5% 30-day T-Bills for the relevant periods;

Peer Benchmark 1: Baseline performance of the Callan Endowment- Foundation Universe or other appropriate peer group for the relevant periods;

Peer Benchmark 2: Baseline risk adjusted returns (Sharpe Ratios) of the Callan Endowment- Foundation Universe or other appropriate peer group for the relevant periods;

Peer Benchmark 3: Annual baseline performance of the compounded, equal weighted, average nominal return for endowment funds in the \$100 to \$500 million classification participating in the NACUBO - Commonfund Study of Endowments (NCSE) for the relevant periods;

Target Benchmark: Baseline performance of a weighted benchmark portfolio at the target asset allocation for relevant periods.

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

IX. Delegation and Assignment of Duties and Authority

Effective and cohesive relationships between the Boards, the Committee, Treasurer and staff, other committees and external advisors and managers are important to fulfilling the purposes of this Policy and the Fund. The major duties and responsibilities of the parties as determined by the Boards are assigned and delegated as presented herein. Authority to carry out duties delegated and assigned to the Committee and the Treasurer may be further delegated to qualified members of the Foundation's staff.

1. Responsibilities of the Boards:

- a. Maintaining the overall stewardship of the Fund in accordance with the Consolidated Endowment Fund Agreement, AS 13.70.010 – 13.70.095 and AS 37.10.071, as they may be amended or restated from time to time;
- b. Adopting the policies needed for the prudent investment and administration of the Fund;
- c. Delegating and assigning duties and authority to the Committee, the Treasurer and other fiduciaries;
- d. Reviewing the performance of the Fund and activities of the Committee on a regular basis.

2. Committee Responsibilities:

- a. Ensuring that the assets of the Fund are managed in a manner that is consistent with this Policy;
- b. Developing and making recommendations to the Boards regarding investment policies and objectives, spending rates and other related matters that support the purposes of the participating endowments;
- c. Directing the engagement of investment advisors and managers;
- d. Establishing Target Asset Allocations consistent with meeting the objectives and risk tolerances described in this Policy;
- e. Approving the classes of investments that are acceptable investments for the CEF (See the attachments to this Policy);
- f. Approving the level of commitments to future investments as considered appropriate by the Committee (See the attachments to this Policy);
- g. Selecting and directing investment advisors;

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

- h. Approving guidelines and procedures for selection and monitoring of managers (See the attachments to this Policy.);
- i. Approving the selection of managers;
- j. Approving investment mandates and guidelines for separate account managers and performance benchmarks for all managers (See attachments to this Policy);
- k. Reviewing and evaluating investment results and directing implementation of corrective action by the manager or relevant party as may be considered necessary by the Committee;
- l. Advising other committees and the BOT regarding return expectations and spending allowance rates;
- m. Making timely reports to the Boards regarding investment results, material events affecting the Fund, and Committee activities and actions;
- n. Reviewing this Policy periodically and making recommendations for modifications to the Boards as may be considered necessary by the Committee.

3. Treasurer Responsibilities

- a. Performing all duties necessary for the efficient administration of the Fund that have not been delegated or assigned to the Committee;
- b. Executing directives of the Committee and actions authorized by this Policy;
- c. Recommending advisor and manager selections and terminations;
- d. Preparing asset allocation analyses and recommending changes in allocations;
- e. Supporting the activities of the Committee and maintaining communications with and between the Committee, advisors, managers, and custodians;
- f. Timely evaluating and reporting to the Committee on manager and investment performance;
- g. Annual evaluation and reporting on investment fees and costs to the Committee;
- h. Reporting to the Committee any litigation or violations of applicable laws or regulations involving the Foundation, advisors or managers that come to the Treasurer's attention;
- i. Recording investment transactions in the Foundation's financial system, reconciling investment statements with the Foundation's financial records, and reporting investment activity on the Foundation's financial statements;

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

- j. Reviewing manager due diligence performed by the advisors and conducting independent due diligence reviews of selected managers as may be considered necessary by the Treasurer or the Committee;
- k. Reviewing private placement memorandums, partnership agreements, and other documentation, and seeking legal or other advice as may be considered necessary by the Treasurer;
- l. Executing and submitting subscription agreements, contracts, and redemption requests associated with new investments, partial or complete redemptions, and manager terminations;
- m. Providing the current Policy and investment guidelines and mandates to managers;
- n. Monitoring audit standards and regulations concerning the financial and tax reporting of investments and creating systems and procedures required to insure compliance with external reporting requirements;
- o. Managing portfolio cash inflows and outflows and calls and distributions to provide liquidity and minimize holding of excessive cash;
- p. Developing guidelines and procedures for manager selection and monitoring;
- q. Executing account agreements with banks, investment managers and other entities;
- r. Assigning specific investments to classes or authorized categories of assets for asset allocation and performance evaluation purposes;
- s. Taking any other actions not specified above as may be directed by the Committee or deemed necessary or desirable by the Treasurer for the efficient administration and protection of assets of the Fund.

