



Trending in Trusts

Trust Fund Information Session

February 23, 2017



Inspiring Innovation and Discovery



Agenda

Welcome / Introduction	Nancy Gray
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Trust fund basics	Samantha Petryk
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Process flowcharts	Claudia Russell / Samantha Sargent
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Trust fund law	Claudia Russell
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Trust funds in Mosaic	Ryan Liddell
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Market update	Steven Moore
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Q&A	
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What is a Trust Fund?

- Designated donations or bequests
- Received by the University
- Conditions and/or legal requirements
- Agreed upon by the donor and the University, or terms for use established by the University



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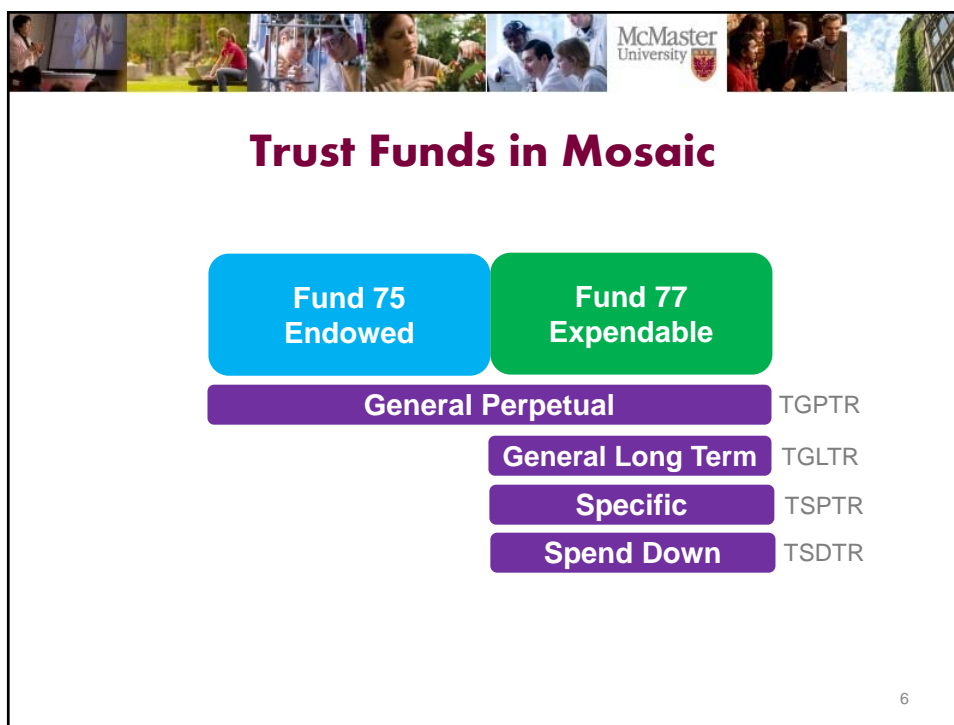
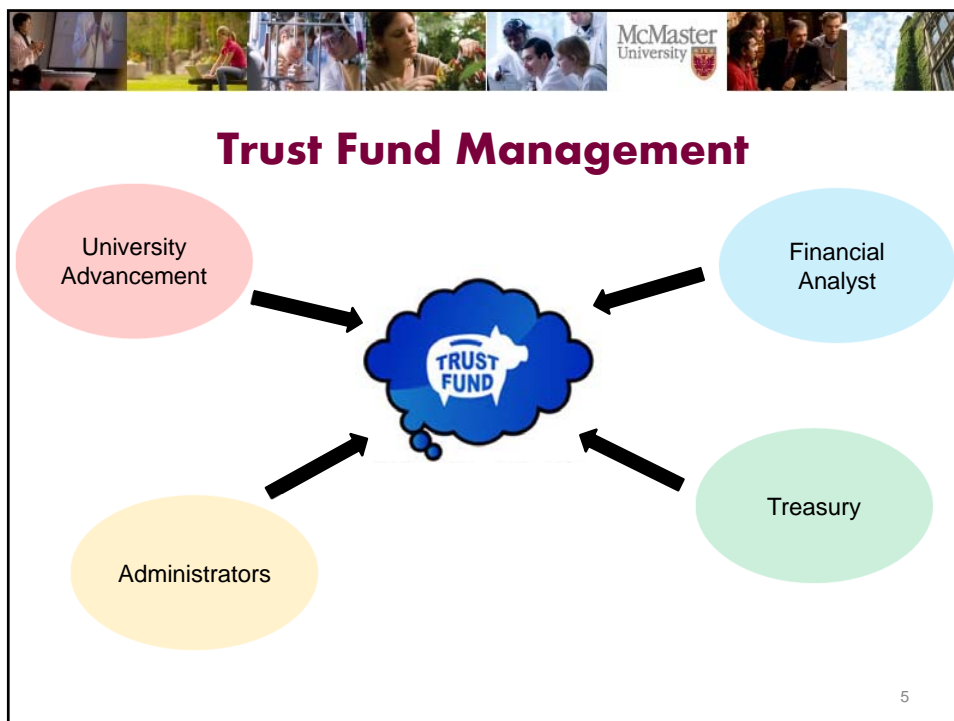


