

Chapter 09 -- Investments and Endowments

Date last revised: 11-17-2022

[see last page for list of amendments adopted]

09.00 **Investment Programs.**

09.00.1 The System components have two types of funds; operating funds and endowment funds. To facilitate the investment of system funds, the board established three investment programs, the Comprehensive Cash Pool "CCP," the Long Term Investment Fund "LTIF" and the Mission Driven Investment Fund "MDIF." The purpose of the CCP is to provide for the collective investment of all operating funds available for the day-to-day expenses of the system including payroll, scholarships, research, maintenance, and utilities. The purpose of the LTIF is to provide for the collective investment of all donor restricted and/or board restricted endowment and trust funds to be held long-term by the system. The purpose of the MDIF is to invest in assets that advance the overall mission of the University System.

09.01 **Chapter definitions.**

09.01.1 "LTIF" means the Long Term Investment Fund and is the investment vehicle for endowment funds, including quasi-endowments and trust funds.

09.01.2 "CCP" means Comprehensive Cash Pool consisting of operating funds of the system and is the investment vehicle for the operating funds.

09.01.3 "MDIF" means the Mission Driven Investment Fund and is the investment vehicle for all approved mission directed driven investments.

09.01.4 "CFO" means the Vice Chancellor and Chief Financial Officer of the TTU system.

09.01.5 “CIO” means the Chief Investment Officer of the TTU system.

09.01.6 “Treasurer” means the director of the Office of Treasury of the TTU system.

09.02 Roles and responsibilities.

09.02.1 Vice Chancellor and Chief Financial Officer. The CFO is responsible for all financial affairs including the cash and investment management of the TTU System’s operating and endowment funds as directed by the board rules and investment policy statements. The CFO may delegate investment and transaction responsibilities to the CIO and Treasurer.

09.02.2 Chief Investment Officer. The CIO is responsible for the day-to-day investment activities related to the LTIF, with reporting responsibilities and delegated authority as defined in the Investment Policy Statement for the Long Term Investment Fund.

09.02.3 Investment consultant/s. The investment consultant/s may assist the CIO and the Treasurer in developing and modifying policy objectives and guidelines, including the development of asset allocation strategies, recommendations on long-term asset allocation and the appropriate mix of investment manager styles and strategies. The consultant also may aid in investment manager searches and selection, and in investment performance calculation, evaluation, and analysis. The consultant shall provide timely information, written and/or oral, on investment strategies, instruments, investment managers and other related issues, as requested by the board, the CIO, or any investment officer. More than one consultant can be obtained. Any engagement with an investment consultant(s) will be at the direction of the CIO/Treasurer.

09.02.4 Treasurer. The Treasurer is responsible for the day-to-day investment activities related to the operating funds as outlined in the CCP, with reporting responsibilities and delegated authority as defined in the Investment Policy Statement for the Comprehensive Cash Pool.

09.02.5 Investment managers. The duties and responsibilities of each of the investment managers retained by the board include:

- a. Managing the assets under its management in accordance with the policy guidelines and objectives expressed herein.
- b. Meeting or exceeding the manager specific benchmarks established by the CIO or Treasurer.
- c. Exercising investment discretion within the guidelines and objectives stated herein; and such discretion includes decisions to buy, hold or sell securities in amounts and proportions reflective of the investment manager's current investment strategy and as compatible with the investment objectives.
- d. Complying with all provisions pertaining to the investment manager's duties and responsibilities as a fiduciary, with fund assets being invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent professional investment manager, acting in a like capacity and familiar with such matters, would use in the investment of TTU system assets.
- e. Using best efforts to ensure that portfolio transactions are placed on a "best execution" basis.
- f. Exercising ownership rights, where available, through proxy solicitations, doing so strictly for the economic benefit of the LTIF or CCP, as applicable.
- g. Meeting with the CIO or Treasurer at least annually or more frequently upon request; additionally, each investment manager shall report to the investment consultant, CIO, and/or Treasurer as outlined in the specific CCP and LTIF investment policy statements.
- h. Acknowledging in writing to the CIO/Treasurer the investment manager's intention to comply with Section 09.02.4, *Regents' Rules*, as it currently exists or as modified in the future.

09.02.6 Bank custodian(s). The board shall approve one or more unaffiliated custodian bank(s) through a competitive bid process that will be responsible for performing the following functions:

- a. accept daily instructions from designated investment staff;
- b. advise designated investment staff daily of changes in cash equivalent balances;
- c. immediately advise designated investment staff of additions or withdrawals from the custodial account;
- d. notify investment managers of proxies, tenders, rights, fractional shares or other dispositions of holdings;
- e. resolve any problems that designated investment staff may have relating to the custodial account;
- f. maintain safekeeping of securities;
- g. collect interest and dividends;
- h. perform daily cash sweep of idle principal and income cash balances;
- i. process all investment manager transactions;
- j. collect proceeds from maturing securities;
- k. disburse all income or principal cash balances as directed;
- l. provide monthly statements by investment account and a consolidated statement of all assets;
- m. work with the investment consultant and the TTU system accountant to ensure accuracy in reporting;
- n. manage the securities lending program; and
- o. provide written statements revealing monthly reconciliation of custody and investment managers' accounting statements.

09.03 **Comprehensive Cash Pool.** The CCP consists of funds available for operating, non-operating and reserves not endowed by donors and/or the board.

The policies for the investment of funds in the CCP shall be those outlined in the Investment Policy Statement for the Comprehensive Cash Pool.