4. Advisor Responsibilities:

- a. Recommending changes in investment strategy, asset allocation, and engagement of managers;
- b. Recommending revisions to investment policies, objectives, and guidelines;
- c. Providing background information on managers (including searches and due diligence reviews), asset classes, investment products and funds;
- d. Performing due diligence reviews periodically according to the advisor's standard practices;
- e. Preparing performance evaluation reports quarterly;

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

- f. Attending Committee meetings, as requested, to present quarterly market analysis and performance reports;
- g. Preparing an analysis of manager and custodian fees and other investment costs upon request;
- h. Providing research on specific issues and opportunities, and assisting the Committee, Treasurer and staff with special projects;
- i. Advising the Committee and Treasurer on rebalancing decisions regarding the portfolio;
- j. Monitoring managers for adherence to mandates and guidelines and reporting to the Treasurer significant deviations that may come to the attention of the advisor;
- k. Notifying the Treasurer of any significant changes in personnel or ownership, litigation or violation of laws or regulations, or negative events regarding the advisor or a manager which may come to the attention of the advisor;
- l. Providing the Committee and the Treasurer the advisor's capital market assumptions;
- m. Developing and recommending investment guidelines and benchmarks for specific managers and mandates;
- n. Assisting in the education of the Committee, the Treasurer and staff.

5. Manager Responsibilities:

- a. Executing their assigned investment mandates or strategies within the guidelines approved by the Committee;
- b. Providing written documentation of portfolio activity, portfolio valuations, performance data, reconciliation to custodian reports if applicable, and portfolio characteristics no less frequently than quarterly or as otherwise may be directed by the Committee or the Treasurer;
- c. Voting proxies for the securities as may be directed by the Treasurer;
- d. Providing the Treasurer annually with a copy of the manager's form ADV Part II and a copy of its annual report, SAS 70 report if applicable, audited financial statements, valuation procedures, and/or copies of updated prospectuses or offering memoranda as may be applicable;
- e. Notifying the Treasurer immediately of any violations of applicable laws and regulations, litigation, key staff or ownership changes, or other material events;

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

- f. Participating with the Treasurer and Committee in meetings, upon request, to address investment strategies, performance results and other matters of interest.

6. Custodian Responsibilities:

- a. Providing timely reports detailing investment holdings and transactions monthly to the Treasurer and advisor;
- b. Providing an annual summary report to the Treasurer and the advisor within 30 days following each fiscal year end, June 30 that includes the following:
 - Statement of all investments of the Fund held by the Custodian,
 - Statement of all assets received on behalf of the Fund,
 - Statement of all sales, redemptions, and principal payments,
 - Statement of all withdrawals from the portfolio,
 - Statement of all fees and expenses charged,
 - Statement of all purchases, and
 - Statement of all income;
- c. Providing most recent SAS 70 report and such other reports as may be requested by the Committee, the Treasurer or the advisor;
- d. Providing all customary custodial functions including, without limitation, security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, daily investment of cash, etc.

X. PERFORMANCE EVALUATION OF ADVISORS

Advisors shall be reviewed periodically based on the following criteria as considered applicable by the Committee:

- Continuity of personnel and practices of the firm;
- Communications with the Committee;
- Perceived adherence to the philosophy and standards, which were articulated when retained;
- Perceived performance of due diligence and monitoring functions of the managers, including timeliness of reports and presentation style;
- Perceived helpfulness of the advice and other input to the decision making process; and
- Assistance provided to staff in accomplishing their activities.

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

XI. PERFORMANCE EVALUATION OF MANAGERS

Each manager or investment fund will be reviewed quarterly based on the following as considered applicable by the Committee:

- The manager's or fund's return relative to the benchmark assigned by the Committee and relative to the manager's or fund's peer group (The evaluation shall consider returns on both an absolute and risk adjusted basis, if practicable);
- The advisor's assessment of the manager's conformance to its mandate or the strategy for which it was selected;
- The advisor's assessment of the continuity and depth of the manager's investment and risk management staff;
- The manager's responsiveness to inquiries and requests for information and assistance by staff; and
- The Treasurer's assessment of the manager's fulfillment of the responsibilities identified in subsection IX.5 of this Policy.