What are Trust Funds Used For?

- Scholarships
- Prizes
- Bursaries
- Academic grants
- Financial awards
- Work programs / subsidies
- Chairs and professorships
- Other (i.e. support for initiatives across the University)



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Comparison of Types

	General Perpetual	General Long Term	Spend Down	Specific
Donations	Endowed / Expendable	Expendable	Expendable	Expendable
Spending Allocation	✓	✗	✗	✗
Working Capital Interest	✓	✓	✗	✗
Admin Fee	✓	✗	✓	✗

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Types of Trust Funds:

1. General Perpetual

- Minimum donation of \$10,000
- Donation is endowed (non-expendable)
- Invested in the long term pool (realized and unrealized income/loss)
- Given spending allocation of 4% annually



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Types of Trust Funds:

2. General Long Term

- Minimum donation of \$10,000
- Expendable → both capital and income earned will be expended
- Working capital interest (short term)

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Types of Trust Funds:

3. Specific

- Minimum donation of \$1,000 per year for 5 years *
- Expendable
- Funds usually spent in the current year for expressed purpose

* Proposal to reduce required pledge commitment to 3 years

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Types of Trust Funds:

4. Spend Down

- Minimum donation of \$100,000
- Expendable → both capital and income earned will be expended
- Spending normally 6.5%/year or 1/13th of original balance
- Invested in the long term pool (realized and unrealized income/loss)

