



Survey of Local Government investment Pools

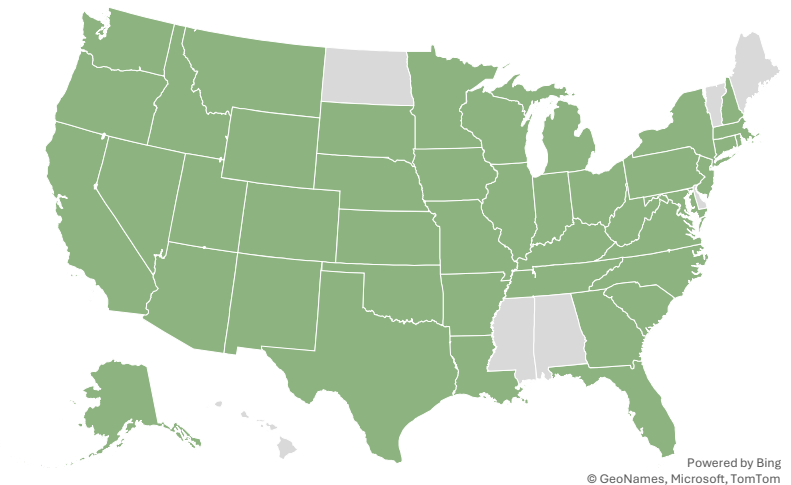
State of the Industry

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Executive Summary

- **Local Government Investment Pools held and invested nearly one quarter of total state and local government investment assets in 2024.**
 - Survey of state sponsored and local sponsored pools covered \$931 billion in assets
 - 161 programs in 42 states
- **Programs operated by state treasurers dominate the industry.**
 - Assets totaled \$691 billion in 32 states with 47 portfolios.
 - Average portfolio size was \$14.7 billion.
 - Local sponsored LGIPS had assets of \$240 billion in 114 portfolios; average assets were \$2.1 billion.
- **Stable net asset pools are the foundation of the industry.**
 - Offered by every program
 - Hold more than 99% of overall LGIP assets.
 - Some are operated in a manner similar to requirements of SEC Rule 2(a)-7 while others (“Other Stable Value Portfolios”) offer a stable net asset value without following this guidance.
 - Other Stable Value Portfolios offered by states are backed by a promise to maintain a stable NAV and/or co-investment of state funds which could act to buffer the NAV.

Executive Summary (Cont'd)

- **Prime stable value portfolios contain 68% of overall LGIP assets.**
 - They are invested in a combination of government securities and high quality credit instruments.
 - Local sponsored prime pools may have as much as 90% of assets in credit, in contrast to prime money market funds that typically invest no more than about 50% in credit.
- **Government oriented LGIPs are similar to government money market funds with a few differences.**
 - On average they have 5-10% in commercial paper and bank deposits which are not permitted for government money market funds.
 - They make less use of repurchase agreements and carry lower overall liquidity than government money market funds, relying instead on a “know your customer” evaluation of investor activity.
- **Uniform disclosure and transparency is lacking.**
 - Some LGIPs make disclosures of portfolio and investor activity equivalent to those of SEC regulated funds.
 - On average LGIPs disclose less information and less frequently than money market funds.
 - Some funds use a “bare bones” approach or disclose information only confidentially to their investors.
 - There are no uniform standards for calculating yields, maturities or other portfolio characteristics; funds generally follow SEC guidance for money market funds but this is not required or assured.

The LGIP Industry

- **State-sponsored LGIPs**
 - Pooled investment program sponsored/managed by a State Treasurer that accepts money from local governments
 - May be a separate pool
 - Or part of the state's consolidated investment fund
 - Assets may be limited to those of local governments or include state and state agency assets.
 - Some pools have an allocation of some state assets to "seed" or buffer the pool.
- **Local Sponsored LGIPs**
 - Organized as a separate legal/tax entity.
 - Accept money from "external" investors i.e. those not related to the organizing entity.
- **Most LGIPs accept money only from governmental entities but a few accept money from nonprofit entities.**
 - These are usually limited to entities with a broad public purpose (e.g. health care or education institutions).

LGIP Assets by Fund Type

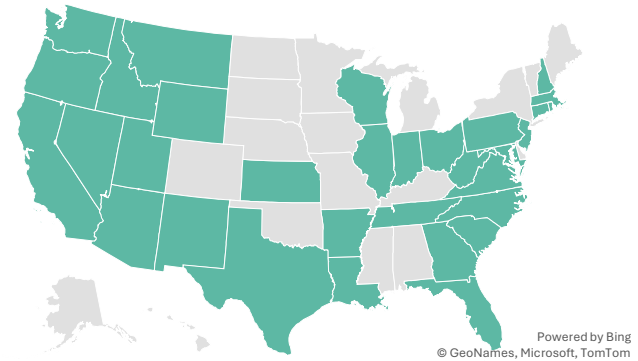
State sponsored LGIP Assets = \$691 billion
Local Sponsored LGIP Assets = \$240 billion



