



**MEMORANDUM**

To: Money Market Participants in the State Treasurer's Short-Term Investment Fund ("STIF") and the UNC Chapel Hill Temporary Investment Pool ("Temp Pool")

From: Richard L. Mann *RLM*  
Vice Chancellor for Finance and Administration

Date: August 19, 2009

Re: Money Market Rates of Return – Distribution Rates for Participants

In my memorandum to you dated June 22, 2009 regarding *Money Market Rates of Return – Current Conditions and Outlook*, information was provided on current money market and fixed income conditions and the associated impact on distributions from STIF and the Temp Pool over the next year, at least. This memorandum serves as notification of a change in the distribution rates to participants in the University Money Market System that includes balances invested in the Temp Pool and in STIF. As described in Accounting Services Policy Statement 17 on *Money Market Investments*, the Vice Chancellor for Finance and Administration is responsible for setting the rates to be paid on the balances invested in the University Money Market System.

Specifically, with respect to the Temp Pool, the policy states;

D. Distribution Rates

There are two Temporary Pool distribution rates. The rate earned by an account is dependent upon its account classification (institutional trust funds, special funds, etc.) and investable fund balance. Both rates are set by the Vice Chancellor for Finance and Administration.

(1) Institutional Trust Fund Accounts, Endowment Fund Accounts, and Special Fund Accounts with Balances Equal to or Greater Than \$1 Million -

The following factors shall be taken into consideration by the Vice Chancellor for Finance and Administration when determining the distribution rate to accounts falling into this category:

- i. The realized income and gains and losses earned on the Temporary Pool portfolio, less investment management expenses and certain operating expenses.
- ii. The level of income required by the Chancellor to meet ongoing commitments from unrestricted sources.
- iii. The rate paid out by the State Treasurer Short-Term Investment Fund.
- iv. The current level of interest rates.
- v. Last year's distribution rate and the current year's targeted rate (the targeted rate is the rate expected to be earned by the Temporary Pool as of the beginning of the fiscal year).
- vi. The level of unrealized portfolio gains and losses and the portfolio's expected future rate of return.
- vii. The level of funds set aside in any earnings reserves and stabilization funds in past years.

(2) Endowment Fund Accounts and Special Fund Accounts with Balances Less Than \$1 Million -

Special Fund and Endowment Fund Accounts with balances less than \$1 million shall earn a rate that over time equals the yield on three month U.S. Treasury Bills plus .25%. However, this rate may be changed from time-to-time by the Vice Chancellor for Finance and Administration in order to provide the Chancellor with sufficient income to meet ongoing commitments from unrestricted sources.

With respect to the STIF, the policy states the following:

#### D. Distribution Rate

The distribution rate to eligible accounts invested in the STIF is generally the quarterly compounded rate of return earned by the State Treasurer on the Fund. However, the rate may be changed from time-to-time by the Vice Chancellor for Finance and Administration in order to provide the Chancellor with sufficient income to meet ongoing commitments from unrestricted sources.

After taking into consideration the applicable factors described above, the rate paid to Institutional Trust Fund Accounts, Endowment Fund Accounts, and Special Fund Accounts with Balances Equal to or Greater Than \$1 Million, and invested in the Temp Pool (i.e. Temp Pool accounts covered under D. (1) above) will be changed from the STIF rate of return to two-thirds of the STIF rate of return until further notice. In addition, the rate paid on eligible accounts invested in the STIF will be changed to two-thirds of the STIF rate of return until further notice. This rate change will take effect beginning with the next quarterly distribution in September 2009. The rate paid to Special Fund Accounts with Balances Less Than \$1 Million invested in the Temp Pool will remain unchanged.

Please contact Dennis Press at 962-7007 or [dennis\\_press@unc.edu](mailto:dennis_press@unc.edu) if you have any questions regarding this issue. Thank you.

cc: Barbara Aaron, Vice President, UNC Management Company  
Jon King, President and CEO, UNC Management Company  
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