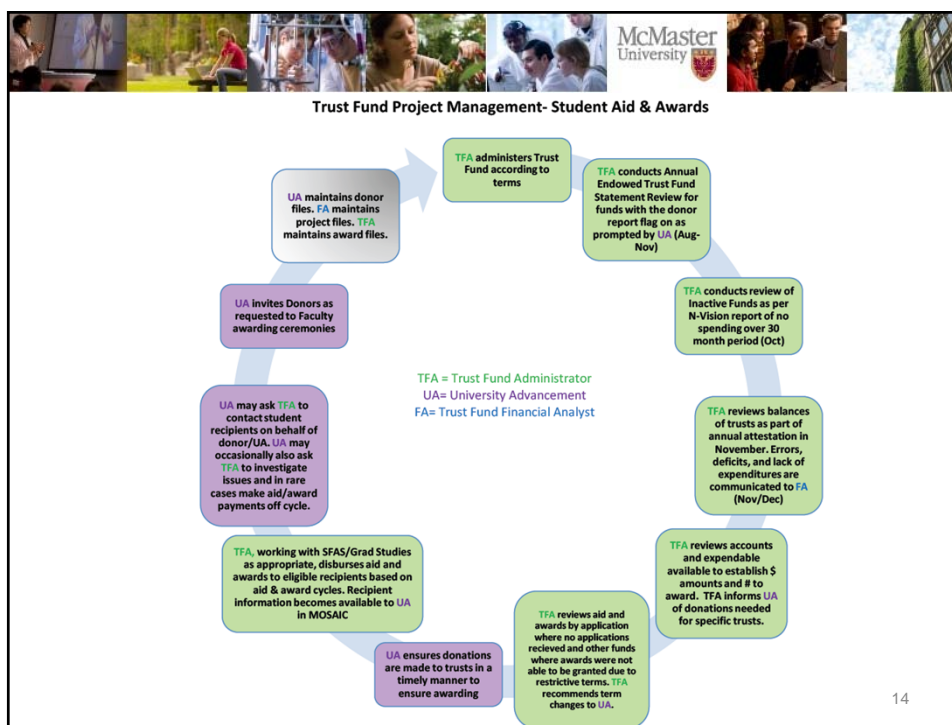
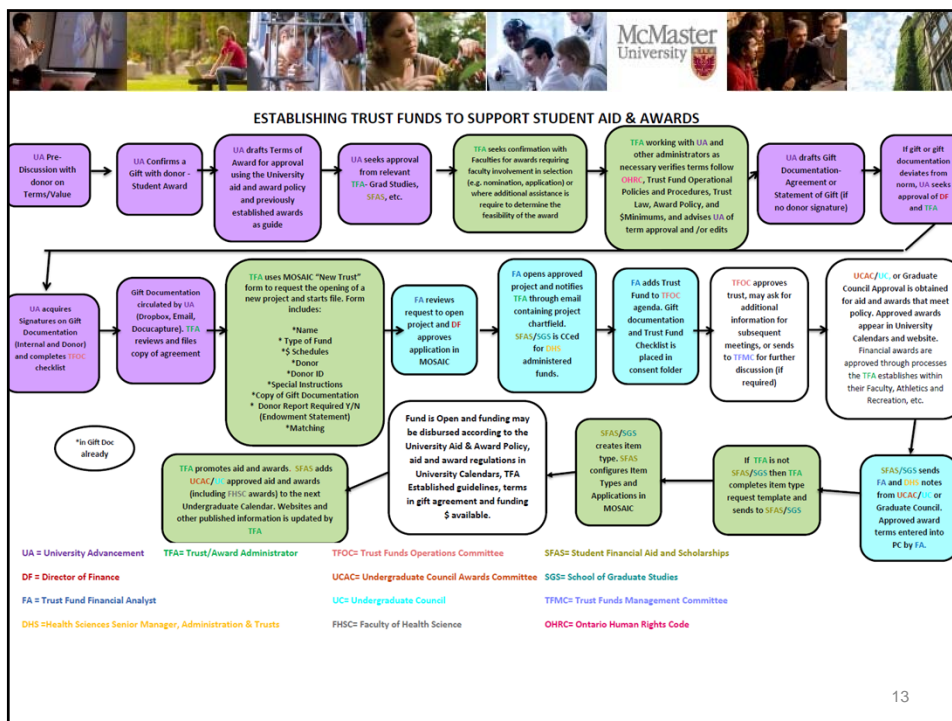
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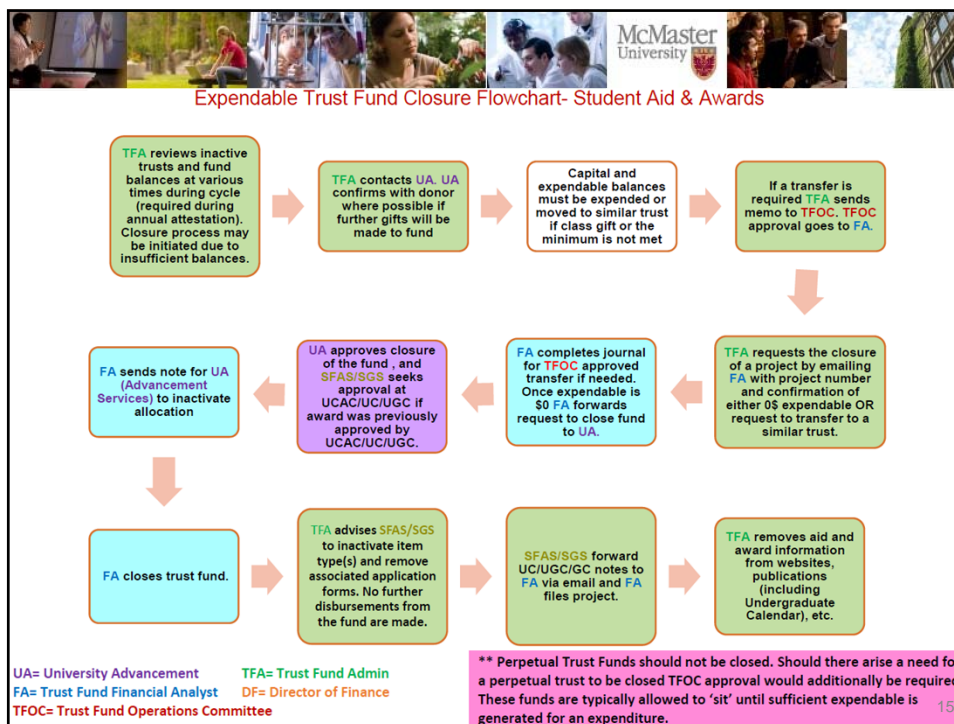


