

# UNIVERSITY OF MINNESOTA

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DATE: August 17, 2007

TO: Vice Presidents, Deans, and RRC Managers  
**(Please share this memo with administrators and Area/Org Managers, as appropriate)**

FROM: Sue Niehoff, Office of Budget and Finance

SUBJ: FY08 Temporary Investment Pool (TIP) Process

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## **Earnings Allocations**

**Current Unrestricted Fund Balances** –In FY08, there will be no distribution on current unrestricted fund balances; therefore, the annual earnings rate will be set at 0% in the automatic distribution job for all three distribution periods.

**Allocation Exceptions** - In FY08, the manual distribution of Temporary Investment Pool (TIP) earnings will continue only on the following positive balances:

- Sponsored accounts that are required to participate due to a legal requirement of the grant/contract
- Equipment and building replacement reserves in specific plant funds
- Applicable loan fund balances

## **Assessment of Charges**

**Charges will continue to be assessed on deficits.** The charges will be calculated on “fund-area” deficits or “fund-area group” deficits depending on how the pooling has been designated by the RRC.

## **The Process**

The attached information addresses the annual procedures for the FY08 TIP earnings allocations (*for those accounts specified above with a positive balance*) and the assessment of charges on negative pool balances.

- Distributions and charges are based on balances as of October 31, 2007, February 28, 2008, and June 30, 2008 (end of the 13<sup>th</sup> period).
- TIP earnings and charges are based on a threshold balance of +/- \$15,000.
- The deficit assessment rate is set at an annual rate of 5.5% for the October and February distributions, and 8.0% for the June FYE distribution.
- Accounts in sponsored funds generally do not participate in the TIP allocation process; however, there are exceptions. Exceptions can occur due to timing on the receipt of the funding or due to a legal requirement that is part of some grants and contracts. Sponsored Projects Administration (SPA) is responsible for submitting these exceptions to the Budget Office. Active accounts that

have been previously approved to receive earnings allocations will continue to receive them in FY08. The distribution on these accounts is calculated manually and posted via a JV.

- Plant funds that participate in the allocation process include the Building and the Equipment Replacement Reserve accounts. These accounts will continue to receive earnings allocations in FY08, using an annual rate of 2%. The distribution on these accounts is calculated manually and posted via a JV. Fund balances are combined at the discretion of the RRC either into pools at the fund-area, or at the fund-area group level.
- Current funds established for Uncollectible Costs from Sponsored Accounts (funds 1295, 1296, 1297, 1298) do participate in the TIP process. These accounts are assessed charges on their deficits.
- **Accounts automatically excluded from the TIP allocation process include:**
  - Agency funds
  - ISO funds
  - TUIT orgs in the O&M funds
  - IDCR orgs in the Indirect Cost Recovery funds
  - LCMR funds (1520, 1527, 1534, 1542) in the State Special fund series
  - NIH offset accounts – orgs numbered greater than 6000 in the 1198 funds
  - Orgs beginning with a “0” or an alpha character. These funds represent current funds invested in GIP and therefore their balances are **not** included in any TIP pool balances.

**TIP Charge Exceptions**

Exceptions are defined as those accounts that are excluded from the assessment of TIP charges or afforded some other special treatment.

***Prior year exceptions WILL automatically continue for FY08; therefore, you do NOT need to submit an exception request for those accounts that had exceptions in FY07.***

Additional exception requests can be initiated by either area managers or RRC managers, but they must have the appropriate RRC manager and Dean/VP approval before they will be considered. For **new** FY08 exception requests, you must submit the request via the attached Exception Request form. The form must include the account numbers, including the fund-area-org, provide a description of the nature of the account activity, and provide justification for an exception.

**Key Due Dates**

		Submit Request to:	Due Date
TIP pooling option (Section A)	Required only if you are changing the option from the prior year	Jennie Anderson Accounting Services #654C WBOB	October 26, 2007
Exception Request (Section B)	As RRC deems appropriate	Sue Niehoff Office of Budget and Finance 336 Morrill Hall	October 26, 2007
Change in target org (Section C)	Can be done anytime throughout the year  Required at beginning of year if pooling option is changed	Jennie Anderson Accounting Services #654C WBOB	As appropriate

Policy 3.3.3 and procedure 3.3.3.1, “Allocating Temporary Investment Pool Income”, provide complete information on the TIP allocation process. The policy and procedure can be found in the UWide Policy Library at [http://process.umn.edu/groups/ppd/documents/Policy/Allocating\\_TIP\\_Income.cfm](http://process.umn.edu/groups/ppd/documents/Policy/Allocating_TIP_Income.cfm).