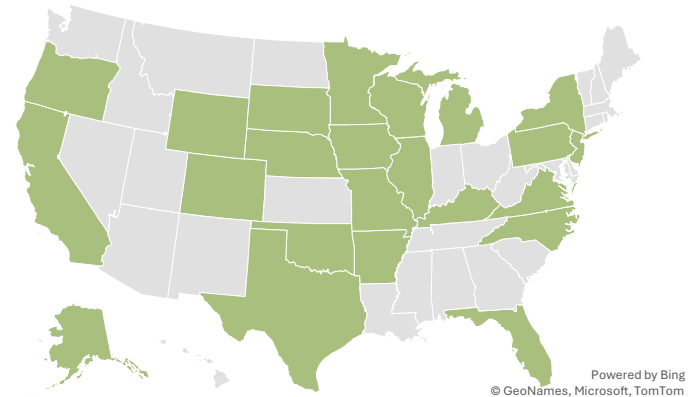
PFII 2024 LGIP Survey

- **Total assets \$931 billion**
 - Represents nearly 25% of total state and local government investment holdings.
- **State sponsored LGIPs**
 - Assets: \$691 billion
 - 32 states, 47 funds (no change from 2023)
 - Average program size = \$21.6 billion
 - Assets increased by \$18 billion or 3% from 2023
 - Increase in assets was entirely from local government investors whose assets grew 5%
 - State assets in these LGIPs: \$329 billion
 - Local assets in these LGIPs: \$362 billion.
- **Local-sponsored LGIPs—newly surveyed this year**
 - 20 states, 54 funds, 114 portfolios
 - Assets of \$240 billion
 - Average program size =\$4.4 billion
 - Often in the same marketplace where there is a state sponsored program.
 - Many states have multiple local sponsored programs that compete.

State Sponored LGIPs



Local Sponsored LGIPs



LGIPs Operate Within a State Specific Legal/Regulatory Framework

- **LGIPs are viewed as providing an essential government service and thus are exempt from most provisions of Federal securities and tax laws.**

- **Most funds operate under a state specific statute; some derive from general powers of the state Treasurer or powers under intergovernmental cooperation statutes.**

LGIPs generally look to these authorities for direction



Government Accounting Standards Board

GASB 79 and GASB 31 provide standards for participants to account for the fair value of investments, including investments in external investment pools. These do not specifically focus on operating or accounting standards for the pools.



Government Finance Officers Association

2008 Best Practices statement provides guidance on how pool investors should evaluate these investments.



National Association of State Treasurers/National Association of State Auditors Comptrollers and Treasurers

2016 Voluntary Guidelines for the Management of Stable Net Asset Value Local Government Investment Pools is a guide to the governance and management of LGIPs.



Credit rating agencies

Rating criteria are focused on portfolio management and investment quality; they do not address disclosure, reporting and transparency.

The LGIP Industry is Built Around Offering a Stable Value Portfolio

Rule 2a-7 like funds—89 portfolios

Several are registered with the Securities and Exchange Commission as a money market fund but most are unregistered funds that closely adhere to Rule 2a-7 with regard to

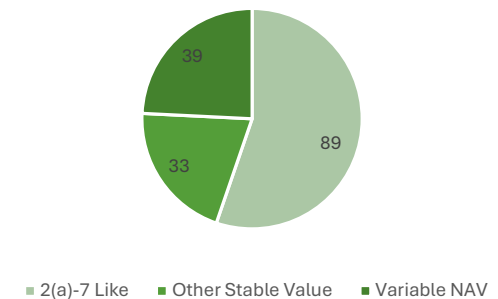
- Asset quality
- Maturity and weighted average maturity limits
- NAV determination—they advertise a stable NAV regardless of whether they are government-oriented or “prime” funds.
- Liquidity may vary from Rule 2a-7 limits
- Prime funds do not follow the SEC’s liquidity fee regime.

Other stable value funds—33 portfolios

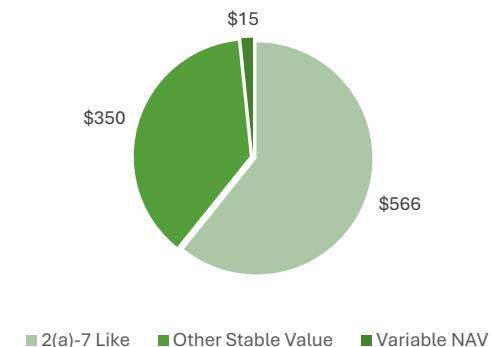
- Maturities and weighted average maturity may exceed Rule 2a-7 limits.
- Liquidity may vary from Rule 2a-7 limits
- May offer or stipulate constant NAV but do not use amortized cost or penny-rounding for NAV determination.

A stable value portfolio is offered by all state and local sponsored LGIPs; some offer other funds or products as well.

