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MEMORANDUM

To: Academic Council Members  
From: L. Rafael Reif *L. Rafael Reif*  
Theresa M. Stone *T. Stone*  
Re: Pool A Distribution  
Date: March 5, 2008

We write to communicate the final approved Pool A distribution rate for Fiscal 2009. The Executive Committee, at its last meeting in February, approved a one-time recalibration of endowment distribution and a change in endowment spending policy in the context of a balanced budget and MIT's long-term financial planning framework. As a result, the distribution rate will increase 30.6% in Fiscal 2009 following a 30.9% increase this year in the context of the rebalancing effort. Exceptionally strong investment returns have allowed us to increase spending from the endowment without diminishing our capacity to support future generations of students and researchers.

The first phase of balancing the budget occurred last year with the rebalancing effort. Those extraordinary results, obtained through collaboration across the Institute, helped create the foundation that will lead to a balanced Fiscal 2009 budget. This will lead to more financial flexibility for MIT in the future.

The approved Pool A distribution rate for Fiscal 2009 is set at:

	FY08	FY09	FY09
	Actual	Preliminary	Approved
Graduate Scholarships and Fellowships	\$45.05	\$49.10	\$58.83
All Other	\$39.75	\$43.33	\$51.91

The approved payout represents a significant increase in the funds available from the endowment. This increase was approved in the context of transitioning to a new spending policy designed to improve the stability of the flow of funds to the operating budget. This new spending policy, based on a set of financial management principles known to economists as the Tobin model, aims at providing inflationary growth in the range of salary inflation while also tying some portion of the pay-out to the underlying market value of the endowment. This design will act as a shock absorber keeping short-term spending relatively stable and anchored on the previous year's level but gradually allow changing endowment values to filter into changes in spending.

In contrast to the 30.9% distribution rate increase in Fiscal 2008, when the “rebalancing” of general budget funds was required to partially offset a higher distribution rate, the full benefit of the Fiscal 2009 distribution rate increase will accrue to units which control endowed funds. The incremental endowment distribution, to the extent it is unrestricted (or could free up unrestricted resources), could be used for strategic initiatives and priorities both centrally and at the local department levels, and will help MIT further differentiate itself as a world-class teaching and research institution where the best and brightest come to make the world a better place.

LRR/dmm