
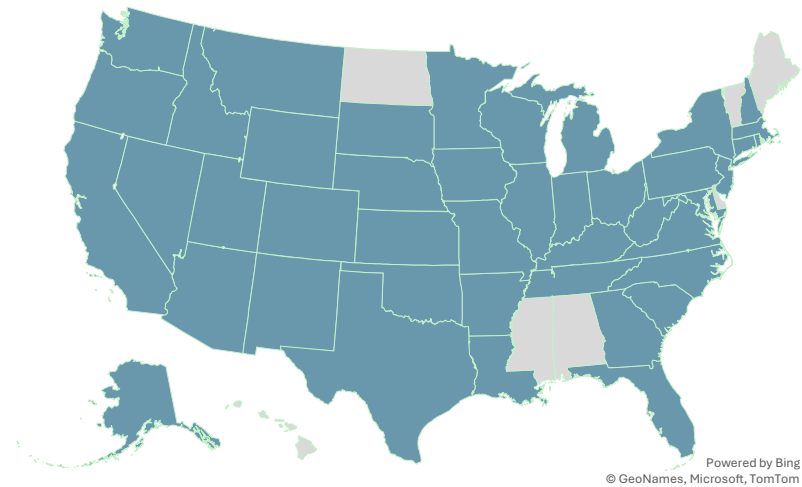


## Disclosure and Transparency: A Deep Dive

**MARTY MARGOLIS**

 415-462-4511



# Overview

- **PFIL's annual survey of LGIPs identified differences in disclosure/transparency practices among LGIPs.**
  - LGIP assets total nearly \$1 trillion, almost 25% of state and local government investment assets.
  - There is no uniform standard providing for or requiring disclosure.
  - The Securities and Exchange Commission has requirements for money market funds, developed and supported by the industry following fund stability issues in 2008 and 2020 but these do not apply to LGIPs that are exempt from registration.
- **To follow on this survey we undertook a more detailed survey of a sample of 30 LGIPs to document disclosure practices.**
  - The sample included state sponsored and local sponsored LGIPs.
  - It included LGIPs managed by outside managers whose recommendations for disclosure may be the basis for the fund's practices.
- **We developed a simple tool to assist investors in evaluating LGIP disclosure practices when selecting LGIPs for investment.**
  - The tool results in scoring key disclosure elements.
  - Investors can weight the category scores based on their views as to the importance of specific kinds of information.
  - The disclosure form supports side by side comparisons of multiple LGIPs within a state.

# Deep Dive Findings

- **This detailed follow-up survey reveals tremendous variation in disclosure practices.**
  - Some LGIPs provide disclosures that substantially match those required by the SEC for registered funds.
  - Many provide scant information, usually confined to yields.
  - Several provide little current information.
- **The most common disclosure is fund yield but without a uniform standard there is no assurance that side by side comparisons by investors will provide accurate results.**
  - All but two of the surveyed LGIPs provide yield information.
  - Some, but not all, LGIPs calculate yield based on the SEC definition.
  - A few LGIPs do not provide yield on a current basis.
  - Two did not provide any yield information on their websites.
- **For public funds investors their primary investment goals are to preserve principal and maintain liquidity, but many surveyed LGIPs provide little if any information on principal stability or liquidity.**
  - Mark to market or shadow net asset values, required of money market funds, are reported by less than one-quarter of the surveyed funds.
  - Fund maturity statistics, an important indicator of how a fund's share value will react to changes in interest rates, is disclosed by two-thirds of the funds, but only about half provide robust detail.
  - Fund liquidity, which provides a buffer for unexpected redemptions is disclosed by only %% of the surveyed funds but two of the surveyed LGIPs provide yield information
- **Some gaps may be filled by information provided only to pool investors, but this approach prevents automated monitoring that is enabled by artificial intelligence and third party insights.**

