



February 26, 2024

TO: Principals, Deans, Academic Directors and Chairs
Divisional Business and Financial Officers via AMS listserv

SUBJECT: Endowment Payout Planning for fiscal 2024

To assist with your year-end planning, I am writing to provide the projected endowment payout rate for fiscal 2024. Subject to any major changes in investment markets over the final two months of the fiscal year, the endowment payout for 2024 will be \$9.97 per unit, an increase of 4.4% over last year's payout rate.

The University has implemented a new Advancement Investment Model (AIM) this year to support the costs of the University-wide advancement program. Effective in April 2024, 93.5% of the endowment payout (\$9.32 per unit) will be distributed to individual endowment funds per normal practice, and the remaining 6.5% (\$0.65 per unit) will be reallocated to support the costs of frontline fundraising capacity across the University. In each endowment account within the Financial Information System (FIS), you will see the payout calculated at the gross level of \$9.97 per unit, as well as a new expense line equal to \$0.65 per unit to show the AIM transfer out of each fund. The Division of University Advancement will coordinate with each division to effectively manage the reallocation of funds generated via the AIM.

The increase in the payout amount takes into account the following factors:

- The investment return of LTCAP from May through November in fiscal 2024 was 4.3%, which is lower than the target return of 4.0% plus CPI.
- The proposed 4.4% increase in the payout rate for fiscal 2024 does not materially impact the status of the endowment reserve and acknowledges ongoing inflationary impacts. You will recall that the payout rate was increased by 10% in 2022, and by an additional 2% in 2023.

With this increase, the gross payout of \$9.97 per unit for fiscal 2024 will represent 4% of the 5-year average market value of the endowment. This falls within the target 3% to 5% corridor for endowment spending that is currently in place. The distribution will provide a total of \$115 million to beneficiaries and \$8 million to support the AIM program.

More information on endowments is available in the endowment annual financial report, which is accessible at <http://finance.utoronto.ca/reports/endowment/>. If you have any questions about the payout for this year, please contact Jenny Cheng, Manager of Restricted Fund Accounting via email: jenny.cheng@utoronto.ca. The annual payout for 2024 will be distributed by Tuesday, April 16, 2024.

Trevor Rodgers
Chief Financial Officer