Number of LGIP Portfolios by Type

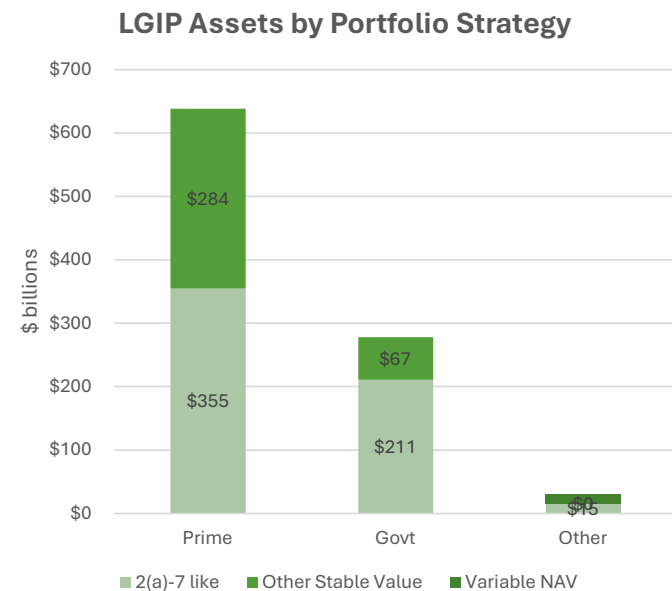


LGIP Assets by Investment Strategy



Assets by Sponsor Type

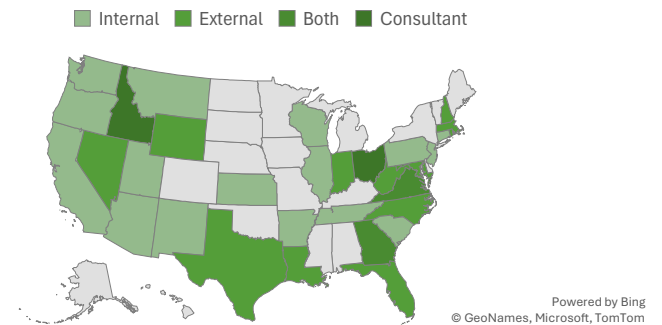
- **Prime portfolios predominate: assets = \$639 billion.**
 - \$355 billion in portfolios that generally follow Rule 2(a)-7 to achieve stable value
 - Employ credit and government obligations; credit is more restrictive than credit in prime money market funds
 - \$284 billion in “fiat” stable value portfolios
 - Do not follow Rule 2(a)-7
 - Generally longer durations
 - Liquidity policies deviate from Rule 2(a)-7
 - State assets buffer/protect stable asset value.
- **Government oriented portfolios: assets = \$278 billion.**
 - 77% of these assets are in Rule 2(a)-7 like portfolios.
 - Not limited by SEC definition of “government portfolios” and some invest up to 35% in credit instruments, including bank deposits
 - Balance in “fiat” stable value portfolios with longer duration.
- **Variable NAV portfolios represented only about \$15 billion of total.**



Who Manages LGIPs

- **All Local Sponsored LGIPs are managed by external sponsor-managers.**
 - Bank affiliated asset managers (e.g. PFMAM/US Bank, BNY, State Street)
 - Broker-dealer affiliated asset managers (e.g. Meeder)
 - Stand-alone asset managers (e.g. PTMA Advisors, Chandler Asset Management).
- **Most state sponsored LGIPs (28 portfolios) are managed by internal staff.**
 - A number (19 portfolios) have external managers
 - Accounting/transfer agent may also be provided by the external manager
 - Marketing usually is done by internal staff
 - A few sponsor multiple pools/programs and employ both internal and external managers per pool.
 - Several use non-discretionary consultants/advisors but staff retain portfolio discretion.

Managers of State-Sponsored LGIPs



Assets of State Sponsored LGIPs with Internal vs. External Managers



LGIP Management vs. Oversight: Role of Boards



For most state sponsored LGIPs the manager/fiduciary is the state treasurer.

In a few states a government-appointed board is the fiduciary
Some states also have advisory boards, but they do not have fiduciary powers.



Local sponsored LGIPs have boards that are akin to investment company fund boards.

They are the fiduciary
They generally are made up of government officials who serve part-time
They are generally independent from the investment manager
They are elected by the participants
In some states representatives of local government associations have ex officio board representation.

Some LGIPs Offer Other Products

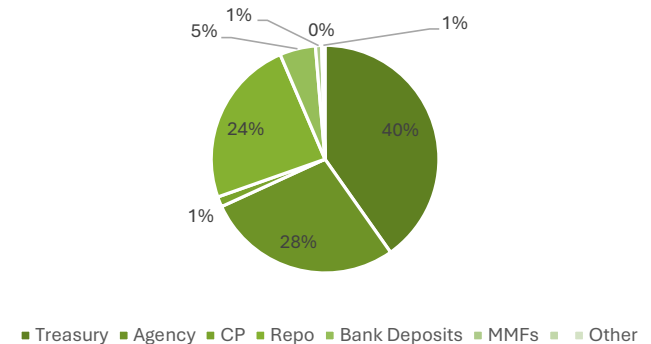
- **Separately managed fixed income accounts**
 - Offered under sponsorship of the LGIP
 - Managed by the LGIP's manager
 - Some are aimed at bond proceeds investment.
- **Bank deposits/certificates of deposit**
 - Packages of FDIC insured CDs
 - Some offer bulk collateralized CDs in excess of FDIC insurance limits.
- **Equity-oriented accounts**
 - Offered by a few programs
 - Utilize manager's or third party funds rather than a dedicated fund.