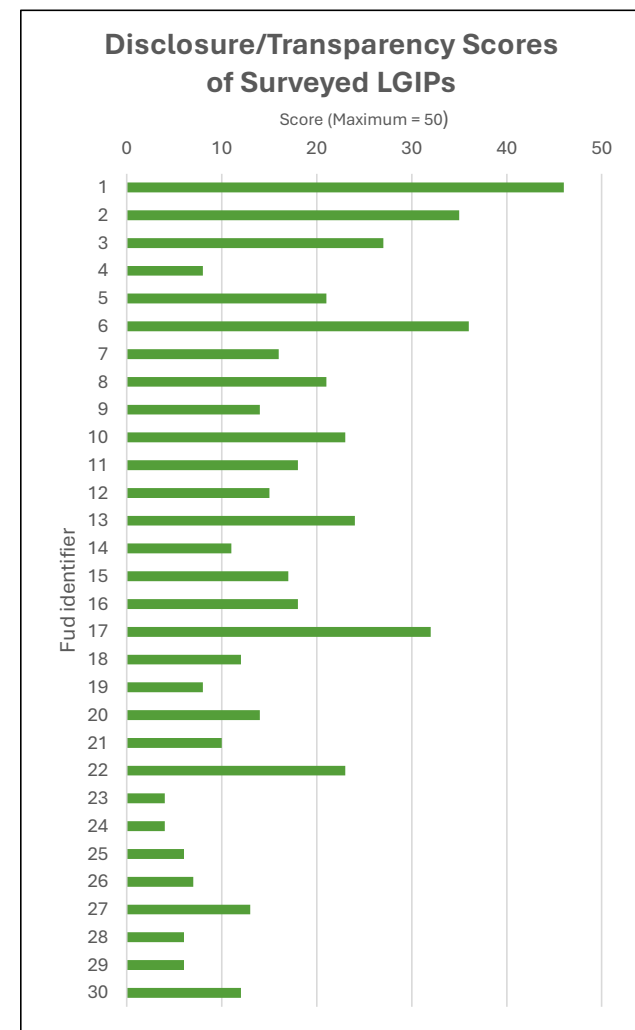
# LGIP Disclosure and Transparency Factors

- **Leading disclosure practices closely follow SEC requirements for registered investment funds.**
  - The money market fund industry largely supports these.
  - They provide the basis for an informed investor.
- **Credit ratings agencies require much of this leading practice information on a current (usually weekly) basis to support a rating.**
  - Approximately 2/3 of the 161 portfolios in our annual survey were rated.
  - But rating agencies do not publish this information for individual funds, nor do they provide it to investors.

Disclosure Factors		
Category	Transparency Factor	Comments
Fund Yield/return	<ul style="list-style-type: none"> <li>• One day yield/dividend rate</li> <li>• Seven day yield (as of prior business day)</li> <li>• 30 day yield</li> <li>• Returns for past quarters/years</li> </ul>	<ul style="list-style-type: none"> <li>• Seven day is backward looking but provides a basis for benchmarking past performance. One day yield or dividend rate supports current income accrual calculations.</li> </ul>
Mark to market (or shadow) net asset value	<ul style="list-style-type: none"> <li>• Prior day shadow net asset value</li> <li>• Historic shadow net asset value</li> </ul>	<ul style="list-style-type: none"> <li>• Shadow NAV data along with WAM data are key to understanding risk that a fund will "break the buck" if there are significant short-term moves in interest rates.</li> </ul>
Program information	<ul style="list-style-type: none"> <li>• Current Prospectus and Statement of Additional Information or equivalent Information Statement</li> <li>• Investment policy</li> </ul>	<ul style="list-style-type: none"> <li>• These are formal statements of how a fund operates.</li> <li>• Investment policy can be compared with the investor's policy.</li> </ul>
Fund Maturity	<ul style="list-style-type: none"> <li>• Weighted average maturity calculated to call date on securities (WAM)</li> <li>• Weighted average maturity calculated to maturity date on securities (WAL)</li> <li>• Historic weighted average maturity</li> <li>• Historic weighted average life</li> </ul>	
Fund liquidity	<ul style="list-style-type: none"> <li>• Daily liquidity ratio</li> <li>• Weekly liquidity ratio</li> <li>• Historic daily liquidity ratio</li> <li>• Historic weekly liquidity ratio</li> </ul>	
Shareholder activity	<ul style="list-style-type: none"> <li>• Current total assets</li> <li>• Prior day subscriptions/redemptions</li> <li>• Historic subscriptions/redemptions</li> </ul>	
Portfolio composition	<ul style="list-style-type: none"> <li>• Total assets current/historic</li> <li>• High level portfolio summary (monthly)</li> <li>• Top holdings (month-end)</li> <li>• Portfolio details (quarterly)</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic review of holdings can ascertain whether the LGIP holds any securities that are specifically not permitted by an investor's policies.</li> <li>• Holdings of complex investments may lead an investor to raise appropriate questions with the LGIP manager.</li> </ul>
Financial statements	<ul style="list-style-type: none"> <li>• Annual report including audited financial statements (within 120 days)</li> <li>• Quarterly financial statements (unaudited)</li> </ul>	

