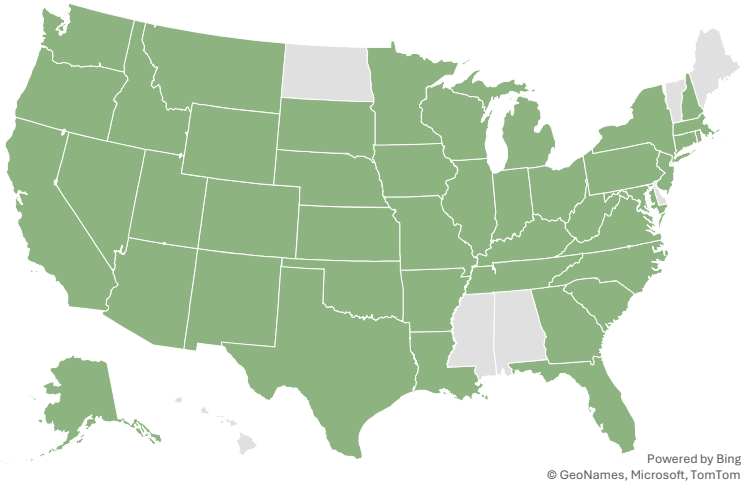
Public Funds Investment Institute
Connecting Public Funds Investors

Local Government Investment Pools



2025 Survey

October 2026

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Executive Summary

- **Local Government Investment Pool business grew modestly in 2025**
  - Total assets grew to $967 billion
  - Number of pools expanded to 57
  - New entrants were local-sponsored pools
  - Number of portfolios grew to 180.
- **The overall growth rate was lower than the overall growth of state and local government investment assets**
  - LGIP asset growth rate = 4%
  - Federal Reserve reported growth of public funds assets of 6%
  - LGIP growth rate was similar to 2024.
- **Programs operated by state treasurers continue to dominate the industry**
  - Assets totaled $703 billion in 32 states with 47 portfolios
  - Average portfolio size was $14.9 billion
  - Local sponsored LGIPS had assets of $264 billion in 133 portfolios; average assets were $2.0 billion.

Executive Summary (Cont'd)

- **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.
- **Flexibility afforded by exemption from registration under banking or federal securities laws is a major advantage when compared with other cash investment vehicles.**
  - SEC Rule 2(a)-7 requirements for liquidity to not apply
  - Many LGIP portfolios do not meet the SEC liquidity test, relying instead on a "know your customer" approach to managing liquidity.
  - Some LGIPs have created limited liquidity fixed rate fixed term investment pools that benefit from these exemptions.
- **Prime stable value portfolios continue to dominate**
  - 68% of overall LGIP assets
  - They benefit from exemption from SEC Rule 2(a)-7 and added portfolio flexibility this permits.
  - 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.

Executive Summary (Cont'd)

- **Government LGIPs operate similarly to government money market funds.**
  - They have no uniform liquidity requirements but most meet SEC 's Rule 2(a)-7 requirements for daily/weekly because of the liquidity embedded in their holdings.
  - Some have 5-10% in commercial paper and/or bank deposits which are not permitted for government money market funds.
- **Expense ratios range widely, with state-sponsored programs charging considerably less than local-sponsored programs or institutional money market funds.**
  - Expense ratios for prime LGIPs averaged 12.9 basis points; expense ratios for government portfolios averaged 12.5 basis points.
  - Averages were modestly higher than in 2024.
- **Disclosure and transparency is weak compared to commercial investment products but has improved since 2024.**
  - 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.
  - 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.

Key Industry Trends

- Overall LGIP growth pattern in 2025—relying on prime fund and local dollars—was a repeat of 2024.
- The industry continued to attract new entrants creating local-sponsored pools
  - Focus is on large states that already have multiple pools
    - Examples (2024-2025): Colorado, Texas, New York, Virginia
  - Most of this is driven by companies with a pre-existing focus on the public funds investment space
  - Scale is smaller than the money fund industry but new funds seem able to collect $500 million to $1 billion after 1-2 years.
- Merger of Public Trust Advisors and PMA has led to some consolidation of fund management
  - In some states pools merged
  - In several states the consolidated advisor now manages competing funds.
- Some pools initiated or expanded Term offerings to appeal to fixed rate/fixed term investors
  - Commingled investment pools back commitments to redeem shares at pre-determined dates with fixed yields
  - These offerings may be viewed as limited liquidity stable value portfolios
  - They receive bond fund credit ratings; are not considered principal stability funds.

