

Uniform Prudent Management of Institutional Funds Act (UPMIFA)

Intentionally
Designed
Endowment
Conference

Primary Fiduciary Duties

- Exercise Care/Prudence
 - Use same care as similar person under similar circumstances
 - Diversify-Unless purposes of fund are better served otherwise
 - Consider general economic conditions and charitable purposes
- Investigate and verify facts relevant to fund management
- Incur only reasonable costs
- Maintain loyalty and obedience
 - Avoid misuse of funds, self-dealing and misconduct
 - Fulfill mission and tax-exempt social purposes
 - Balance current and future needs

Fiduciary Duties Specific to Charitable Organizations

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UPMIFA Drafting Committee Official Comments

- Investment strategy must be appropriate for the fund and charity
- Must consider charitable purposes of the institution and fund

UK Government Fiduciary Duty Guidance (2014)

- Charity trustees are not required to maximize financial returns
 - May consider financial return and furtherance of charitable purpose
- Total Impact approach considers social impact of grants, investments and supply chain
 - Identify and manage social impact of all investments
 - Potential for greater mission impact

Fiduciary Practices Respond to Changing Circumstances

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- Investment knowledge and theories evolve
- Economic, environmental and social circumstances change

"There are no universally accepted and enduring theories of financial markets or prescriptions for investment that can provide clear and specific guidance to trustees and courts."

Restatement of Trusts, 3rd, §227, Comment (f)

Heron Foundation Investment Policy

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"We believe that the fiduciary responsibilities of all philanthropic institutions mean that we have both a duty of obedience to our specific mission, and a duty of obedience to a larger public purpose. As a practical matter, we are obligated to examine our portfolio on an ongoing basis to identify holdings that may unintentionally do harm to our missions or to the broader shared interests of society."