70.7 Manage Investment Pools

Florida PALM

Planning, Accounting, and Ledger Management

Revision History

Version	Date	Revision Notes
1.0	07/30/2019	Accepted Version

Table of Contents

General Information

This document describes and depicts the process steps and supporting information for the identified State of Florida financial management business process. This information should be read in conjunction with the Business Process Flow Diagrams.

The Dependencies and Constraints section describes any conditions or criteria that impact how or when the business process should be executed. These could be set within Florida PALM or from external sources (i.e., Law or Rule).

The Business Process Overview section summarizes the business process and provides context for understanding the objectives and desired outcomes of the described business process.

Within the Business Process Flow Details section, included for each process step are:

- **Process Step ID** – A unique number assigned to each process step, which corresponds to the Business Process Flow Diagram
- **Process Step Title** – A short description assigned to each process step, which corresponds to the Business Process Flow Diagram
- **Description of Process** – A detailed narrative description of the process step, which provides additional information and context for understanding the process step

Also described below are the Ledger Impacts and Reports, which are displayed as icons on the Business Process Flow Diagrams. Ledger impacts describe where there is an update to one of the ledgers used to track activity for accounting, budget management, or financial reporting purposes. Reports describe where a report is identified to be produced at a particular process step or is used to support the completion of a process step.

Finally, included in the Terminology section are definitions of terms which will help the reader to better understand the document. These are terms that are used within this document that may be new or that require a description for common understanding.

Dependencies and Constraints

- Dependent on transaction information from the Special Purpose Investment Account (SPIA) application
- Dependent on agencies recording their investments/disinvestments

Business Process Overview

The Manage Investment Pools business process is within the Treasury Management (TM) business process grouping. TM includes a collection of business processes that:

- Manage banking relationships;
- Manage investments and interest apportionment for agencies and external entities;
- Support reconciliation of the concentration bank account, agency sub-accounts, and the bank account balances to general ledger balances;
- Support the management of cash transfers between bank accounts; and
- Support agency requests of Treasury.

This business process addresses how interest apportionment will be calculated and distributed to Trust Funds, GR, and SPIA participants. This process also includes the integration between Florida PALM and the SPIA application.

The business subprocess included are:

- 70.7.1 – Manage SPIA Balances
- 70.7.2 – Distribute Interest Apportionment

Section 17.57, Florida Statutes (F.S.), establishes the Chief Financial Officer's (CFO) responsibilities to deposit and invest State money and establishes the types of investment securities that can be purchased. Section 17.61, F.S., establishes the CFO powers and duties in the investment of certain funds, which include General Revenue (GR), trust, and agency funds, as well as, funds from certain boards, associations, or entities created by the State Constitution or law that are part of the SPIA. This statute provides the State funds that cannot receive interest revenue and designates earnings from the balances in those funds be appropriated to GR. It further establishes the annual assessment referred to as the administrative fee that is charged to participants by the Department of Financial Services (DFS), Division of Treasury (Treasury) to administer the investment program.

Treasury maintains and reconciles participant investment and liquidation transactions and the average daily participant investment balance. Treasury invests excess cash and maintains a daily investment balance. The Manage SPIA Balances business subprocess documents the process for recording SPIA participant balances in Florida PALM. The process integrates Florida PALM with the SPIA application where participants record investment transactions. This integration provides the daily balances for SPIA participants. The Distribute Interest Apportionment business subprocess documents the monthly process for allocating investment earnings to Trust Funds, SPIA participants, and GR. The daily balances for funds and SPIA participants are maintained in the ledger. Treasury apportions investment earnings and administrative fees earned on the investment portfolios to participants monthly, based on the participant's average daily balance. Three critical components are used in the apportionment process: average investment balances, average daily participant balance, and the total amount of investments. The initial allocation apportions interest to Trust Funds and the SPIA participants. The undesignated investment balance is allocated to GR. A second distribution allocates the interest to individual Consolidated Revolving Accounts (CRA).

Business Process Flow Details

The tables below describe steps in each business subprocess as reflected on the Business Process Flow Diagrams. The tables also reflect information associated with each step describing the intent of the specific process.

The Business Process Flow Diagrams use horizontal swim lanes to depict where activities are performed by different parties or systems. Each swim lane is titled with a role, either agency-based or within Department of Financial Services (DFS), and in some cases, are representative of an external entity or system. The swim lanes may change from page to page within a single business subprocess as more or fewer roles are required to execute sections of the business subprocess. Optionally, the process flow diagram may reflect vertical swim lanes to further designate information such as systems or time intervals.

Table 1: Manage SPIA Balances

70.7.1 - Manage SPIA Balances		
Swim Lanes – Definition	**Custodial Bank:** *(Non-Florida PALM role)* external roles at banks that have bank accounts where investments are managed **General Ledger (GL) Journal Processor:** DFS Treasury role responsible for processing income distribution for SPIA Participants, Trust Funds, and GR **SPIA Application Processor:** *(Non-Florida PALM role)* DFS Treasury role managing SPIA participant transactions and balances in the SPIA Application **SPIA Participant:** *(Non-Florida PALM role)* agency or external government that participates in the SPIA investment pool		
Process Step ID	**Process Step Title**	**Description of Process**
1	Determine Investment Need	SPIA Participants determine if a change in their investments (e.g., enroll, deposit, or withdrawal) is needed.
2	New Participant Enrolled	Agencies or local governments enroll in SPIA.
3	Configure New Participant	Information for the new SPIA participant is configured in Florida PALM.
4	Deposit Sent	For new participants an initial deposit is sent upon enrollment. For existing participants, a deposit is sent to the Custodial Bank when they determine to invest cash to increase their participant balance.
5	Deposit Received	Cash deposited into the SPIA account is included in the overall Custodial Bank account for investment purposes. Treasury verifies the deposit was received.
6	Record Deposit	Agencies or local governments make deposits in the SPIA application.
7	Withdrawal Request Submitted	Agencies or local governments request liquidations in the SPIA application.
8	Withdrawal Sent	The Investment Section generates a wire payment file that is sent to the Custodial Bank to process the wire payment to the participant

