TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Accounting Services Department

LONG TERM INVESTMENT FUND (LTIF)

Background Information:

Texas Tech University System (TTUS) Board of Regents Policy Manual, Chapter 9, provides information regarding the operations of investments and endowments. The Policy Manual is available on the web at www.ttuhsc.edu, through the link for "Administration".

The commingled TTUS endowment/institutional fund is known as the Long Term Investment Fund (LTIF). The LTIF is unitized, with each new endowment gift converting to units in the fund based on the market value of the gift and the unit value of the fund at the latest month-end preceding the receipt of the gift. The unit value of the LTIF is computed no less often than once per month. The LTIF spending policy requires calculation of earnings on a unit basis for distribution purposes. In addition, the LTIF may procure, with the approval of the Board, those professional services deemed appropriate for the management and investment of the fund.

The spending policy sets forth that the distribution of spendable income to each unit of the LTIF shall not exceed 6% nor be less than 4% of the average market value of a unit of the LTIF for the preceding 12 quarters. The target annual distribution rate shall be 4.5% of the average unit market value. Distribution shall be made quarterly as soon as practicable, after the last calendar day of November, February, May, and August. The distribution amount shall be recalculated based on a 12-quarter rolling average. The target annual distribution rate shall be reviewed annually with any recommended changes submitted to the Board for approval. If in any given fiscal year the total return, excluding net unrealized appreciation, shall be less than the target annual distribution, the actual distribution shall be limited to the net current yield, not to exceed 4.5%.

There are two sources of revenue from the LTIF including:

- Endowment Income – interest and dividend income recorded in the earnings account
- Investment Income – realized gains and losses recorded in the corpus account

Revenues from the LTIF are recorded monthly, though the revenue postings are sometimes delayed for a variety of reasons. One common cause for delay is that the TTUS Cash Investments Office relies on reports generated from external sources in order to determine the amounts for LTIF revenue entries.

Spendable earnings are defined as the amount by which spendable income exceeds the total amount of interest and dividends for the quarter. Since interest and dividend income (endowment income) is recorded in the earnings account, the only additional entries required to record the total spendable income for a quarter is to transfer available investment income from the corpus account to the earnings account to achieve the appropriate spending rate. The portion of the investment income (gains and losses) that must be transferred to the earnings account to achieve the proper spending rate is the spendable earnings.

The revenue source codes used for recording interest and dividend income (endowment income) in the earnings account are 60/7503 and 60/7512, respectively. The revenue source codes used to record the gains and losses on sales of investments (investment income) in the corpus account are 54/7510 and 54/7509, respectively. The transfer revenue (spendable earnings) posted each quarter to the earnings account uses revenue source coding of 98/9906.