- 09.04 **Long Term Investment Fund (Endowment).** The policies for the investment of funds for the LTIF shall be those outlined in the Investment Policy Statement for the Long Term Investment Fund.
- 09.05 **Mission Driven Investment Fund.** The policies for the investment of funds in the MDIF shall be those outlined in the Investment Policy Statement for the MDIF.
- 09.06 **Investment Fund Exceptions.** In rare circumstances, the board may acknowledge the need to accommodate placement of funds held within the CCP and/or LTIF with a modification to asset allocation or placement of funds held in trust outside of the CCP and LTIF. The board shall approve all such investment exceptions.
- 09.07 **Proxy voting.**
 - 09.07.1 Responsibility for the exercise of ownership rights through proxy solicitations shall rest solely with the investment managers, who shall exercise this responsibility strictly for the economic benefits of the CCP and/or LTIF. Investment managers shall annually report to the CIO standing policies with respect to proxy voting, including any changes that have occurred in those policies.
 - 09.07.2 Additionally, investment managers shall provide a written annual report of the proxy votes for all shares of stock in companies held in the CCP and/or LTIF investment program. These reports shall specifically note and explain any instances where proxies were not voted in accordance with standing policy.
- 09.08 **Directed commissions.** Investment managers shall use their best efforts to ensure that portfolio transactions are placed on a “best execution” basis. Additionally, arrangements to direct commissions should only be implemented by specific authorization of the CIO and/or Treasurer.
- 09.09 **Commingled funds.** The board, in recognition of the benefits of commingled funds as investment vehicles (i.e., the ability to diversify more extensively than in a small, direct investment account and the lower costs that can be as-

sociated with these funds) may elect to invest in such commingled funds from time to time. The board recognizes that it cannot give specific policy directives to a commingled fund with pre-established policies; therefore, the board is relying on the CIO and/or Treasurer to assess and monitor the investment policies of any commingled funds used by the TTU system.

09.10 **Mineral leases.** It is the intent of the board to lease oil, gas, sulfur, ore, water, and other mineral interests of the TTU system for development whenever there is a demand that will reasonably ensure that they may be leased advantageously and it is in the best interest of the TTU system. All leases will be executed in accordance with the applicable laws and with rules and regulations adopted by the board that are not inconsistent with the provisions of law. The reason for leasing minerals is to obtain additional income to be used by the board for the administration of the TTU system, for payment of principal of and interest on revenue bonds and notes issued by the board, and for any other purpose that in the judgment of the board may be for the good of the TTU system.

09.10.1 Lands under exclusive control of the board and owned by the state of Texas.

- a. Leases will be negotiated with prospective lessees to obtain their best offer above the minimum outlined in Section 09.10.1.c, *Regents' Rules*.
- b. Leases normally will be for oil and gas production only. Separate leases will be required for other mineral production, whether strip-mined or not.
- c. The board may not sell a lease for less than the royalty and rental terms demanded at that time by the General Land Office of the State of Texas in connection with the sale of oil, gas, and other mineral leases of the public lands of this state. In addition, no bid or proposal shall be accepted that offers a royalty of less than one-quarter of production, a primary term greater than five years or a delay rental of less than \$5 per acre per year.
- d. No state lands shall be sold unless the mineral rights are retained by the state, unless impractical.

- e. Use of TTU system standardized oil and gas lease or oil and gas and mineral lease forms will be required for all leases.
- f. Use of TTU system standardized division order forms will be required for all division orders.

09.10.2 Mineral and royalty interests derived from trusts and gifts.

- a. Leases will be negotiated with prospective lessees to obtain their best offer above the minimums outlined in Section 09.10.2.c, *Regents' Rules*.
- b. Leases will normally be for oil and gas production only. Separate leases will be required for other mineral production, whether strip-mined or not.
- c. No proposal shall be accepted that offers a royalty of less than one-quarter of production, a primary term of more than five years or a delay rental of less than \$5 per year per mineral acre, beginning with the second year of the lease.
- d. Use of TTU system standardized oil and gas lease or oil and gas and mineral lease forms will be required for all leases.
- e. Use of TTU system standardized division order forms will be required for all division orders.

09.10.3 Approval. All leases and other documents relating to leasing shall be approved by the board, and then be signed by the chancellor.

Dates Approved or Amended:	
-- <i>Comprehensive review of chapter</i>08-08-2014	<ul style="list-style-type: none"> • amendments throughout
-- <i>Miscellaneous cleanup revisions</i>10-09-2015	<ul style="list-style-type: none"> • to §09.07.3
-- <i>Amendments re: SITIF management</i>08-10-2018	<ul style="list-style-type: none"> • to §09.02 – to allow the SITIF investment policy statement to provide all of the policies that govern management of the SITIF
-- <i>Various amendments</i>12-13-2019	<ul style="list-style-type: none"> • to update SITIF references to the new STIF and ITIF; and • to add language to handle exceptions to investments requested by a donor
-- <i>Various amendments</i>12-10-2020	<ul style="list-style-type: none"> • to §09.00, §09.01.2, §09.02, and §09.03 ...replace STIF and ITIF references with the new CCP; • to §09.02 ...delete the roles and responsibility of the IAC; and • to §09.02.1 and §09.02.2 ...define/clarify the roles of the CFO and CIO
-- <i>Various amendments</i>11-17-2022	<ul style="list-style-type: none"> • to §09.00.1 to add the Mission Driven Investment Fund (MDIF) as the third investment program; • to §09.01.3 to add a definition for MDIF; • to §09.05 to include clarification on the policies for the new MDIF; and • various updates to section numberings throughout.

See also the document entitled “Comprehensive Reviews and Updates” for a more complete explanation of the amendments listed above.