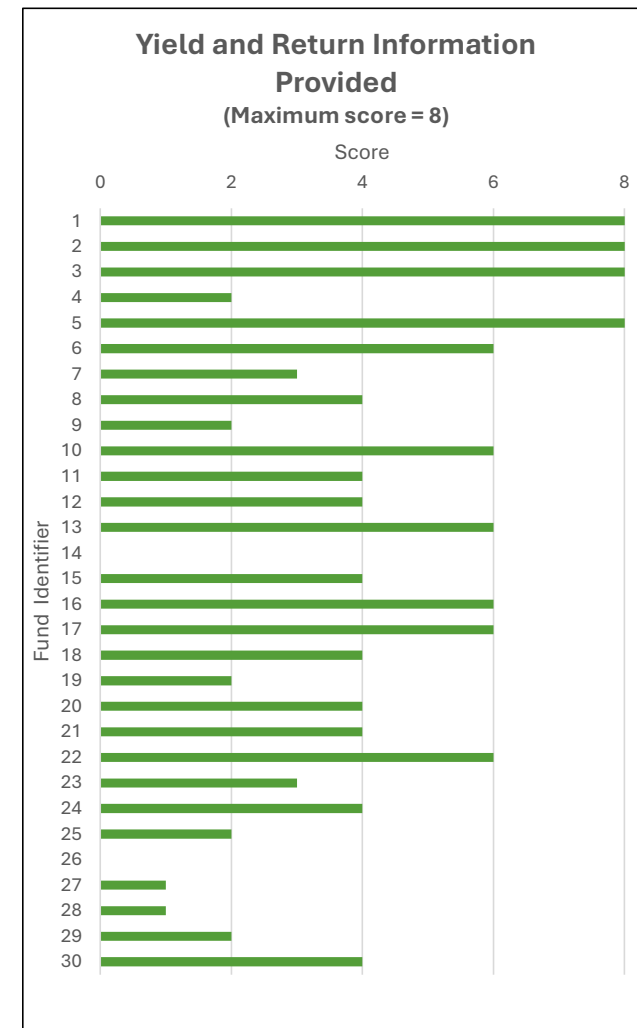
# Key Survey Findings

- **The average transparency score for LGIPs in our survey was 16.9 on a scale of 1-50.**
- **Some large LGIPs and a few recently-started programs scored highly.**
  - Four had scores above 30, indicating comprehensive and timely disclosure.
  - These funds are managed by external investment managers who also manage money market funds.
  - A typical money market fund will score above 35.
- **Some LGIPs disclosed little information about their funds.**
  - Eight of those surveyed scored less than 10, indicating a low level of disclosure.