Expenditure Policy

- General perpetual trust funds only
- 4% of 60 month average market value of endowment is allocated for spending annually in July
 - If opened less than 60 months, MV calculated based on average MV of trusts from prior year
 - For months in existence prior to annual allocation in July, 4% of non-expendable balance is allocated for spending monthly

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Trust Law

- Once a trust fund is established, a trust is, and must be, by its very nature unalterable and irrevocable
- Once a trust fund is created the donor no longer holds any form of legal ownership in respect of the trust property comprising the fund



Trust Fund Law

- The Trustee (McMaster) must administer the trust fund in accordance with the stated charitable purpose as determined by the donor at the time of the trust's creation – often outlined in gift agreements
- In order to protect the donor's intentions the law prohibits the donor or the trustee from altering the structure and purpose of the trust fund without appropriate legal reasons

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Changes to Trust Funds

- Requests to make changes to existing trust funds are sometimes made – by donors or the university.
- Generally changes cannot be made due to the fact that a trust fund is, according to trust law, unalterable and irrevocable and must be administered in accordance with its originally stated charitable purpose so long as that purpose remains possible to administer

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Possible Reasons to Alter Trusts

- Sometimes changes must be made to trusts to ensure that they may continue to be administered in perpetuity. These changes may be desired on the part of the university or the part of the donor
- Trust funds may only be altered in accordance with their original purpose, and generally may only be altered if the original purpose is impossible or impracticable to administer

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Possible Reasons to Alter Trusts

- Superficial changes (such as changes to a name or value of an award) are generally allowed as they do not form part of the terms of the trust

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Possible “Tools” to Change Trusts

- **Power to vary clause** (Found in Gift Agreements, Referenced in the Operational Policy and Procedures for Trust and Endowed Fund Management:
<http://www.mcmaster.ca/bms/policy/trust/opguide.pdf>)
- *McMaster University is committed to ensuring that this Gift is used for its intended purpose. If, in the sole opinion of the University, it becomes impossible, inadvisable or impracticable for all or part of this Gift to be usefully or practically applied to the purposes described within the agreement, or if the purpose cannot be achieved because of a future change in law, change in University practices, policies or academic priorities, or other unforeseeable circumstances, the Gift may be used for any related purpose which in the reasonable opinion of the University (in consultation with the Donor(s) where possible) will most nearly accomplish the Donor's wishes or is consonant with the spirit and intent of the Donor's Gift.*

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On Consent or Court Order CY-Pres Doctrine

- The term cy-pres means “as near as may be”. Sometimes trusts terms are written in ways that can no longer be administered, and therefore must be altered to the nearest possible alternative so that the charitable intent may continue to be fulfilled. It may be invoked if:
 1. If the trust has become impossible or impractical to administer funds will be appropriate to transfer - as a result of some event changing circumstances or the passage of time
 2. Underlying object of the trust becomes obsolete, as opposed to the Donor's wishes, the court may intervene and involve the cy-pres doctrine to modify or vary the terms of the trust to ensure that they trust continues and is not extinguished.

Can be enacted Under S 13 of The *Charities Accounting Act* through the Office of the Public Guardian and Trustee.

