

Ottawa Jewish Community Foundation  
Policy on Distribution and Reinvestment of Annual Investment Income

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Preamble:

1. The Foundation's Distribution Policy determines the amount of the distributions from the Foundation's annual investment income to cover allocations and administrative costs.
2. The Foundation's Reinvestment Policy determines the portion of the Foundation's annual investment income to be reinvested in the endowment funds to provide a reserve against both inflation and lower investment returns.
3. Together, these two policies are designed to allow a reasonably predictable outflow of funds for charitable grants over the long term.

Statement:

On an annual basis, the Board of Directors will establish the level of distribution and reinvestment. To make this decision, the Board will consider various factors including community needs, the current level of reinvested earnings and the investment income earned in the preceding year. Since these factors vary from year to year, the relative level of distribution versus reinvestment will also vary. Therefore, the Board cannot rely on a single definitive statement to define the decision, but will take into account the following guidelines (with no single guideline taking precedence):

1. Charitable grants should generally be at least equal to the disbursement requirement under the Income Tax Act, which in very general terms is currently equal to 4.5% of the endowment funds (in the March 2004 federal budget, the government proposed to reduce the 4.5% disbursement requirement to 3.5%. For the Foundation, this will be effective in 2005).
2. Distributions to cover administrative costs should generally be equal to or less than the aggregate of the administrative fees charged to the individual endowment funds, where the fees are currently in the range of 0.5% to 1.5% depending on the type and size of the fund.
3. Income should generally be reinvested to the maximum extent possible each year until reinvested earnings equal at least 10% of the total value of endowment funds, and ideally up to 20% in the long term.

It is recognized that the preceding guidelines are often competing and therefore the Board of Directors must exercise its discretion each year in setting the level of distribution and reinvestment of the annual investment income.

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This Distribution Policy was approved on November 29<sup>th</sup>, 2004 by the Board of Directors on this set date and scheduled Board of Directors meeting.