

Procedure Title: Allocation of Investment Earnings

Background

The bulk of California State University (CSU) funds are invested in the CSU Consolidated Investment pool (CIP), which consists of 4 portfolios: 1) Total Return Portfolio (TRP), 2) Intermediate Duration Portfolio (IDP), 3) Liquidity Portfolio (aka SWIFT), and 4) Surplus Money Investment Fund (SMIF).

Beginning with the 2018-19 fiscal year, SWIFT and SMIF investment earnings managed centrally by the Chancellor's Office (CO) will be allocated to campuses for the full year during the first quarter of each year. The one-time allocation amount each year is equal to the amount earned in the prior year in the main SWIFT and SMIF accounts, net of investment fees. Investment Pool Banking Service Fees are allocated on a quarterly basis by the CO. The campus earnings distribution from CO is based on past year actual equity and revenue collection in all funds participating in the SWIFT pool, and the general fund offset in fund 485.

Purpose

This procedure outlines guidelines for allocation of investments earnings across the University in compliance with the CSU Legal Accounting and Reporting Manual, which states that *"campuses must establish and maintain documentation of their internal investment allocation methods by fund to assist in training and ensure accounting consistency"*

Procedure

The University receives a one-time annual distribution of SWIFT and SMIF interest earnings, net of investment fees, from the Chancellor's Office. Investment Pool Banking Service Fees are projected every year based on the first quarterly distribution. Any shortages/overages resulting from the projected Banking Services Fees will be journalized to a designated Trust Fund.

Interest earnings, based on prior year average daily cash balances, are distributed annually in the following manner:

1. All University enterprise and auxiliary operations such as Housing, Parking, Health Center, College of Extended Learning, ASI and Student Union receive their portion of investment earnings.
2. The CSU Operating fund (CSU 485) receives its portion of investment earnings.
3. Agency funds (CSU 436) receive their portion of investment earnings.

4. Any remaining interest earnings balance is allocated to a trust fund designated for discretionary expenditures authorized by the President of the University or designee.

References:

CSU Legal Manual Chapter 34 - <http://www.calstate.edu/financialservices/resources/year-end/Legal/Manual/legal-manual.shtml>