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Where to Direct Questions

Should you have any questions regarding trust law:

- First contact University Advancement (Susan Rankin or Claudia Russell).
- Depending on question/issue, University Legal Counsel (Brent Davis), and in some cases External Counsel, will be involved

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Administering Trust Funds in Mosaic

It's more work
to complain about
having to use the new
software than it is to
actually learn how to use it.



your eCards
someecards.com

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Administering Trust Funds in Mosaic

- Several useful reports/queries available in the Projects WorkCenter
- nVision report is a wealth of information on trust funds you manage!

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Locating Basic Information on Trust Funds

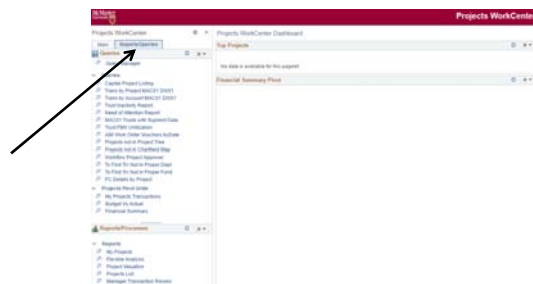
- NavBar->Navigator->Finance->Project Costing->Project Definitions->General Information
- Under “Find an Existing Value,” enter the Business Unit and the project # or name details (“Description”) you have and click Search
- Demonstration

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Reports/Queries in Projects WorkCenter

- To navigate to the Projects WorkCenter:
 - NavBar->Navigator->Finance->Project Costing->Projects WorkCenter
 - Click on Reports/Queries tab



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Reports/Queries in Projects WorkCenter

- Demonstration
 - Transactions by Project
 - Transactions by Account
 - Trust Inactivity Report
 - Supplemental Data Report
 - Trust Unitization Report

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Trust nVision Report

- NavBar->Navigator->Finance->Reporting Tools->PS/nVision->Define Report Book
- If running the report for the first time, you will need to add a new "Run Control ID" (i.e. a name for the report)
- Demonstration

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Administering Trust Funds in Mosaic



"OK, I've shown you the ropes, given you the low down, and gotten you up to speed. All that's left is actually training you."

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What are the investment objectives for McMaster's Investment Pool?

Investment Pool Objectives are two fold:

- Outperform investment policy benchmark return while managing volatility
 - Benchmark is based on target asset mix in investment policy
 - Target asset mix is set based on risk tolerance and return targets
 - Overall strategy is to capture most of the upside but reduce downside capture
- Achieve Target Net Return above Inflation
 - Target net return is reviewed from time to time based on projected future returns
 - Spending and Administration fee is reviewed from time to time based on projected future investment pool returns (Board approval)
 - 2016/2017 target net return* above inflation is 5% return
 - Example if inflation is 2% - need a net return of 7%

Goal: Beat Target Benchmark Return

Excess Return
Benchmark Return (Target)

Net* Return

➤=

Goal: Beat Target Real Return

[1]% Admin
+[4]% Spending
CPI (Inflation)

*net of ~40 bps investment management fees and expenses


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McMaster University Treasury Operations



What are the investment objectives for McMaster's Investment Pool?

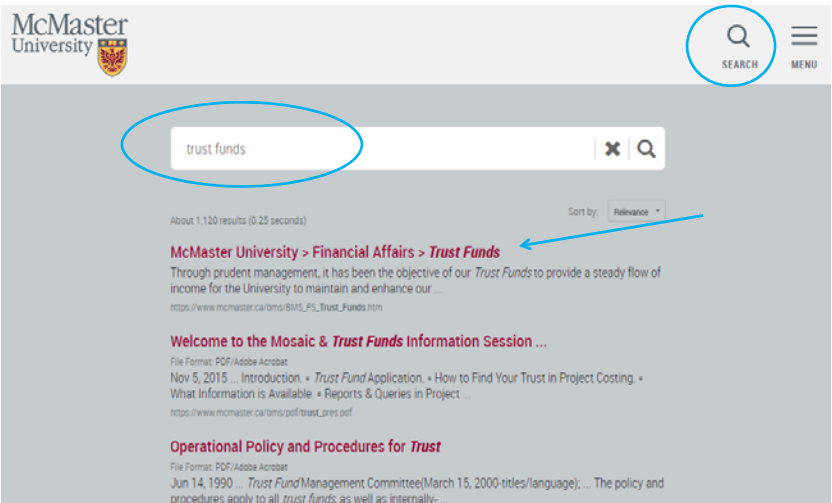
- Overarching goal is to ensure equity between current and future generations and minimize risk endowment spending is frozen
 - Preservation of capital is critical to achieve this goal
 - Capital must exist into perpetuity – very long term horizon