Portfolio Characteristics of Government Portfolios

- **On Average more than 90% of government oriented LGIP assets were invested in Treasuries, Agencies or Repo.**
- **Minor portions invested in bank deposits and commercial paper, both not permitted for government MMFs.**
 - Some funds had as much as 30% invested in collateralized CDs.
- **LGIPs' use of Agencies by the average fund (28%) is notable.**
- **Government LGIPs generally managed WAMs to be less than 60 days. WAMs averaged 32 days in December 2024.**
 - But many investment policies permit longer WAM.

Asset Allocation Government Oriented Stable Value LGIP Funds

Total assets = \$278 billion



Weighted Average Maturity LGIP Government Stable Value Funds

Average = 32 days

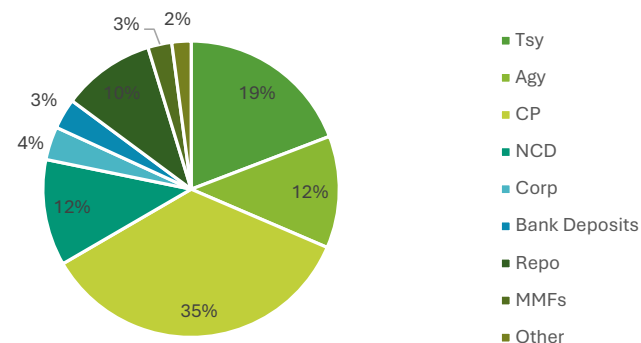


Portfolio Characteristics of Prime Portfolios

- **54% of Prime LGIP portfolio holdings were in credit.**
 - Some LGIPs had as much as 90% in credit.
 - Commercial paper was the predominant vehicle but some invested in negotiable CDs and corporate bonds.
 - Credit allocations of prime LGIPs and MMFs were similar.
- **31% of Prime LGIP portfolio holdings were in Treasuries and Agencies.**
- **10% of assets were in repo.**
- **Prime LGIP WAMs generally within the range of MMFs**
 - A few Other Stable Value (fiat) LGIPs had WAMs greater than 60 days and as long as 200+ days.
- **Many LGIPs do not manage daily/weekly liquidity to SEC money market fund requirements.**
 - They may rely on saleable securities vs. overnight repo maturities for liquidity.

Asset Allocation of Prime Oriented Stable Value LGIP Funds

Total assets = \$638 billion



Weighted Average Maturity LGIP Prime Stable Value LGIPs

Average = 49 days

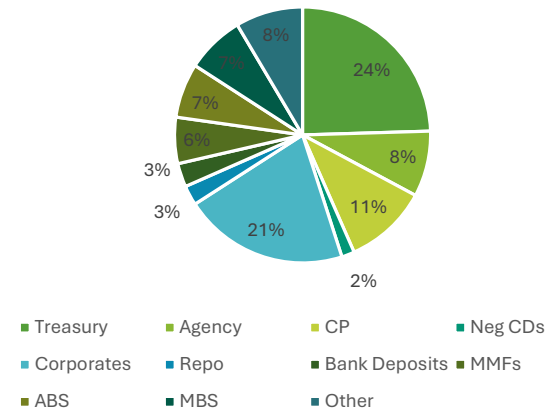


Portfolio Characteristics of Variable NAV Portfolios

- Some states have longer duration separate accounts or pools that are not open to local governments.
- These portfolios are a minor portion of overall LGIP assets.
- Those that are open to local governments are managed like short-term bond funds.
 - 36% in credit (including bank deposits)
 - 14% in securitized obligations.
- Most had significant NAV deterioration in 2023 and 2024 when interest rates surged.
- Durations averaged 1.5 and ranged from 0.9 to 2.6 as of December 31, 2024.

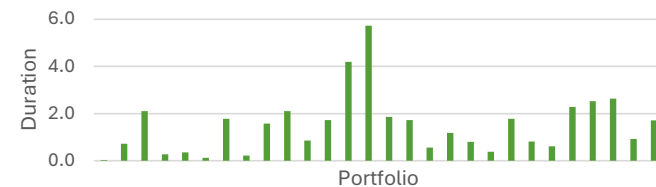
Asset Allocation Variable NAV LGIP Funds

