Pooled Investment Earnings/Charges (PIE)

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Pooled Investment Earnings/Charges (PIE) Policy & Background

Pooled Investment Earnings/Charges or PIE, as it is known around campus, distributes interest earnings to eligible SpeedTypes with positive cash balances and charges interest to eligible SpeedTypes that have negative cash balances.

Quarterly Distribution of Interest Earned (Full Rate and Internal Service Unit PIE)

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Quarterly Interest Earnings for Full Rate PIE & Internal Service Center PIE

Quarterly interest earnings of Treasury Pool cash are distributed to the campuses based on average daily cash balances for the quarter. Following each month end close the average daily balances are calculated and stored in a table in the PeopleSoft system via a custom program.

The quarterly allocation of interest earnings occurs through two auditable processes run with custom programs. These are known as Full Rate PIE and Internal Service Unit PIE. Internal Service Unit (ISU) PIE includes unit/departments that serve the respective campuses. Examples include campus design and production, food services, digital labs, clinical trials, ADA compliance, etc. Full Rate PIE includes all other SpeedTypes established by the campus excluding ISU and sponsored program accounts. These tables are maintained by Treasury from input from the campuses. Treasury depends on the campuses for the accuracy of these tables.

For both of these types of PIE distributions, the campuses set up a five digit PIE attribute code per SpeedType. They may add SpeedType(s) or inactivate SpeedType(s) to an existing attribute code. The Internal Service Units code always begins with an "I". Treasury records the actual average rate of return for Segment 1 assets in the Treasury Pool which generally consist of Government and Prime money market funds and Federally Insured Cash Deposits with daily or next day liquidity.

The quarterly actual rate of return is calculated and input into the PIE custom program. Only positive rates of return are allowed. As part of the month-end process, the interest earned PIE program is run which will multiply the quarterly rate of return by the quarterly average of average daily cash balances for all SpeedTypes setup under a PIE attribute. This process creates two journal entries, one for Full Rate PIE and one for Internal Service Unit PIE. These journal entries transfer Treasury Pool earnings to the campuses.

Annual and Monthly Distribution of SPA PIE

Sponsored program accounts (SPA) with interest remittance requirements are set up as a yearly distribution. Monthly and quarterly average daily cash balances are maintained, but the distribution will be made by the Treasury to the respective departments at each campus for all the Federal interest that needs to be paid. This is usually in August after the fiscal year end. Some remittance requirements have exception to year end reporting requirements and will be made at the appropriate time.

Monthly Initiative Distributions

Each year the System Budget Office distributes an amount of Treasury Pool earnings regardless of the actual earnings of the Treasury Pool. These distributions are made monthly by a transfer of funds to appropriate budgeted SpeedTypes from the Treasury Pool with equal payments made over the 12 months of the fiscal year. We sometimes refer to this process as "monthly" PIE but actually it is distribution of initiative funding and not an actual distribution of earnings per se.

Campus PIE Charges Background (Managed by CCO)

PIE Charges were developed, "In response to a 1982 State Auditor recommendation, all accounts (now called FOPPs) with cash deficits were to be charged interest on the deficits. A policy was prepared to incorporate this recommendation but also to go beyond it and address a reasonable way of encouraging good cash management practices at the level in the organization where daily decisions were made. In theory, managers of accounts would be rewarded by receiving some share of investment earnings based on the size of their cash balances. The university needed to design and create software programs to capture and average reliable data in order to calculate interest earnings on positive cash balances and interest charges for deficit accounts."1

According to Treasurer Don Eldhart's historical summary of PIE, it took until 1986 for the policy, software (FRS), and process to come together to begin charging interest quarterly on eligible SpeedTypes based upon their average monthly cash balance within the quarter. It took until FY2000 and PeopleSoft for the calculation to be based upon the average daily cash balance within the quarter.

Waiver of PIE Charge Requests

The interest rate is currently set at 7.5% annual/1.875% quarterly. As mentioned above, the CCO manages the PIE charging process and determines if a waiver requested by the department is appropriate; BUT the dollars collected go to a SpeedType managed by the Office of Budget & Fiscal Planning. The separation of responsibility ensures that CCO's waiver process does not have a self-interest component.

Typical waiver requests include, another department miscoded a cost to a little used SpeedType, monitored infrequently, creating a negative balance; staff transition and the new person was not aware of PIE charges; or waivers due to a unique situation where funding coming in and going out do not match up. Each request is researched thoroughly and bounced off the established goals listed in paragraph 2 above.

If you see a PIE charge in account code 997102 and are not sure why you got charged. The first step is to check your cash balances for the past quarter. If you find no answer there, contact your area accountant and we will research the charge.

Eligible FOPPS/SpeedTypes to be Charged PIE:

All FOPPS in funds 2x, 7x and 80 are subject to PIE. The default set-up is to have each FOPPS stand-a-lone and be responsible for its cash balance. Upon request and approval by the campus controller, the cash balances of all FOPPS of a single organization within the same fund (except fund 28) may be aggregated to calculate one average daily cash balance for that organization. This is accomplished by selecting one SpeedType of the organization and assigning that SpeedType as the PIE attribute to all the SpeedTypes of the organization in the fund.

PIE Calculation Steps:

1. The daily cash balance of the FOPPS is averaged for the month
2. The average monthly balances are then averaged for the quarter
3. If the quarterly average is a negative then the PIE SpeedType is charged PIE
4. The average daily balance for the quarter is then multiplied by the quarterly interest rate and the PIE allocation uses transfer account 997102–Voluntary transfer out within campus-PIE.

Fund 28 SpeedTypes (ISC's quirks)

For fund 28 FOPPS, federal cost principles prohibit the use of a surplus in one Internal Service Center (ISC) to fund the deficits of other ISCs or other operations. They also require that any interest earned on the investment of ISC cash balances be returned to the ISC as an applicable credit, thereby reducing their rates. Therefore, we cannot combine an individual fund 28 ISC FOPPS cash balance with any other cash balances. If we did combine these cash balances, the ISC positive cash balances are reduced thereby reducing the interest income allocable to those ISCs. This results in an increase in their rates that are then charged to federally sponsored projects.

The only exception to this rule is where one ISC has a number of fund 28 FOPPS used for internal management of the single Service Center. For example, if Imaging Services had more than one fund 28 FOPPS to manage Imaging Services, those cash balances would be combined. The basis for this exception is that there is one ISC and the multiple FOPPS are all for same ISC.