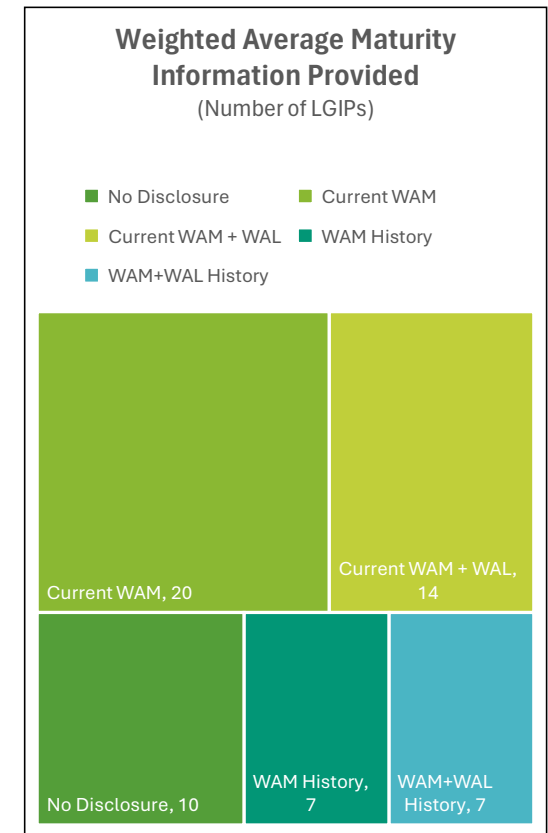
# Most LGIPs Provide Operating Policies and Yield Information

- **Operating policies are usually disclosed.**
  - 87% of LGIPs published a specific information statement or similar document.
  - Some information statements were more than one year old; these were given lower scores in our survey.
  - Four surveyed LGIPs did not publish operating procedures or an investment policy.
- **93% of LGIPs provided yield information on a current basis.**
  - Two of the surveyed LGIPs did not provide current yield information.
  - Common disclosures focus on seven-day yield, or “yield” without further definition.
  - There is no required standard for yield calculation; this limits the ability of investors to compare yields among LGIPs and with yields on other investments.



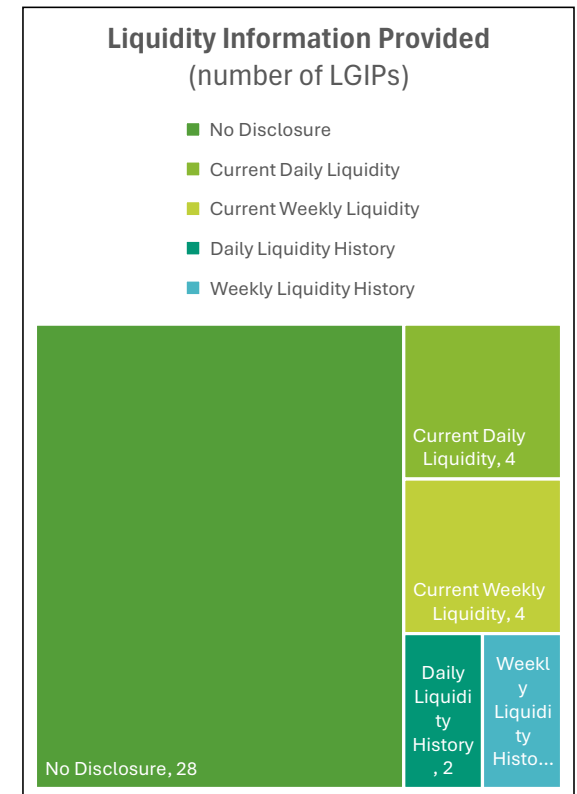
# Few LGIPs Provide Information on Shadow NAV or Portfolio Maturity

- **Mark to market (or shadow) net asset value measures risk that an investor may lose principal in a sudden market move.**
  - Seven LGIPs surveyed (23%) provide current shadow NAV statistics.
  - Three of these also provide historic information.
  - Investors in some large state-sponsored LGIPs whose stable value offering is backed by the state's promise to pay ("fiat" NAV funds) may not be at risk in this respect.
- **Portfolio maturity (weighted average maturity measured to call dates and to final maturity of investments) is a measure of investor risk related to changes in interest rates.**
  - Weighted average maturity statistics provide a basis for an investor to assess both net asset value risk and the near-term change in yields in a fund.
  - Two-thirds of funds provided current WAM statistics; 47% provided WAL statistics.
  - Half of those providing WAM and WAL statistics provided historic data.
  - Statistics were further limited because some surveyed LGIPs did not publish current statistics, instead offering end of month data.