Total Assets = \$15 billion



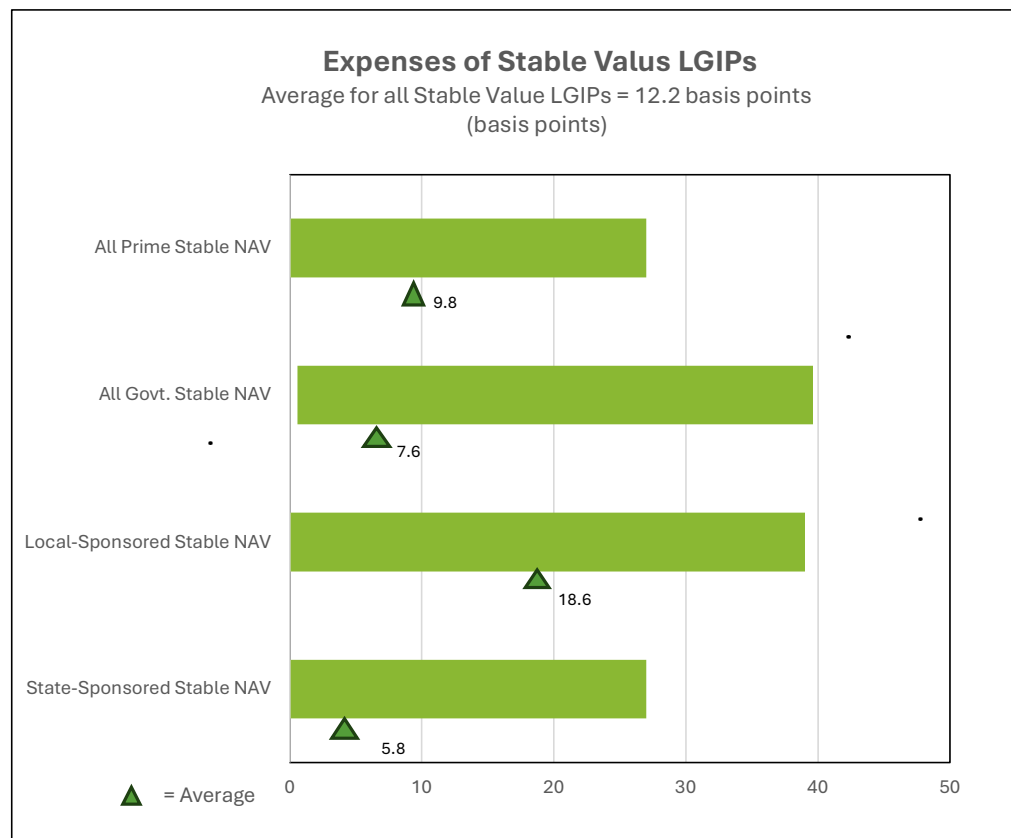
Durations of Variable NAV LGIP Funds

Average duration = 1.5



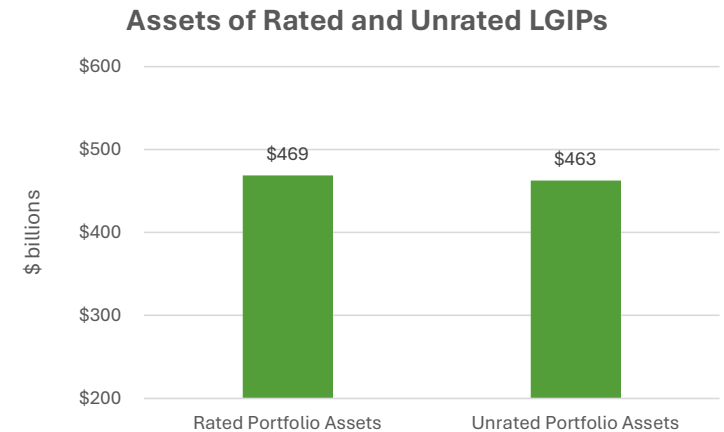
LGIP Expenses

- **Average expenses of all stable value LGIPs were 12.2 basis points of assets.**
 - State sponsored programs = 5.8 basis points
 - Local sponsored programs = 18.6 basis points.
- **Expenses ranged from zero (for a state sponsored LGIP and a start-up local sponsored LGIP) to 39 basis points (for a prime local sponsored fund).**
- **On average, expenses are lower than expense ratios of institutional money market funds (per SEC data).**
 - Institutional government money market fund portfolio expense ratios were 23 basis points.
 - Institutional prime money market fund portfolio expense ratios were 10 basis points.
- **State sponsored funds, including those with external managers, had much lower expenses than local sponsored LGIPs.**
- **Fee differences may relate in part to portfolio size differences.**
 - Average prime LGIP portfolio is about 40% larger than average government portfolio and average state sponsored portfolio is 7 times larger than local sponsored portfolio.

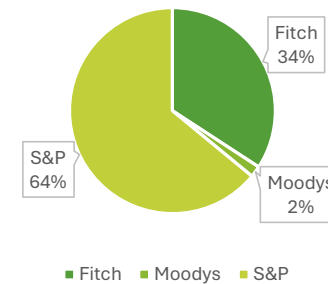


About Half of LGIP Portfolio Assets are in Portfolios with a Credit Rating

- About 2/3s of LGIP portfolios, representing 50% of LGIP stable value assets, are rated by a credit rating agency.
- Most rated portfolios carry a single rating.
- Rating agency criteria for stable NAV ratings differ enough that desired portfolio strategy influences rating agency selection.
 - A key difference relates to whether rating has minimum liquidity requirement.



Number of LGIP Ratings by Rating Agency
114 Ratings on 110 Portfolios



Disclosure/Transparency Varies Significantly among LGIPs



No uniform national requirement or standard.



Investment Company Act and rules may be a guide but are not required.



Other sources of guidance:

- Government Finance Officers Association 2008 statement on LGIPs does not contain disclosure guidance.
- National Association of State Treasurers/National Association of State Auditors, Comptrollers and Treasurers 2016 voluntary guidelines contain broad guidelines.
- Government Accounting Standards Board Statement 79 concerns note disclosures in connection with audits of financial statements which are generally annual but does not contain disclosure requirements.