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McMaster University Treasury Operations




Where Can I Find More?

www.mcmaster.ca:

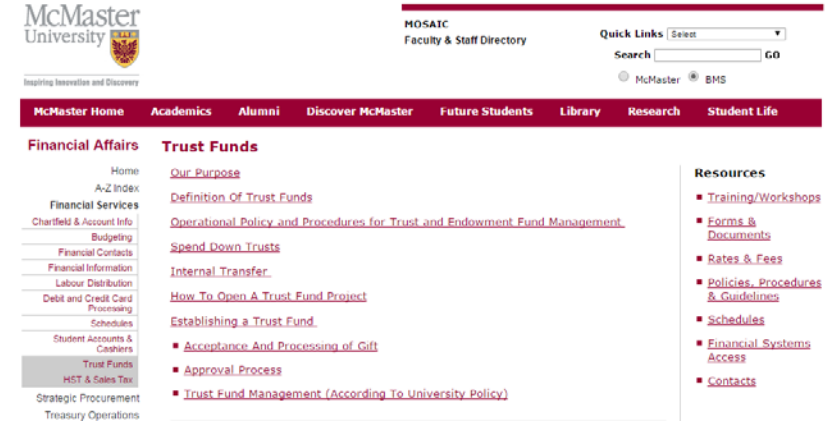


The screenshot shows the McMaster University website with a search bar containing 'trust funds'. The search results are displayed below the search bar, showing a link to 'McMaster University > Financial Affairs > Trust Funds' and a link to 'Welcome to the Mosaic & Trust Funds Information Session ...'. A blue circle highlights the search bar, and a blue arrow points to the search results.

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Where Can I Find More?



The screenshot shows the McMaster University website with the 'Trust Funds' section highlighted. The page includes a navigation menu with links to 'Financial Affairs', 'Trust Funds', and 'Resources'. The 'Trust Funds' section contains links to 'Our Purpose', 'Definition Of Trust Funds', 'Operational Policy and Procedures for Trust and Endowment Fund Management', 'Spend Down Trusts', 'Internal Transfer', 'How To Open A Trust Fund Project', 'Establishing a Trust Fund', 'Acceptance And Processing of Gift', 'Approval Process', and 'Trust Fund Management (According To University Policy)'. The 'Resources' section contains links to 'Training/Workshops', 'Forms & Documents', 'Rates & Fees', 'Policies, Procedures & Guidelines', 'Schedules', 'Financial Systems Access', and 'Contacts'.

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Still have questions?

- Ask McMaster! You can find this icon on all Financial Affairs pages of McMaster's website
- Samantha Petryk x24812
petrykss@mcmaster.ca

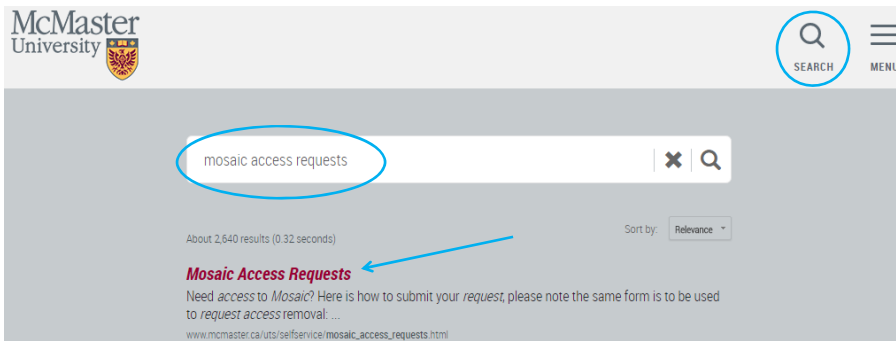


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Mosaic Access

- Access to Project Costing (trust fund information):
Send your request to Samantha Petryk x24812
(petrykss@mcmaster.ca)
- Access to financial information/reports:
www.mcmaster.ca:



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