Each of the following pages addresses specific issues and actions you may need to take to prepare for the FY08 TIP process. If you have questions about the TIP allocation process, please call 625-9712, or e-mail [sniehoff@umn.edu](mailto:sniehoff@umn.edu).

cc: Richard Pfitzenreuter, Vice President and CFO  
Frank Cerra, Senior Vice President for Academic Health Center  
Robert Jones, Senior Vice President of System Administration  
Tom Sullivan, Senior Vice President and Provost

**FY08 TEMPORARY INVESTMENT POOL ALLOCATIONS  
August, 2007**

**A. FY08 TIP POOLING OPTION ELECTION**

**\*\*\* NOTE!!** The TIP Pooling Option Election form is required **ONLY** if you wish to select a **different** option than what you selected in FY07. If your accounts are to be pooled as they were in FY07, then you do not need to complete this form.

**To change the pooling option, please complete the TIP Pooling form (attached) and send it to:**

**Jennie Anderson, Accounting Services  
654C WBOB**

**by: Friday, October 26, 2007**

All area-orgs, within both **restricted and unrestricted** funds are combined into pools. Each pool balance is the basis for determining whether or not a TIP charge will be assessed.

RRC managers choose the TIP pooling option each year.

Pooling options:

- TIP pools at the Area Group level
- TIP pools at the Area level

When new area-orgs are established during FY08, they will be assigned to pools based on the current fiscal year's pooling selection.

**TIP POOLING OPTION**

Date \_\_\_\_\_

Effective FY \_\_\_\_\_

RRC Name/Abbreviation \_\_\_\_\_

Pool our areas for Temporary Investment Pool (TIP) allocations at:

\_\_\_\_\_ Area group level

\_\_\_\_\_ Area level

\_\_\_\_\_ Campus level (*available for Duluth, Crookston, & Morris*)

Our area numbers are:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

We understand that this election will be effective beginning in the fiscal year noted above. The first assessment for the fiscal year will occur in November, based on October 31 balances. New orgs that are established in this fiscal year will be pooled according to the option selected here. We also understand that this pooling option will be applied to all accounts within our RRC.

SIGNATURES:

RRC Manager: \_\_\_\_\_ Phone \_\_\_\_\_

Dean: \_\_\_\_\_

Date: \_\_\_\_\_

**Completed form should be sent by Friday, October 26, 2007, to:**

**Jennie Anderson, Accounting Services  
654C WBOB**

**FY08 TEMPORARY INVESTMENT POOL ALLOCATIONS  
August, 2007**

**B. TIP EXCEPTION PROCESS**

**TIP exception requests should be sent to:**

**Sue Niehoff, Office of Budget & Finance  
336 Morrill Hall**

Exceptions are defined as those accounts that are excluded from the TIP calculations or afforded some special treatment. Either area managers or RRC managers can initiate exception requests, but the appropriate RRC manager and Dean/VP must approve them before review by the Office of Budget & Finance. To prepare for the FY08 TIP allocations, you'll need to consider whether you have accounts that should be treated differently than as currently categorized.

A list of the categories currently assigned to each of the CUFS funds is located in financial procedure 3.3.3.1, "Allocating Temporary Investment Pool Income". Please note that internal service organizations (ISOs) operating within an ISO fund are excluded from the TIP process. If an activity is operating as an ISO, but not within ISO funds, the accounts will be subject to TIP under the categories assigned to those funds.

We recognize that specific orgs within ISO funds may be established to account for external sales activity within an ISO. With an appropriate allocation of expenses to the external sales activity, it is possible that those specific orgs could contain balances that should be participating in the TIP allocation process. **If you wish to have your external sales orgs that are in ISO funds participate in the TIP allocation process, please prepare an exception request for INCLUSION** in the TIP allocation process.

Certain accounts are **automatically excluded** from the TIP process. These include the unique collegiate accounts that have been established for recognizing tuition and ICR (TUIT, IDCR), all accounts in the LCMR funds (funds 1520,1527,1534,1542) and all NIH offset accounts (orgs numbered greater than '6000' in the 1198 funds.). ISO and Agency funds are also excluded. **RRC managers should NOT prepare an exception request for these identified exclusions.**

As mentioned previously, Building and Equipment Replacement Reserve funds will continue to participate in TIP income distributions. These accounts should be in three unique plant funds. We will pull the complete listing of the applicable orgs from the data warehouse prior to each distribution.

Prior year charge exceptions will automatically continue for FY08; requests for continuation are not required at this time. However, if you have a **new** exception for FY08, you must submit an exception request in writing (see the request form below), provide the account number(s) including fund/area/org, explain the nature of the account(s), and provide a justification for special treatment. An explanation that only states "this account has been excluded in the past" is not adequate justification.

Except for the accounts listed in the paragraph above, we have not defined specific types of accounts that should be excluded from the TIP process. Each RRC manager may identify specific account numbers to be considered for exclusion, or in some cases, inclusion. Examples of exception requests approved and denied in previous years follow.

**FY08 TEMPORARY INVESTMENT POOL ALLOCATIONS**

**August, 2007**

**Examples of Prior Year Exception Requests Approved:**

- Account(s) that have built up large deficits over a period of years and currently have central administration's approval of a formal debt repayment plan.
- Agreements with affiliated health care providers for clinical and other education experiences for health professionals.
- Historical funding arrangement with Minnesota counties for delayed billing of shared personnel costs.