# Few LGIPs Offer Liquidity and Shareholder Activity Statistics

- **Liquidity ratios and shareholder activity trends provide additional information on fund resilience in unsettled markets.**
  - Only about 13 % of LGIPs provide current information on liquidity.
  - Only two of the surveyed LGIPs provide historic information. (Investors could create their own historic records for those that provide current ratios each day.)
  - Money funds provide statistics on daily and weekly liquidity to guide investor activities.
  - Direct statistics on historic purchase/redemption activity is provided by 17% of surveyed funds.
  - Thirty percent of surveyed funds publish current total assets. This is an indirect measure that Investors can use to monitor net shareholder activity.



# Nearly Half of Surveyed LGIPs Provide Some Portfolio Details

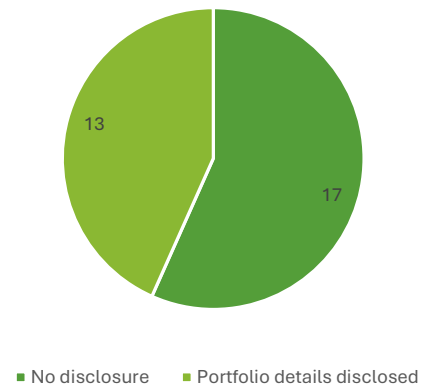
- **Portfolio composition statistics may show high level sector allocations or detailed holdings.**

- LGIPs surveyed scored an average of 2.8 on a scale of 0-8.
- Less than half (43%) of surveyed LGIPs report portfolio details.
- Some report monthly or quarterly in newsletters or fact sheets.
- Some disclosures were not current.

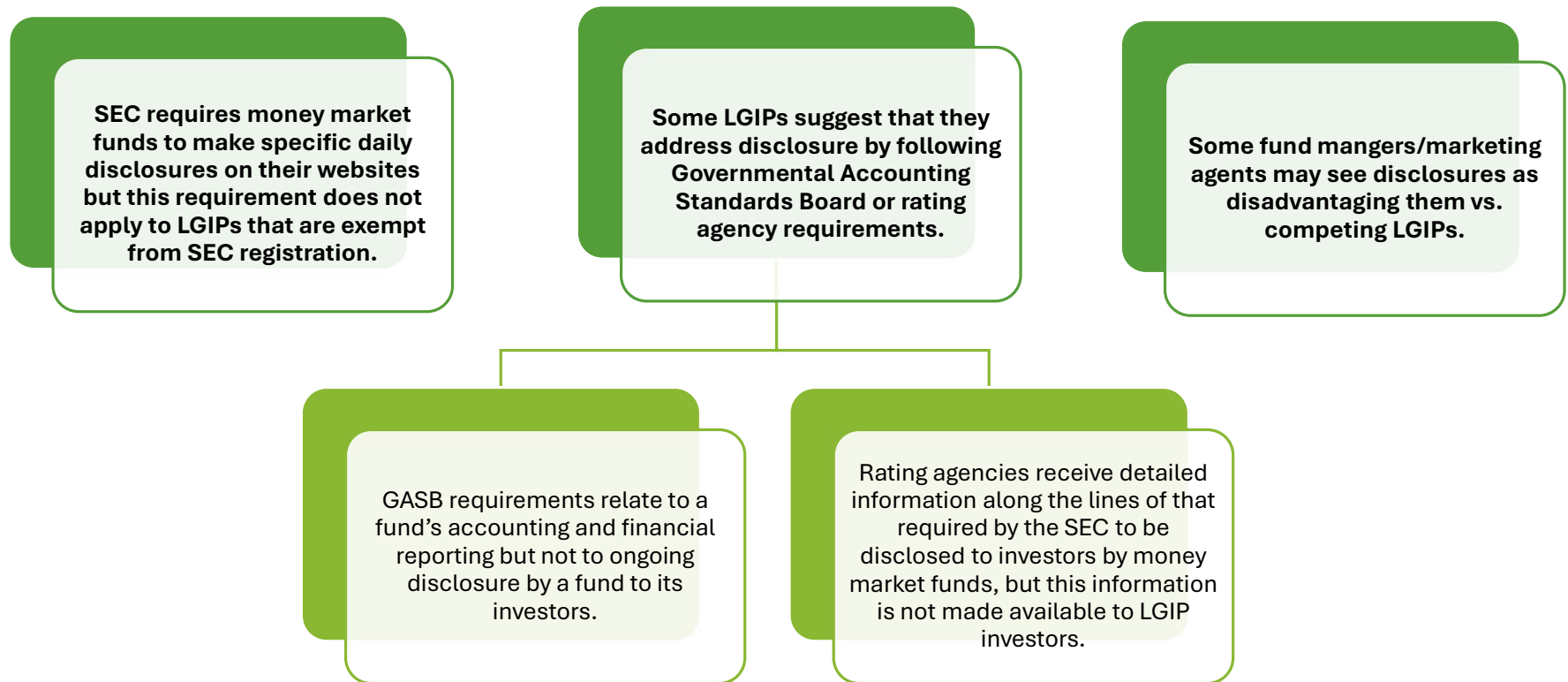
- **This information is less useful than other disclosures because it is backward-looking.**

