Endowment Performance and Policies

Performance as of June 30, 2014

Tufts’ Total Return Pool returned 14.6 percent net of fees for fiscal year 2014. On an annualized basis, Tufts returned 8.31 percent, 10.99 percent, and 6.67 percent for the three-, five-, and ten-year periods ended June 30, 2014, respectively.

Endowment Policies

Generations of students and faculty will benefit from the annual income produced by Tufts’ endowed funds. A gift to the Tufts endowment is an investment in the future of the university. Tufts is grateful for the commitment and foresight of its donors.

The following information provides important background about how the university manages these funds.

Shares in the Endowment Pool

All new endowed funds become part of the Total Return Pool (TRP), which is managed by the university’s Investment Committee with support from the University Investment Office.

At the time the new funds join the TRP, they acquire units in much the same manner as a mutual fund. These units provide the basis for determining an individual fund’s ownership in the overall investment pool and its share of the annual distribution.

Timing of First Distribution

New endowment funds acquire units and are added to the TRP effective in the first full month following the date the gift is received. Consequently, new endowment funds will begin to provide support for the designated purpose within a period no more than 30 days from the date of the gift.

Investment returns and generous gifts help Tufts grow its endowment, or permanent capital. As of June 30, 2014, the endowment stood at $1.6 billion.
University Spending Rule

Distributions from the endowment are determined by the university’s spending rule. This rule is designed to balance the level of dollars available to support university operations and the year-to-year stability of that support.

Initially, a new endowment fund will receive a distribution equivalent to the current spending level of all funds in the pool. This is generally about 5 percent of the fund value, but will vary with market conditions. The dollar amount distributed is then increased each year by 3–4 percent, with adjustments to keep the distribution within a range of 4.5–5.5 percent of the endowment market value. Earnings in excess of the amount distributed are added to the individual endowment funds. In the event that market conditions temporarily drive an individual fund’s market value below the contributed value, Tufts University may apply a payout formula to ensure that the fund provides immediate and consistent benefits to the department, with the goal of restoring the original spending power of the fund within a reasonable timeframe.

Investment Strategy

Tufts’ investment program is intended to maximize endowed resources available to support the long-term welfare of the university’s programs and at the same time preserve the purchasing power of these funds. To fulfill these objectives, the Investment Committee determines an Asset Allocation Policy that is intended to earn a target rate of return with an acceptable level of risk. This allocation policy is reviewed periodically to ensure that it continues to be appropriate given the university’s circumstances.

The university measures its investment performance against a broad market benchmark consisting of 70 percent stocks and 30 percent bonds. The Investment Committee then constructs a diversified portfolio across multiple asset classes as shown in the chart to the right. Within each asset category, the Investment Committee and Investment Office select individual investment managers who actively manage specific strategies. Each of these managers is then authorized to purchase securities appropriate to its strategies.

For questions or further information, please contact the Office of Donor Relations at 617.627.3429.