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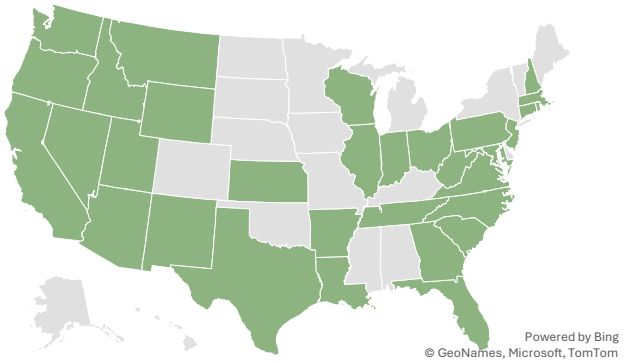
- LGIPs have defended against legislation supported by banks that would limit pool activities.

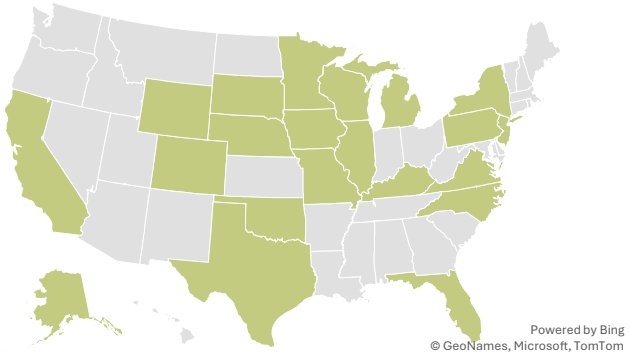
PFII 2025 LGIP Survey

- **Includes 57 LGIPs that are open to external investors**
  - Seeks to collect data from all LGIPs that are widely offered to external investors
  - 180 portfolios
  - Does not include pools that are limited to nonvoluntary participants or those offered within a single jurisdiction.
- **State-sponsored LGIPs**
  - Pooled investment program sponsored/managed by a state Treasurer that accepts money from local governments
  - 32 states
  - 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.
  - Overseen by a board of trustees/directors
  - Accept money from "external" investors i.e. those not related to the organizing entity
  - Business limited to a single state.
- **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).

State Sponsored 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

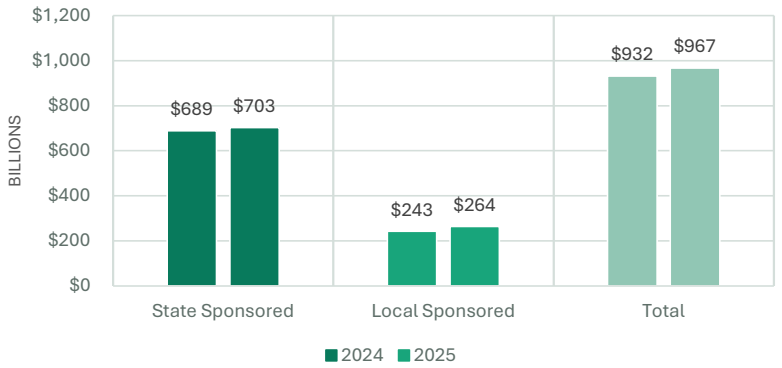
Rating criteria are focused on portfolio management and investment quality; they do not address disclosure, reporting and transparency.

LGIP Assets Grew to $967 Billion

- **Assets total $967 billion**
  - Total is up by $36 billion over 2024
  - Account for 24% of total state and local government investment assets
  - Growth rate 4% vs. 2024
  - After several years of rapid growth, expansion lagged the overall growth rate for public fund assets in both 2024 and 2025.
- **State-sponsored LGIPs**
  - Total assets $703 billion, up by $14 billion over 2024
  - 32 states, 47 portfolios
  - Growth rate 2%.
- **Local Sponsored LGIPs**
  - Total assets $264 billion, up by $21 billion over 2024
  - 21 states, 57 fund pools, 133 portfolios
  - Growth rate 9%.