XII. MANAGEMENT OF FUNDS

Alaska Preference: Preference shall be given to Alaska depositories, brokers and investment managers when all other considerations are equal.

Active vs. Passive Management: The Committee shall periodically review the advantages of passive relative to active investment management in the context of reduced management expenses, stable performance, and constant and complete exposure to the particular asset class relative to the expected excess return that may be provided by an individual manager.

Fiscal Year: The fiscal year for the Fund shall be July 1 through June 30.

Investment Committee or Committee: The Investment Committee as described in Section 5 of the Consolidated Endowment Fund Agreement.

Investment Earnings: Investment earnings and losses (net of investment fees and costs) shall be allocated proportionately to each participating fund based on their relative interests in the Fund during the respective period.

Permanently Restricted Net Assets: The fair value of the original and subsequent gifts to a permanent endowment and accumulations to that endowment accumulated in accordance with the applicable gift instrument.

Quasi-Endowment Fund: A fund that functions similar to an endowment, but is established or designated by authority of the Board of Trustees rather than a donor or other independent party.

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

Related Party Transaction: The Fund will not loan funds or securities to the University, the Foundation or related parties, including their officers, members of the Committee or Boards, employees, donors or affiliated entities either current or prospective.

Securities Lending: Investment managers or the custodian, may engage in securities lending, or the “loan” of the Fund’s securities in return for interest, to broker dealers as a means of enhancing income only pursuant to approval of the Committee.

Term Endowment Fund: A fund that functions similar to an endowment fund except that at some future time or upon the occurrence of a specified future event the funds originally contributed become available for expenditure.

True Endowment: A fund that is not wholly expendable by the institution on a current basis under the terms of a gift instrument or other record.

Underwater Endowment: An endowment fund which has negative accumulated earnings (accumulated distributions and losses exceed accumulated earnings).

XIII. CONFLICTS OF INTEREST

All Committee members, the Treasurer and staff responsible for making or advising on investment decisions shall comply with the Foundation’s Conflict of Interest Policy and all persons providing advice to the Committee or the Boards on investment matters shall disclose at the beginning of any discussion or consideration of any investment issue, any relationships, material beneficial ownership, or other material interest(s) which the person has or may reasonably be expected to have, with respect to any investment issue under discussion or consideration. The Committee member may recuse himself or herself from the decision making process or the Committee Chair may require such persons to remove themselves from the process. All such disclosure shall be recorded in the minutes of the respective meeting.

Any member of the Committee or individual responsible for making or providing advice to the Committee on investment matters shall refuse any remuneration, commission, gift, favor, service or benefit that might reasonably be perceived to influence them in the discharge of their duties, unless disclosed in writing to the Committee Chair. Failure to disclose any material benefit may be grounds for disciplinary action including removal from the Committee. This provision shall not preclude the payment of ordinary fees and expenses to the Foundation’s custodians, investment managers, or advisors in the course of their services on behalf of the Foundation.

University of Alaska & University of Alaska Foundation Consolidated Endowment Fund Investment Policy

XIV. Committee Approved Attachments

The Investment Committee shall include, as attachments to this Policy, procedures and other documents that the Committee has adopted or determined to be relevant to implementation or interpretation of this Policy.

1. The Uniform Prudent Management of Institutional Funds Act (AS 13.70.010 – 13.79.095)
2. Investment Powers and Duties (AS 37.10.071)
3. Manager Selection and Termination Guidelines
4. Manager Due Diligence Guidelines
5. Current Target Rate of Return
6. Current Target Asset Allocation
7. Commitments to Future Investments (See Preliminary Quarterly Performance Reports)
8. Manager Mandates, Guidelines, and Benchmarks (Pending)