Process Step ID	Process Step Title	Description of Process
		account. The output is participant name, wire template number, and amount of outgoing wire.
9	Withdrawal Received	The SPIA participant receives the disbursement.
10	SPIA Application	The daily SPIA participant balances are calculated from the daily SPIA transactions.
11	SPIA Month End Close	Monthly, transactions and balances are finalized as part of the month end close process.
12	Investment Participant Balance Interface	SPIA participant balances are transmitted from the SPIA application to Florida PALM.
13	Import Investment Participant Balance Interface	Florida PALM automatically imports the data from the SPIA application monthly to record the daily balances.

Table 2: Distribute Interest Apportionment

70.7.2 - Distribute Interest Apportionment		
Swim Lanes – Definition	**General Ledger (GL) Journal Processor:** DFS Treasury role responsible for processing income distribution for SPIA Participants, Trust Funds, and GR **SPIA Application Processor:** *(Non-Florida PALM role)* DFS Treasury role managing SPIA participant transactions and balances in the SPIA Application	

Process Step ID	Process Step Title	Description of Process
1	Review Ledger Balances	Prior to interest apportionment, the GL Journal Processor confirms that all entries affecting interest, revenues, and losses are posted as described in the Maintain Deals business subprocess; investments and disinvestments are posted as described in the Monitor Trust Fund Cash Balance business subprocess; and SPIA transactions are recorded as described in the Manage SPIA Balances business subprocess. The GL Journal Processor verifies that the period is ready to be closed and that Book to Bank Reconciliation has been completed. If the period is not ready to close, then the GL Journal Processor works with the Month End Close team to validate that all entries affecting interest apportionment have been posted and there are no remaining entries that will affect the interest apportionment for the

Process Step ID	Process Step Title	Description of Process
		month through the Analyze and Reconcile Accounts business subprocess.
2	Run ADB Process	Once the entries affecting cash balances are tied out for the month, the GL Journal Processor runs the Average Daily Balance (ADB) Process to capture the average daily balances of each Trust Fund and SPIA participant. The interest, revenue, and losses are apportioned based on the average daily balance of each fund and the SPIA participants. Florida PALM automatically posts apportionments and administrative fees to Trust Funds and GR at the lowest level. The entry created by this allocation will follow the Perform Allocations business subprocess. A second allocation apportions the balances to the funds in the CRA. This entry will also follow the Perform Allocations business subprocess.
3	Generate Interest Apportionment Interface	The SPIA apportionment amounts are sent to the SPIA application.
4	Interest Apportionment Interface	The SPIA application imports the apportionment amounts.
5	Generate Monthly Reports	After both interest allocations run, monthly apportionment reports are available.

Ledger Impacts

Table 3: Ledger Impacts Included on Business Process Flow Diagrams

Ledger Impact ID	Ledger - Ledger Impact Title	Ledger Impact Description
LI1	Actuals Ledger – SPIA Participant Balance	Increase/Decrease Investment Balance Increase/Decrease Custodial Bank Cash
LI2	Actuals Ledger – Overall Interest Allocation	Decreasing Treasury Investment Income - Trust Fund Decreases Treasury Investment Cash - Trust Fund Increases Invested Cash – Participant's Fund Increasing Income – Participant's Investment
LI3	Actuals Ledger – Overall Administrative Fee Allocation	Decreases Treasury Investment Admin Fee - Trust Fund Increases Treasury Investment Cash - Trust Fund Decreases Invested Cash – Participant's Fund

Ledger Impact ID	Ledger - Ledger Impact Title	Ledger Impact Description
		Increasing Admin Fee – Participant's Fund
LI4	Actuals Ledger – CRA Interest Allocation	Decreasing Interest Investment Income Earnings - SPIA CRA Fund Decreases Invested Cash - SPIA Fund Increases Invested Cash - CRA Subaccount Advancing Fund Increasing Investment Income - CRA Subaccount Advancing Fund
LI5	Actuals Ledger – CRA Administrative Fee	Decreases Admin Fee - SPIA Fund Increases Invested Cash - SPIA Fund Decreases Invested Cash - CRA Subaccount Advancing Fund Increasing Admin Fee - CRA Subaccount Advancing Fund

Reports

Table 4: Reports Included on Business Process Flow Diagrams

Report Number	Report Description	Report Frequency	Audience
R1	SPIA Reconciliation Report – Investment activity and balances by SPIA participant	Monthly	DFS
R2	Investment Activity Report – investment transactions and balances by pool and participant	Periodic	DFS
R3	Apportionment Report – interest and administrative fee apportionment details by pool and participant	Monthly	DFS

Terminology

Average Daily Participant Balances – an amount calculated by adding the amount of the participant balance for each day and dividing by the number of days in the month.

Concentration Account – depository account used by the Treasury to deposit cash received by the State. The Concentration Account has sub-accounts with unique identifiers to track balances by agency and location.