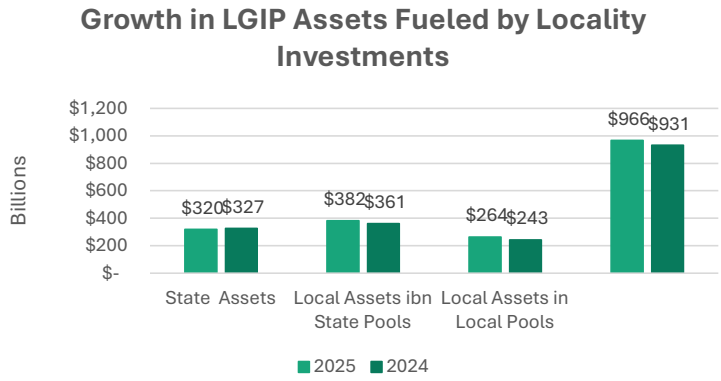
LGIP Assets by Fund Type, 2024 and 2025

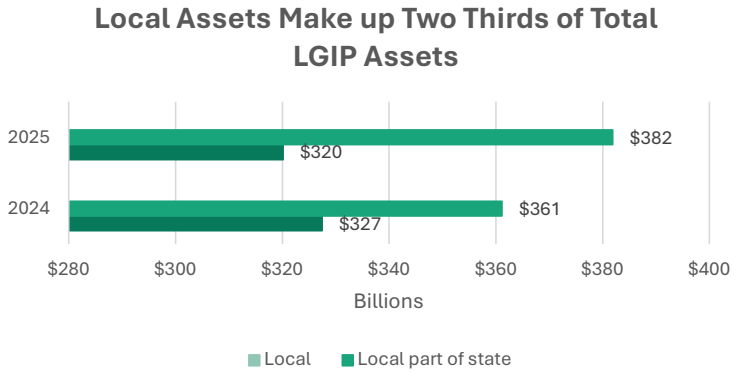
Year Over Year Growth = 3.8%



Local Contributions Fueled the Growth in LGIP Assets

- **Local assets totaled $646 billion**
  - They represent 2/3 of total LGIP assets
  - They account for more than half of the assets in state-sponsored pools.
  - Local assets up $42 billion vs. 2024
- **State assets in sate-sponsored LGIPs declined for the second year**
  - State assets = $320 billion
  - In a number of states the Treasurer invests only a portion of state money through the state-sponsored LGIP, investing bal;nces separately.