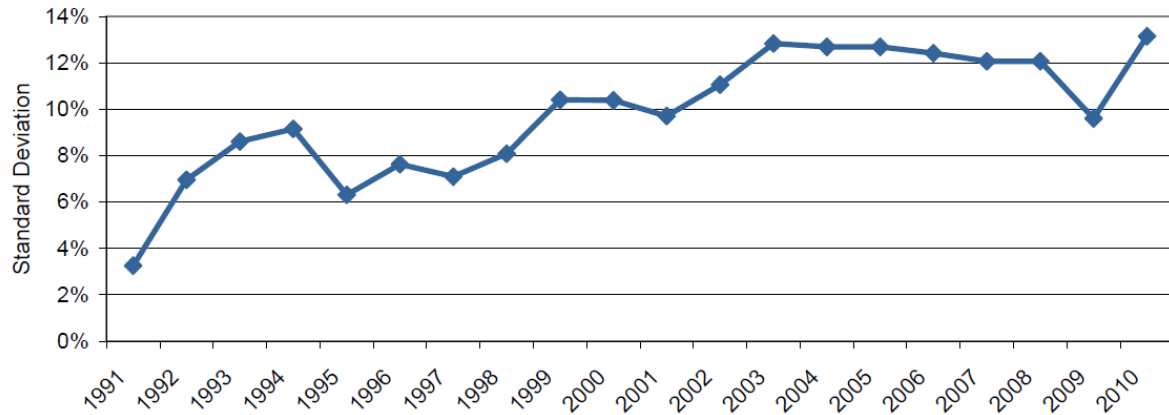
Risks for 8% Mixes

CALLAN

INVESTMENTS

INSTITUTE

Historical Projected Standard Deviations for 8% Mixes



- **Asset Mix Risks Have Risen as Fixed Income Allocations Have Fallen**
 - The additional equity needed to achieve an 8% return increases risk
- **Risks Over Recent Years Have Stabilized at High Levels**

REGENTS' POLICY
PART V – FINANCE AND BUSINESS MANAGEMENT
Chapter 05.07 - Special Funds

P05.07.010. Land-Grant Endowment.

- A. The land-grant endowment consists of the land-grant endowment trust fund, the natural resources fund, and the land and other resources that were acquired through the original land grants to the university and related legislation or settlements. In addition, an inflation-proofing fund has been established to help provide for the preservation of purchasing power of the land-grant endowment subject to such actions as may be taken by the board. The land-grant endowment trust fund and the inflation-proofing fund will be guided by total return principles— ~~and AS 14.25.180~~ AS 13.70.010 – 13.70.095, and AS 37.10.071.
- B. The land-grant endowment trust fund is established in accordance with AS 14.40.400. The net income from the sale, lease, development or other disposition of trust land or other related resources will be deposited to the land-grant endowment trust fund as principal. Except as specifically approved by the board, the net proceeds from the sale or development of non-trust land or other related resources and the improvements thereon will be deposited as additions to the inflation-proofing fund in a manner similar to principal. Annually, effective July 1, the spending allowance for the funds, as described later in this policy, will be transferred to the operating accounts for management and maintenance of university land and to the natural resources fund for program expenditures.
- C. The natural resources fund represents the earnings of the land-grant endowment that are either dedicated or available for dedication to programs and projects in accordance with this policy. The NRF is established to provide a margin of support over and above what otherwise would be possible through traditional state, federal, and private sources, and used to provide funding to projects and programs necessary to establish or enhance the quality of the university's academic programs, research, or public service. ~~At least 40 percent of the undesignated funds available for NRF distributions will be used for purposes related to fisheries, agriculture, forestry, mineral development, and education in areas related to natural resources. As part of the annual setting of budget priorities, the board may designate a percentage greater than 40 percent to be used for purposes related to natural resources.~~ All expenditures will be made in accordance with regents' policy and university regulation.
- D. All moneys, funds, and investable resources in excess of liquidity requirements for distributions and commitments will be invested through the consolidated funds agreement with the University of Alaska Foundation. All moneys or funds retained for liquidity or other purposes will be fully invested in accordance with regents' policy.
- E. Withdrawal of earnings in any fiscal year will be limited to the unexpended accumulated earnings, both realized and unrealized, of the endowment as of the preceding December 31, up to a maximum amount equal to 4.5 percent of the average of the December 31

market values of the investable resources of the funds for the immediately preceding five years, as determined by the university's chief finance officer, or such other amount as determined by the board to be prudent under the standards for management of endowment funds under total return principles.

- F. The president will develop an annual ~~budget governing spending plan for~~ the expenditure of the NRF. The budget will reflect the purpose of and the restrictions placed on the use of the NRF by this policy. ~~By November of each year, the~~The president will present a the NRF Spending Planspending plan and budget to the board for approval in conjunction with the university's fiscal year operating budget distribution plan. ~~No commitment against the NRF funds shall occur prior to the approval of the annual budget by the board.~~
- G. Annually, the chief finance officer will provide reports to the board that reflect the financial position and activities of the land-grant endowment including a summary of all revenues and expenditures and investment performance.
- H. In this section, "NRF" means the natural resources fund.

(04-09-09)
(12-06-02)
(02-18-11)