Most state sponsored LGIPs and all local sponsored LGIPs have separate audited financial statements.

- Of the 37 state sponsored programs that have separate audited financial statements 23 are prepared by state agencies and the balance are prepared by private firms.

LGIP Disclosure and Transparency Factors

- **Disclosure/transparency standards vary notably among LGIPs.**
 - Some adhere closely to SEC requirements for money market funds.
 - Others have sparse disclosure requirements.
- **One state (Texas) has statutory detailed disclosure requirements.**
- **Rated LGIPs report key characteristics weekly to the rating agency but these generally are not disclosed to investors.**

Disclosure Factors		
Characteristic	Leading Practice	Other Practice
Program information	• Prospectus and Statement of Additional Information or equivalent Information Statement. • Website supplements detailed program information.	• Investment policy and/or operations guide. • Website contains program description.
Shadow pricing	• Daily pricing and disclosure of shadow net asset value along with history.	• Periodic (monthly or quarterly) publication of portfolio market values.
Yield	• One day, seven day and 30-day yields published.	• Prior month monthly yield published via website.
Dividend rate	• Daily dividend factor published.	• Monthly interest accrual factor provided to participants.
WAM	• WAM published daily. • Website contains historic WAM information.	• WAM made available periodically. • No WAM data available.
WAL	• WAL published daily. • Historic WAL data available on website.	• WAL made available periodically. • No WAL data available.
Liquidity	• Daily and weekly liquidity published each day; • Liquidity history published daily.	• No liquidity data available.
Recent shareholder activity	• Recent subscription/redemptions activity published on website.	• No shareholder activity published.
High level Holdings Summary	• Summary portfolio characteristics published monthly. • Top 10 holdings published monthly.	• High-level information available in annual report and/or audited financial statements. • Periodic presentations or webinars include portfolio summary information.
Holdings	• Holdings published on website monthly with 30 or 60 day lag.	• Quarterly/annual investment reports with holdings published or made available to participants. • Audited financial statements include holdings as of year-end.
Current assets	• Daily current and historic assets published on website.	• Periodic (monthly, quarterly or annual) newsletters or reports include total portfolio balances.
Liquidity	• Daily and weekly liquidity parentages calculated using Rule 2a-7 as a guide and published. • Historic liquidity factors available on website.	• No liquidity data available.
Financial statements	• Separate audited financial statements published.	• Treasurer's annual report on operation of Treasury includes audited financial statements.

Disclosure/Transparency Scores

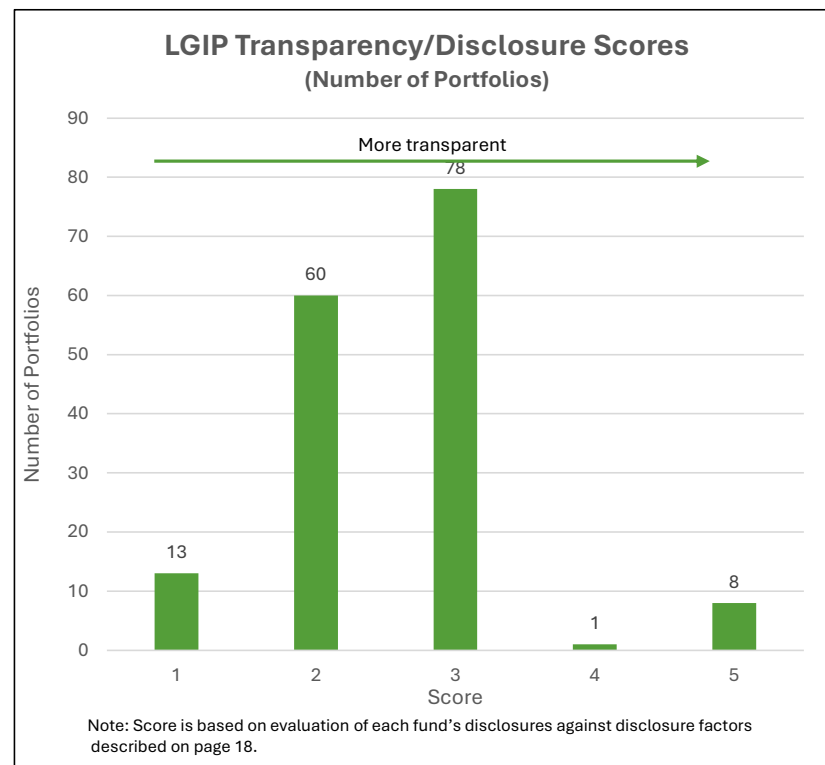


A few LGIPs follow SEC requirements closely:

- Extensive program disclosure
- Daily yield and detailed portfolio characteristic information
- Daily and historic investor purchase/redemption activity
- Daily shadow pricing and share flows.
- Monthly summary of portfolio holdings.