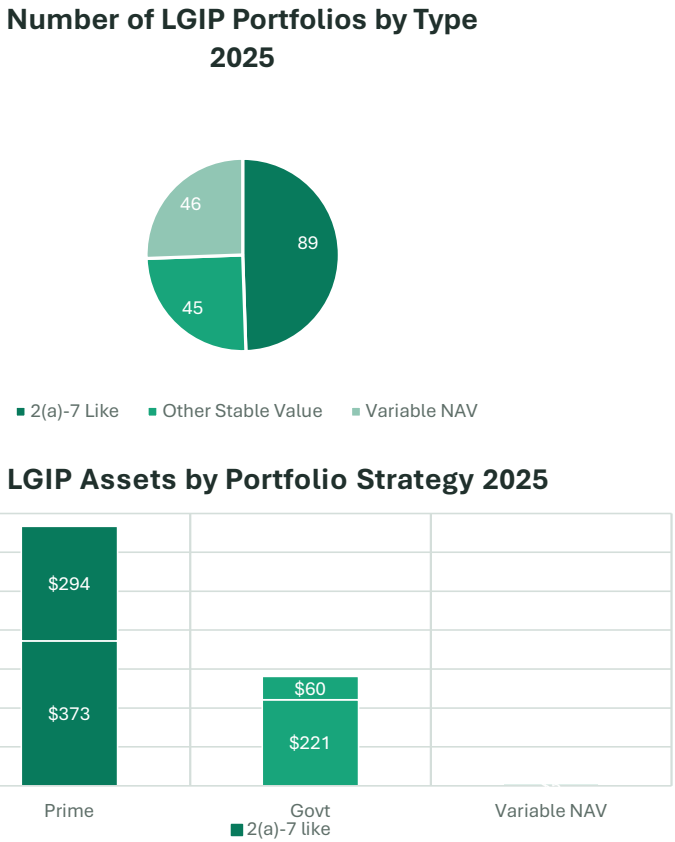




Stable Value Portfolios: the Industry's Basic Building Block

A stable value portfolio is offered by all state and local sponsored LGIPs. It may be managed to follow all/most of the requirements of Rule 2(A)-7 or seek to maintain a stable value free from Rule 2(a)-7 constraints.

- Total stable value assets: $948 billion grew by $30 billion or 3% over 2024
- All but $20 billion of total LGIP assets were managed in a form of stable value offering
- Growth of Rule 2(a)-7 like portfolios was $26 billion (5%) compared to $4 or 1% for other stable value portfolios.



Rule 2(a)-7 Like Stable Value Portfolios Follow Many but Not All Requirements of the Rule

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

How Rule 2(a)-7 Like LGIPs Are Managed	
Requirements Generally Followed	**Requirements Generally Not Followed**
Asset quality	Daily/weekly liquidity
Maturity and weighted average maturity limits	Variable NAV requirements for prime funds
NAV determination	Liquidity
Amortized cost	No Redemption or liquidity fees

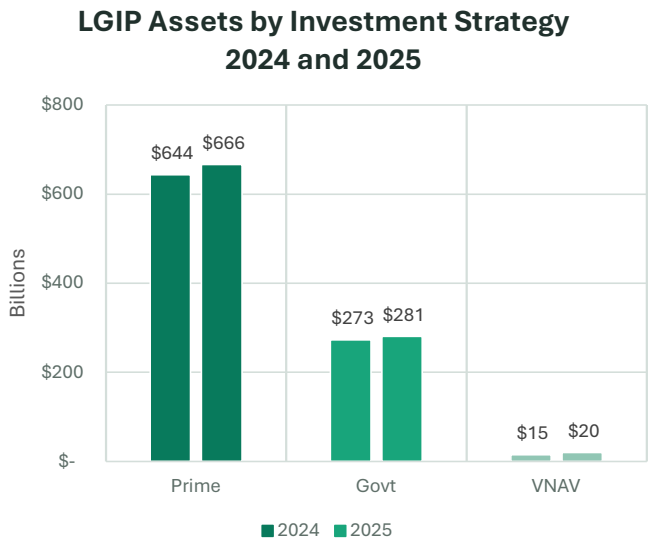
Other Stable Value Portfolios May Not Follow Key Requirements of Rule 2(a)-7

Some pools offer stable value funds outside of the constraints of Rule 2(a)-7. They either provide for daily liquidity at a constant NAV by fiat or limit liquidity to pre-determined dates.

- Maturities and weighted average maturity may exceed Rule 2(a)- 7 limits
- Liquidity may be less than Rule 2(a)-7 limits
- Diversification may not meet Rule 2(a)-7 requirements.

Assets and Asset Growth Favored Prime-Type Portfolios and Depended on Local Assets

- **Prime portfolios dominate: assets = $666 billion.**
  - Prime assets grew $23 billion or 3.5%
  - Local sponsored portfolios grew $14 billion or 8%
  - Local assets in prime state portfolios grew $13 billion or 6%.
- **Government portfolios: assets = $281 billion.**
  - Government assets (including state assets in state sponsored pools) grew $9 billion or 3%
  - Local assets in state-sponsored portfolios grew by $8 billion or 5%
  - Local sponsored portfolio assets grew by $4 billion or 5%
  - State assets declined by $3 billion.
- **Overall Growth fueled by increase in local assets**
  - Local sponsored pools up $21 billion or 8.6%
  - Local assets in state-sponsored pools up $21 billion
  - State assets declined $7 billion.