**Examples of Prior Year Exception Requests Denied:**

- Using accounts as revolving or clearing accounts in which deficit balances are created until the charge can be moved to the appropriate accounts.
- Self-supporting accounts where balances vary throughout the year due to seasonal fluctuations in the business cycle.
- Accounts that reflect only expenditures (and thus have deficits) because the supporting revenue is deposited in another account.
- Accounts in which expenditures are incurred, but the source and amount of funding is uncertain for the expenditures, or resources are moved to the account to cover the deficits after the fact.
- Foundation accounts. Funds at the University of Minnesota Foundation, the Minnesota Medical Foundation or the Minnesota Landscape Arboretum Foundation are in separate entities and Central Administration does not earn interest on funds held by the Foundation.

Submit exception requests on the form provided below either via campus mail or e-mail. All account numbers should be listed even if there is a series of accounts that all fall under the same rationale.

**TIP EXCEPTION REQUEST**

**DATE** \_\_\_\_\_

EFFECTIVE DATE: \_\_\_\_\_

NAME OF AREA or RRC: \_\_\_\_\_  
{dependent on pooling level}

AREA NUMBER OR RRC ABBREVIATION: \_\_\_\_\_  
{Area or RRC, depending on your pooling level}

We are requesting an exception to the TIP process for the following accounts:

Account Name \_\_\_\_\_ Fund-Area-Org: \_\_\_\_ - \_\_\_\_ - \_\_\_\_

Purpose of Acct \_\_\_\_\_

Rationale for Exception\* \_\_\_\_\_

Account Name \_\_\_\_\_ Fund-Area-Org: \_\_\_\_ - \_\_\_\_ - \_\_\_\_

Purpose of Acct \_\_\_\_\_

Rationale for Exception\* \_\_\_\_\_

SIGNATURES:  
AREA or RRC Manager \_\_\_\_\_ Dean/VP \_\_\_\_\_  
{dependent on pooling level}

Campus Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Date: \_\_\_\_\_

\* **NOTE: PLEASE PROVIDE SUPPORTING DOCUMENTATION WHERE APPROPRIATE**



**FY08 TEMPORARY INVESTMENT POOL ALLOCATIONS  
August, 2007**

**C. Target Account Selection**

Complete the attached Target Account Selection form to:

- Identify the target account for new pools that are established
- Request a change from one target account to another account within the same pool

The request to change the target account can also be done via email, providing the same information that is on the form.

The completed target account selection form or request should be sent to:

**Jennie Anderson, Accounting Services  
654C WBOB**

The target account is the area-org within a pool that will receive the interest earnings or the charge for the pool. There is no annual election to identify the target accounts for each pool. The target account that is currently identified for each pool will continue as the target account until Accounting Services is notified otherwise.

The Target Account Selection form is attached. You can use this form to identify target accounts for new pools that are established or to request a change in your current target account. You can also request a target org change by sending an email request with the same information as the form. Target accounts can be changed at any time in the FY.

Please indicate the effective date for the change. Remember that the third FY07 allocation is posted in period 02, FY08, and the first FY08 allocation is posted in period 05, FY08.

If you are electing a pooling option in FY08 that is different than the option used in FY07, you will need to identify new target accounts since your accounts will be in different pools. For example, for FY07 you pooled at the area class level, and for FY08 you are electing to pool at the area level - new target account information should be provided to Accounting Services.

**TARGET ACCOUNT SELECTION**

EFFECTIVE WITH TIP ALLOCATION PERIOD: \_\_\_\_\_

NAME OF AREA or RRC: \_\_\_\_\_  
{dependent on pooling level}

AREA NUMBER OR RRC ABBREVIATION: \_\_\_\_\_  
{Area or RRC, depending on your pooling level}

We are requesting the following **change(s)** in the TIP target accounts:

Pool # _____	Old target account _____	-	-	_____
	New target account _____	-	-	_____
Pool # _____	Old target account _____	-	-	_____
	New target account _____	-	-	_____
Pool # _____	Old target account _____	-	-	_____
	New target account _____	-	-	_____

The following indicates our **selected** target account for each of our unrestricted pools.

Pool # _____	Target Fund-Area-Org _____	-	-	_____
Pool # _____	Target Fund-Area-Org _____	-	-	_____
Pool # _____	Target Fund-Area-Org _____	-	-	_____
Pool # _____	Target Fund-Area-Org _____	-	-	_____
Pool # _____	Target Fund-Area-Org _____	-	-	_____
Pool # _____	Target Fund-Area-Org _____	-	-	_____
Pool # _____	Target Fund-Area-Org _____	-	-	_____

We understand that the accounts identified above will continue to be the designated target accounts until you are notified otherwise.

**SIGNATURES:**

AREA or RRC Manager \_\_\_\_\_  
{dependent on pooling level}

Campus Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Date: \_\_\_\_\_