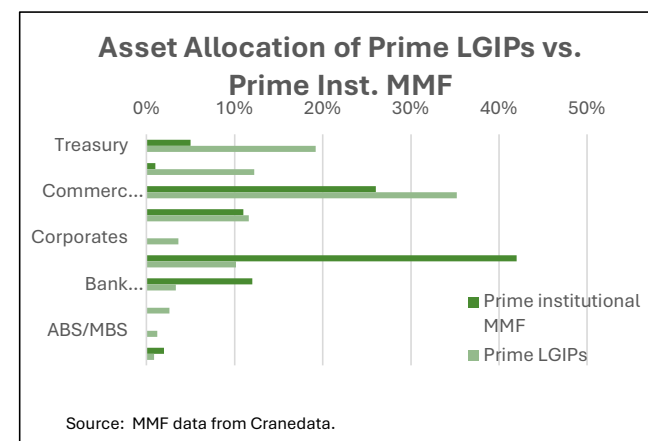
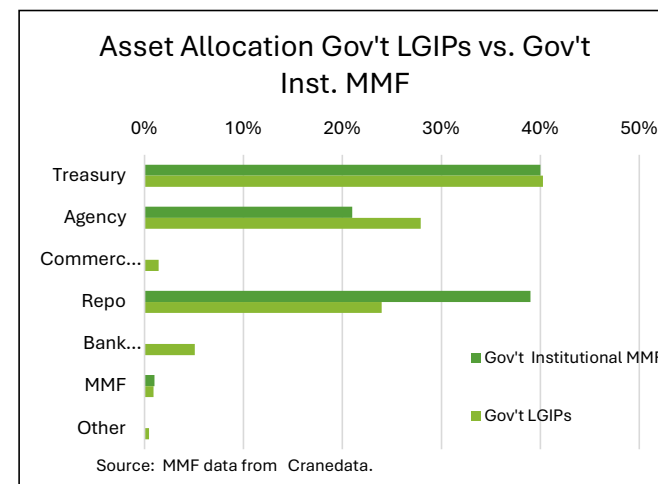


Most LGIPs provide less detailed or less frequent disclosure of this information.



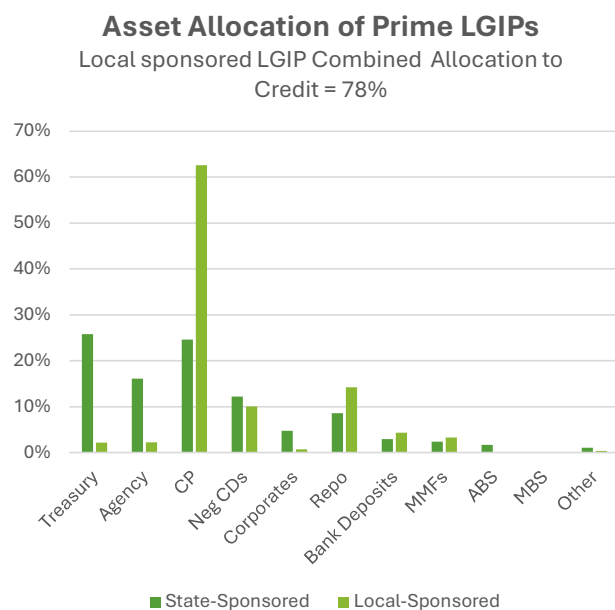
Key Differences Between LGIP and Money Market Fund Investment Strategies

- **Government-oriented LGIPs make modest use of credit which is not permitted for government money market funds.**
 - Bank deposits averaged 5% of LGIP portfolios as of Dec 31
 - Commercial paper averaged about one percent.
- **Credit exposure of prime LGIPs ranges from about 15% to 90%, and can be much greater than that of prime money market funds.**
 - Institutional prime MMFs held 45% in credit as of December 31, 2024.
 - Prime MMFs make more use of bank time deposits (12%) compared with LGIPs (3%); likely due to collateralization requirements for public unit deposits.
- **LGIPs are not constrained by SEC's 25% daily/50-% weekly liquidity requirements.**
 - LGIP portfolios held smaller allocation to repo than MMFs.
 - Prime portfolios would not meet the SEC 50% weekly minimum required of prime institutional MMFs.
 - LGIPs historically rely on "know your investor" principal to support a lower liquidity position.
- **LGIPs use less repo than MMFs**
 - Lack of access to the Fed's Reverse Repo Facility
 - Some LGIPs have documentation issues with repo
 - LGIPs are not constrained by SEC daily/weekly liquidity minimums.



Key Differences Between State-Sponsored and Local-Sponsored LGIPs

- **Local sponsored stable value LGIPs make more use of credit than state sponsored funds.**
 - Local sponsored LGIP exposure to credit was 78% as of December 31, 2024. The average for all prime LGIPs was 54%.
- **State sponsored stable value LGIPs have a greater allocation to liquid investments (Treasury, Agency and repo).**
 - State assets provide a buffer that supports the longer WAM of Other Stable Value (fiat) portfolios.
 - Average allocation to liquid investments for state sponsored LGIPs = 50% vs. 19% for local sponsored LGIPs.
 - The average WAM of all state sponsored LGIPs = 55 days vs. 41 days for local sponsored LGIPs.
- **State-sponsored LGIPs have lower expenses than local sponsored LGIPs (see page 15)**
 - State sponsored = 5.8 basis points
 - Local sponsored = 18.6 basis points.

