
1510 TEMPORARY INVESTMENT FUND (TIF) INTEREST PAYMENT POLICY

Effective: July 2008
Revised: February 2012
Last Reviewed: May 2017
Resp. Office: Treasury
Approval: Trustees

PURPOSE

Income earned on the University's cash balances is a General University resource. This policy pertains to the payment of a portion of this interest to University Schools and Centers.

INVESTMENT OF CASH BALANCES

The Temporary Investment Fund (TIF) is the investment pool in which the University's operating cash balances are invested primarily to maintain principal and minimize risk, and secondly to earn additional income. The TIF is predominantly invested in short-term funds. The Associated Investments Fund (AIF), by contrast, is invested for longer periods.

POLICY

In order to effectively manage the University's short-term cash position, this policy on the payment of short-term interest applies to the entire University. Beginning July 1, 2008, TIF interest will be paid on cash balances in the following funds only:

Renewal & Replacement (000005) Fund: This fund was established to hold reserves that will be utilized in a future period to fund the renewal or replacement of capital assets. Responsibility Centers may accumulate Renewal & Replacement Fund reserve balances for the following purposes only: investment in new facilities; renewal and/or replacement projects in existing facilities; and large-scale purchases of equipment. This fund may not be used to support regular, ongoing Responsibility Center operational expenses. TIF interest will be paid on the cash balances of this fund on a monthly basis, and will be used defray renewal and replacement costs.

University Bank (000013) Fund: This fund provides a holding account in which Responsibility Centers may place surplus operating balances, and then use those reserves for budget balancing or other programmatic purposes in subsequent fiscal periods. TIF interest will be paid on the cash balances of this fund on a monthly basis, provided the Responsibility Center's General Operating Funds are not in deficit position.

Designated Investment Income (4xxxxx) Funds: TIF interest will only be paid on funds that may not be invested in the AIF per donor agreement. All new funds with such investment restrictions must be approved by the Vice President for Finance and Treasurer prior to acceptance of these agreements.

Sponsored Program (5xxxxx) Funds: TIF interest will be paid on all grants and contracts requiring interest on unspent balances.

Designated Gift (6xxxxx) Funds:

- **Operating Gift Funds:** TIF interest will only be credited to those funds where donor stipulated agreement states that interest will be paid. This interest will be charged to the Responsibility Center's General Unrestricted (000000) Fund.
- **Capital Gift (65xxxx) Funds:** TIF interest will be paid on all of these funds and will be used for the designated capital project.

Capital Project (000010) Fund: Unspent balances residing in this fund earn TIF income. Conversely, 10 Fund expenditures that are funded by an internal capital project loan are charged interest.

TIF INTEREST CALCULATION AND POSTING

The monthly TIF interest rate will be set each month by the Office of the Treasurer. Negative (i.e. deficit) balances, in applicable funds, will be charged each month at 1/12 of the annual rate of the 3-month U.S. Treasury bill plus 25 basis points, with a 2.0% minimum. Positive (i.e. surplus) balances, in applicable funds, will be credited each month at 1/12 of the annual rate of the 3-month U.S. Treasury bill less 25 basis points, with a 1 basis point (0.01%) minimum for grant funds and a 0 basis point (0.0%) minimum for non-grant funds. With the exception of the capital account (fund 000010), interest will be calculated on the month-end cash balance of the fund and posted to that fund in the ledger in the following month. Interest will be posted monthly in August (based on the July ending balance) through the Adjustment (ADJ) period (based on the June ending balance). For the capital account, interim interest is calculated monthly for the entire year and then posted to the School/Center's General Unrestricted Fund at the beginning of the subsequent fiscal year.