- But it does provide insights into the portfolio positioning and credit strategies of the manager.

**Portfolio Detail Disclosures**  
(number of funds)



# There are No Uniform Disclosure Standards or Requirements for LGIP Disclosure



# Investors Can Promote and Use LGIP Transparency

- **Investors should look past yield when selecting an LGIP for investment.**
  - Yield tells only one part of the story. And in all events it is backward looking.
  - Principal preservation and liquidity assessments should come first. They require that key statistics be provided by LGIPs.
- **Scoring LGIP disclosure/transparency is straightforward.**
  - A scoring form is contained in this research note.
  - The 25 factors are equally weighted in the form but individual investors can easily assign weights to the individual factors.
- **Simple web-based automations, some based on artificial intelligence, can facilitate gathering key information and monitoring LGIP risk and performance. They require that the information be published in an accessible site.**

# Sources and Methods



1. The thirty LGIPs were selected for a more detailed analysis of disclosure and transparency practices were from among the 161 programs included in our state of the industry report, released in November, 2025. The 30 programs were selected to include representative state sponsored and local sponsored programs, those with credit ratings and those without, and programs managed by a range of external managers.
2. A scoring form was developed for the survey. Scores were based on information provided by, or accessible from, the fund's website. Some funds offer to provide supplemental information to investors who request it, or through limited access web pages. We did not seek access to such information. As noted in the survey, we believe limiting access is not conducive to transparency and limits the extent to which those interested in and involved with the industry can "self-regulate" industry practices.

# LGIP Disclosure Scoring Form

Leading Practice	Max Score	[LGIP NAME] Score	Notes
Score 0-2: 2 = meets requirement, 1 = partially meets 0 = does not meet			
Fund Yields /Returns			
1 Day Yield or Dividend Rate	2		
Current 7 Day Yield (as of Prior Business Day)	2		
30 Day Yield	2		
Returns for Past Quarters/Years	2		
	8	0	
Fund Liquidity/Maturity			
WAM Current	2		
WAL Current	2		
Daily liquidity	2		
Weekly Liquidity	2		
WAM Historic	2		
WAL Historic	2		
Daily Liquidity Historic	2		
Weekly liquidity Historic	2		
	16	0	
Shareholder Activity			
Current Total Assets	2		
Prior Day Subscriptions/Redemptions	2		
Historic Subscription/Redemption/subscriptions	2		
	6	0	
New Asset Value			
Prior Day Shadow NAV	2		
Shadow NAV History	2		
	4	0	
Portfolio Composition			
Current Total Assets Historic	2		
High Level Port Summary (Monthly)	2		
Top Holdings Month-End	2		
Portfolio Details (Quarterly)	2		
	8	0	
Operating Policies			
Information sStatement Less Than 1 year Current	2		
Investment Policy Detail (Part of info Statement or Separate)	2		
	4	0	
Financial Results			
Annual Report Including Audit (within 120 days)	2		
Quarterly Report	2		
	4	0	
Total	50	0	

# 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.
- Subscribe for research, weekly updates, best practices recommendations and networking opportunities.
- Visit us on the web at [www.pubfunds.org](http://www.pubfunds.org)