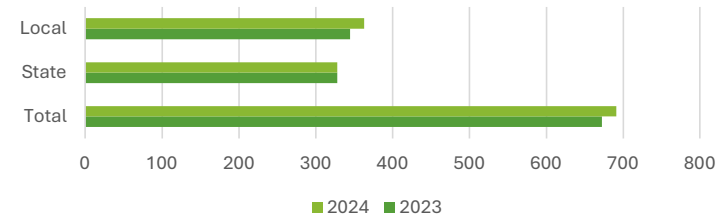


Year Over Year Comparison of State-Sponsored LGIPs

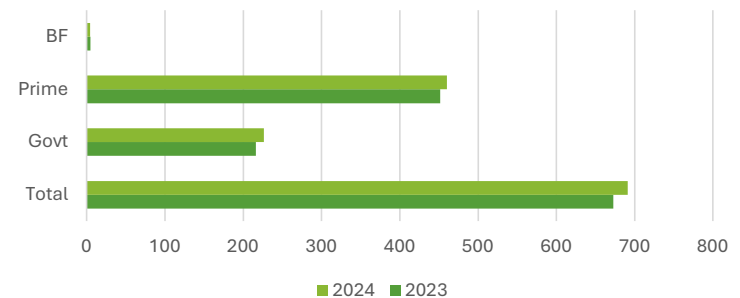
- **Investor base of state-sponsored LGIPs grew modestly in 2024 vs. 2023.**
 - Growth was entirely from local government investments in stable value portfolios which added \$18 billion of assets.
 - State and state agency assets were unchanged year over year. Generally longer durations.
- **Most of the growth was in government oriented portfolios**
 - Prime LGIP assets were up \$5 billion at year-end
 - Government oriented assets were up 13 billion.
- **Variable NAV portfolio assets remained at \$5 billion.**

State-Sponsored LGIP Assets: Little Growth in 2024 vs. 2023

Assets Grew \$18 billion or 3%



State-Sponsored LGIP Growth Favored Government-Oriented Funds



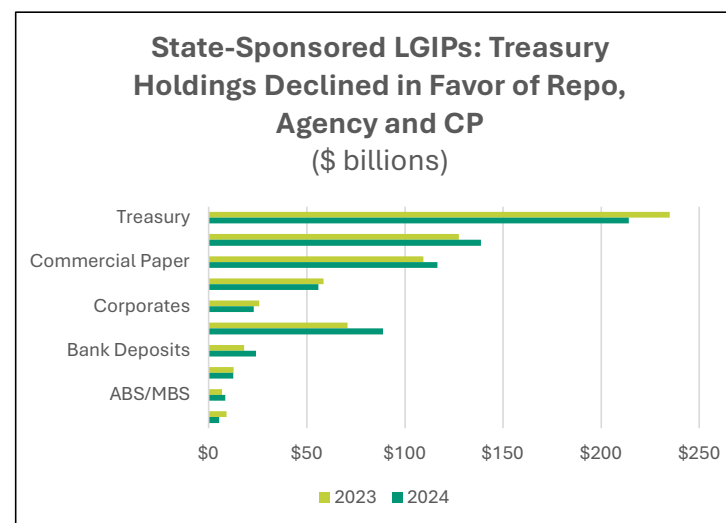
Year Over Year Comparison of State Sponsored LGIPs (Cont'd)

- **Portfolio composition of state sponsored LGIPs showed no material change in 2024 vs. 2023.**

- Modest increase in repo
- Increase in Agency holdings vs. Treasury.

WAMs of stable value portfolios were 44 days at end of 2024 vs. 58 days a year earlier.

- WAMs of Other Stable Value Funds shortened from 100 days to 59 days.
- WAMS of 2(a)-7 like funds shortened from 40 to 37 days.



Sources and Methods

1. Basic information for all programs is available on a state treasurer's website or a separate program website.
2. Yields, net asset values and portfolio characteristics may be available on the program website but the frequency of calculation and publication vary from program to program. Accordingly it is not possible to obtain data such as total assets, portfolio characteristics and weighted average maturity for a common date. As a result, the data is for various dates (as available) around December 31, 2024. There is no uniform standard or requirement for calculation of key portfolio characteristics such as yield. While published information is useful for assessing the overall state of the industry, the lack of common dates and common calculation methods limits its utility in comparing one fund to another.
3. Most LGIPs provide separate audited financial statements but some state sponsored programs the financial statement information is a part of the state's Comprehensive Annual Financial Report.
4. Money market mutual fund information is available on the Securities and Exchange Commission's [Money Fund Statistics release](#) and [Cranedata](#). S&P Global's LGIP statistics and analysis is available [here](#).

About Public Funds Investment Institute

- The Public Funds Investment Institute is an independent nonprofit organization dedicated to informing, educating, and advocating for the \$4 trillion public funds investment community.
- Beyond the News is our weekly publication, the Dashboard provides timely investment market data including indices of LGIP yields and rates on collateralized bank deposits, and Research Notes provides in-depth analysis.
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