Inter-Institutional Interest Attribution:
It is important to ensure that the business practices at one institution do not adversely impact the investment earnings attributable to another. Accordingly, investment earnings credited to the OUS Fund, which is based on average daily collected bank balance, will be distributed once per quarter to each institution and the Chancellor’s Office based on their average daily balances as recorded in each campus’s Banner system.

Intra-Institutional Interest Distribution:
Investment earnings credited to each campus will be distributed amongst the various fund groups and funds in accordance with applicable laws, rules and regulations including, but not limited to the following:

- Federal and State trust laws
- IRS regulations
- OMB Circulars A-21, A-110 and A-128
- State budget rules
- Grant and contract provisions
- OUS Board policies

Investment earnings credited to each campus will be distributed within the campus based on average daily balances according to Banner records. If average daily balances are not available or readily estimable, then month-end balances may be used. Negative average daily balances will result in an interest charge at the blended earnings rate.

.110 POLICY RATIONALE
The Legislature, in the 2009 Session, approved the redesign of the statutory constructs that guide OUS banking and investment with Treasury. This change brought all OUS bank accounts at Treasury under one umbrella account that authorizes Treasury to invest the monies and credit investment earnings to OUS. This change allows Treasury to pool balances from the different accounts of OUS for investment purposes in order to efficiently manage liquidity within OUS and lengthen maturities of investment vehicles, when appropriate, to increase investment yield.
The Legislature, in the 2011 Session, approved SB 242 which, among other things, allows OUS to keep the interest earnings on all of its balances held at the State Treasury beginning January 1, 2012. Up until that date, a large proportion of these earnings were given back to the State of Oregon.

This policy is intended to set forth the principles and practices that guide the attribution and distribution of investment earnings from the OUS Fund at treasury to each OUS institution and the Chancellor’s Office as well as within various fund groups at each entity.

.120 APPROVAL AND EFFECTIVE DATE OF POLICY
This policy will be approved by the Vice Chancellor for Finance and Administration and be effective January 1, 2012.

.130 KNOWLEDGE OF THIS POLICY
All Chancellor’s Office and institutional personnel with fiscal management responsibilities should be knowledgeable of this policy.

.140 DEFINITIONS

Average Daily Balance (ADB)
Due to the pooled nature of the OUS Fund, it is not possible to tell at any given time exactly how much collected cash on deposit at the State Treasury is attributable to a particular institution. As a result, we use cash balances as recorded in Banner as a proxy for actual collected cash on hand.

A custom report has been created (FWRCSHV) that computes the average daily balance for each Banner bank fund. The average daily balance for a period is computed at a detail fund level within each bank fund. The computation multiplies the beginning cash balance by the number of days of the month. To that value is added the amount of each transaction for the month times the remaining number of days in the month, based on the transaction posting date. The grand total is divided by the number of days of the month, resulting in the average daily balance. When a transaction posts between the last date of the month and period closing it is treated as if it were posted on the last day of the month. Note that the report uses “posting” date rather than “effective” date. This makes it very important that cash-related transactions be recorded in Banner on the actual day they occur to the extent possible.

Blended Earnings Rate (BER)
This annualized rate is established quarterly by the Director of Treasury Operations and reviewed subsequently by the Bank Oversight Committee. The blended earnings rate is equal to investment earnings for the three-month period divided by the average daily Banner balance for all bank codes associated with the OUS Fund at Treasury. The resulting rate is expressed on an annualized basis.

Investment Earnings Attribution
The process to determine how much of the total investment earnings of the OUS Fund is attributable to fund balances on hand at each campus and the Chancellor’s Office.
Investment Earnings Distribution
The process of posting attributable earnings to each campus and the Chancellor’s Office.

Investment Earnings
Treasury Operations maintains an internal bank interest pool which is intended to materially represent all of OUS’s investment earnings attributable to a particular three-month period. The interest pool is distributed fully once a quarter based on average daily cash balances. The interest pool contains:

- All interest received during the three month period
- All gains or losses realized when investments are sold
- An accrual entry for interest earned but not yet received as of the end of the interest distribution period
- Amortization of premiums and discounts that arose when investments were purchased
- Management fees charged by the Oregon State Treasury
- Management fees and/or loan servicing fees charged by Treasury Operations
- Any funds that did not get distributed during the prior quarter

As a general rule, unrealized gains or losses will not be distributed. However, if market conditions require a reserve for “Other Than Temporary Impairment” the cost of establishing the reserve will be included in the interest pool. If such an event occurs, it is possible that negative investment earnings will be distributed.

OUS Fund
The fund established by ORS 351.506 to hold all monies coming into the hands of OUS.

.150 RESPONSIBILITIES
The Vice Chancellor for Finance and Administration delegates to the Associate Vice Chancellor for Finance and Administration and Controller operational oversight of this policy system-wide.

The Director of Treasury Operations is responsible for ensuring that the provisions of this policy are followed, including ensuring that individuals charged with the responsibility to understand and follow these policies have the appropriate training.

Directors of Business Affairs are responsible for:
- Notifying Treasury Operations when changes occur in the FOAPAL to be credited for interest earnings distributed at the fund level
- Distributing all other interest received according to policies or procedures developed and approved by their respective institution
.160 Investment Earnings Distribution

Some types of funds have legal requirements or covenants that require investment earnings be directly attributed and distributed to that particular fund. Treasury Operations staff will post these investment earnings directly to these restricted funds. This includes the following fund types:

   a. Student Loan and other Federal Funds
   b. Gift, Grant, Donation and Matching Funds
   c. Invention Fund
   d. Bond Building and Unexpended Plant Funds
   e. Renewal and Replacement Funds
   f. Retirement of Indebtedness Funds
   g. Student Building Fee and other Student Funds†
   h. Retirement Funds
   i. Agency and Deposit Trust Funds

   In Banner FIS these funds are all bank codes except B1.

Investment earnings attributable to all other fund types will be distributed in two segments to each campus. This includes the following fund types:

   a. Budgeted Operating Funds
   b. Designated Operating Funds
   c. Service Department Funds
   d. Auxiliary Enterprise Funds†
   e. Restricted Funds – Cost Reimbursable

   In Banner FIS these funds use the B1 bank code.

The two segments of this investment earnings distribution are:

1. The amount of investment earnings attributable to tuition, and
2. All other unrestricted investment earnings.

Each campus may distribute unrestricted investment earnings according to its own internal practices. There are no restrictions on how campuses distribute or deploy unrestricted investment earnings. There may be instances when the unrestricted investment earnings will be negative and an institution’s practices should cover this possibility.

† Intercollegiate athletics auxiliary enterprise funds are included in student activities (bank code S8) and not included in auxiliary enterprises (bank code B1).
Exclusions -
Pooled endowment funds (bank code SH) are not eligible to receive investment earnings under this policy because these funds have a separate investment policy and receive earnings specifically from those investments.

Any OUS-owned account at the Oregon State Treasury that does not sweep into the OUS Fund is not eligible to receive investment earnings as described in this policy. Those accounts earn interest as computed and posted by the Oregon State Treasury.

.690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>General questions from institutional personnel</td>
<td>Institution Office of Business Affairs</td>
</tr>
<tr>
<td>General questions from institutional central administration and Chancellor's Office personnel</td>
<td>Chancellor's Office Controller's Division</td>
</tr>
</tbody>
</table>

.695 HISTORY

Policy Last Updated: October 13, 2011

APPENDIX
None