



## Question and Answers regarding Permanent Endowment Fund Distribution

- 1. How does the Foundation make annual distributions from Permanent Endowment Funds?**  
The goal of our spending formula is to balance the interests of current and future income beneficiaries. With this in mind, the Foundation's board adopted a spending formula policy based on "total return."
- 2. What is a "total return" approach?**  
Total return policies have been adopted by many foundations and institutions, recognizing that capital gains often accumulate at a faster rate than current income (i.e., interest and dividends). A total return approach incorporates both facets into the distribution calculation.

The Presbyterian Foundation's spending formula policy was designed to serve current income beneficiaries by providing a relatively smooth and predictable annual distribution. The policy also serves future generations of beneficiaries by striving to maintain the value of the Fund's corpus in real, inflation-adjusted terms.
- 3. What is a Fund's corpus?**  
The "corpus" refers to the Fund's original gift amount.
- 4. How did the Foundation calculate distributions for Permanent Endowment Funds using the Spending Formula in the past?**  
Prior to 2011, the spending formula was determined by using the net asset value of the Fund at quarter-end for five years (that is, 20 calendar quarters) ending 18 months prior to the beginning of the year in which the distribution is made. This "smoothed" net asset value was then multiplied by 5% to calculate the annual distribution.
- 5. How does the Foundation calculate distributions using the Spending Formula now?**  
Given the severe declines in the financial markets during 2008 and 2009, the total return policy was revised by the Foundation's Board of Trustees in 2009 to be implemented in 2011. The new calculation will provide for a 10% reduction of the prior year's payout and will continue each year until the payout reflects a distribution of no more than 5.0% of the prior year-end Fund balance. \*

In 2011, beneficiaries of the spending formula will receive \$2.82 per Fund unit held: this is 90% of the payout for 2010 and represents a 5.62% distribution of the 12/31/2010 per-unit value of \$50.16. The number of units held in your Fund may be found by referring to your most recent statement.
- 6. Does the Foundation use more than one method of calculating distributions?**  
Yes. Some Permanent Endowment Funds are subject to the spending formula calculation, while others operate under a more conservative, income-only model.

**7. How do I know which calculation is used for the Funds that benefit my congregation or organization?**

If the words “Spending Formula” do not appear in the “Description” column, your Fund is subject to an income-only approach as described in sections 6 and 7.

PERMANENT FUND REPORT				PAGE 2
STATEMENT PERIOD: APR 01, 2011 THROUGH APR 30, 2011				
ASSET SUMMARY				
QUANTITY	DESCRIPTION	MARKET VALUE	COST BASIS	
BALANCED 449.613	BALANCED GROWTH SPENDING FORMULA FUND	23,037.25	22,341.16	
TOTAL	BALANCED	23,037.25	22,341.16	
GRAND TOTAL ASSETS		23,037.25	22,341.16	

**8. Why did my number of Fund units change?**

If your Fund was moved from one investment vehicle to another, the exchange will reflect a change in the number of units held. The total value of your Fund did not change.

**9. This seems awfully complicated. Isn't there a simpler way to manage these Funds?**

That's a fair question! Please remember that we have managed Permanent Endowment Funds for over 200 years. (We are the oldest religious foundation in the United States.) The system in use, while perhaps complex, allows us to continue protecting the interests of the original donor while preserving the purchasing power of the gift for generations - and centuries - to come.

**10. Who do I contact for additional assistance or specific questions?**

Our Client Services staff is available to assist you at 1-800-858-6127 (option#3) from 8:30 a.m. – 5:00 p.m. Eastern Time, weekdays. You may also reach us by e-mail at [ClientServices@fdn.pcusa.org](mailto:ClientServices@fdn.pcusa.org).

\* Spending formula definition and revisions are subject to the authority of the Board of Trustees of the Presbyterian Foundation and may be changed from time to time. Appropriate notice will be provided to beneficiaries if such changes are made.



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