

Summary of the KISD Endowment Fund Investment and Spending Procedures 2011 Update (original dated 2006)

Goal – The primary goal of the endowment fund is to provide consistent, beneficial scholarship awards to support the Killeen Independent School District’s students in perpetuity. The Killeen Independent School District Board of Trustees sets Investment procedures. Each procedure relating to the endowment fund is described in more detail below. These procedures are periodically reviewed and revised to best position the endowment fund assets to meet its primary goal.

Investment Procedure – Killeen Independent School District Endowment Fund assets are pooled together (with the understanding that unless directed otherwise by the KISD Board of Trustees, the Parrie Haynes funds are to be invested solely in US Government securities), and invested together and invested using an asset allocation of 60% in equity investments and 30% in fixed income and cash equivalents, and 10% in international equities. The Fund’s assets are rebalanced annually to meet these target percentages. Each endowment fund changes through additional gifts, its share of the pool’s investment income, and a controlled spending procedure. A Total Return Concept is used to distribute all investment income, including dividends and interest, realized gains (or losses) from holding investments. The Total Return Concept should maximize each endowment fund’s balance, before calculating scholarship awards. Management, custodial, and investment fees are a reduction of investment earnings.

Spending Procedure – The award amount available is calculated based on the endowment fund’s spending procedure. The Killeen Independent School District Board of Trustees determines this procedure to maximize the awards and at the same time sustain growth in the endowment fund. The present spending procedure is 4% of the fund’s average balance over the previous twelve quarters. In January (we decide amounts in February), the average balance for each fund is determined before calculating its award. Under this averaging method, new endowment funds normally will not experience a full 4% award until the fund has been invested for twelve quarters. The balance used in the averaging calculation will include each fund’s proportionate share of the total return from investment earning for proceeding twelve quarters. Each fund’s quarterly balance will also be adjusted to include new gifts and reduced for award distributions.