

Invited Witness Materials for
Senate Higher Education Committee
Interim Hearing on Endowments
March 25, 2010

Provided by
Mr. Philip Aldridge

Vice Chancellor for Finance and Business Development
The University of Texas System
201 West 7th Street, Suite 418
Austin, Texas 78701

Tel: 512-499-4469

E-mail: paldridge@utsystem.edu

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THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

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Endowment Performance Through February 2010

Annualized Returns / Value Added ¹	1 Year	3 Years	5 Years	10 Years
Permanent University Fund (PUF)	30.5%	-0.5%	4.6%	5.0%
PUF Value Added (millions)	\$345	\$920	\$790	\$1,248
Permanent Health Fund (PHF)	30.2%	-0.5%	4.5%	N/A
Long Term Fund (LTF)	30.2%	-0.5%	4.5%	5.0%
PHF/LTF Value Added (millions)	\$190	\$525	\$461	N/A

¹ Value added is a measure of the difference between actual returns and policy returns for each period shown and is a result of the active management decisions made by UTIMCO and external managers.



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Endowment Distributions and Spending Policy

- PUF investment policy – the annual distribution is equal to 4.75% of the trailing 12-quarter average net asset value.
- Article VII, Section 18 of the Texas Constitution requires that PUF distributions are made in a manner to provide a stable and predictable stream of annual distributions and to maintain over time the purchasing power of investments.
- PHF and LTF investment policy – the annual distribution is adjusted by the rate of inflation subject to a distribution range of 3.5% to 5.5% of the trailing 12-quarter average net asset value.
- The spending policy objectives of the PHF and LTF are to:
 - provide a predictable stable stream of distributions over time;
 - ensure that the inflation-adjusted value of the distributions is maintained over the long term; and
 - ensure that the inflation-adjusted value of the assets of the PHF and the LTF, as appropriate after distributions, is maintained over the long term.



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Endowment Governance

- U . T. System Board of Regents
- UTIMCO Board of Directors
- Texas Constitution and statutory limitations
- Internal compliance
- Investment policies
- Operational procedures
- Investment oversight
- External audits