Longer Maturity Bond Fund Portfolios are a Minor Factor in the Industry

Some LGIPs offer portfolios that are managed as bond funds

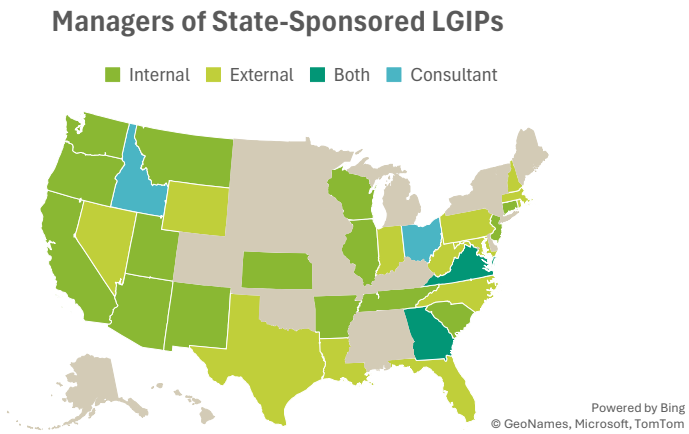
- Survey identified 31 portfolios
- Assets $20 billion vs. $15 billion in 2024, growth rate of 33%
- All of growth came from localities
- Several were re-packaging of registered investment companies offered by the pools' investment manager
- Variable NAV seems to be a major hurdle for public funds investors.

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**
  - Investment advisor acts as broker or placement agent
  - Packages of FDIC insured CDs
  - Bulk collateralized CDs in excess of FDIC insurance limits with individual municipalities holding ownership interests.
- **Equity-oriented accounts**
  - Offered by a few programs
  - Utilize manager's or third party funds rather than a dedicated fund.
- **Cash Management/Bank Products**
  - Electronic payments via wire/ACH
  - Check writing
  - Debit cards
  - Tax accounting for bond proceeds.

LGIP Management: Internal vs. Outsourced

- **All Local Sponsored LGIPs are managed by external sponsor-managers.**
  - Bank affiliated asset managers (e.g. PFMAM/US Bank, BNY, State Street, JP Morgan)
  - Broker-dealer affiliated asset managers (e.g. Meeder)
  - Stand-alone asset managers (e.g. PTMA Advisors, Chandler Asset Management).
- **Most state sponsored LGIPs (20 pools) are managed by internal staff but external managers/consultants play a role for several of the others**
  - 12 pools have external managers
    - There is a modest trend of state-sponsored LGIPs to move from internal to out-sourced management
    - Marketing usually is done by internal staff
  - Two with multiple pools/programs and employ both internal and external managers per pool.
  - Three use non-discretionary consultants/advisors but staff retain portfolio discretion.





LGIP Management: Role of Pool 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, but may include representatives of local government associations or non-government “public” members

They are generally independent from the investment manager

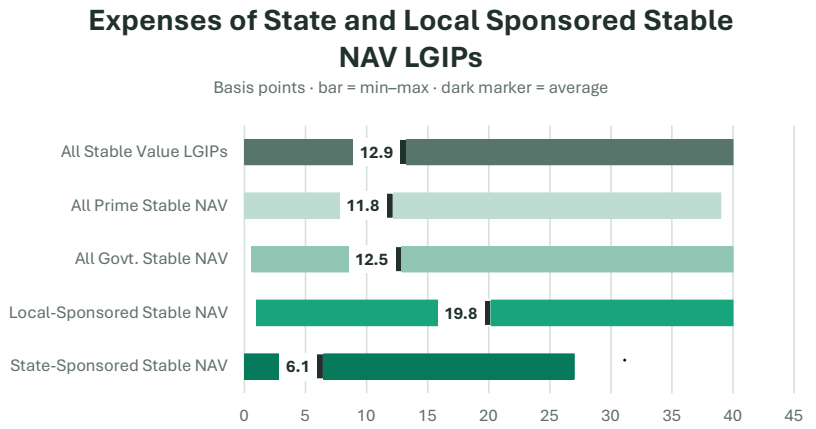
They are elected by the participants.

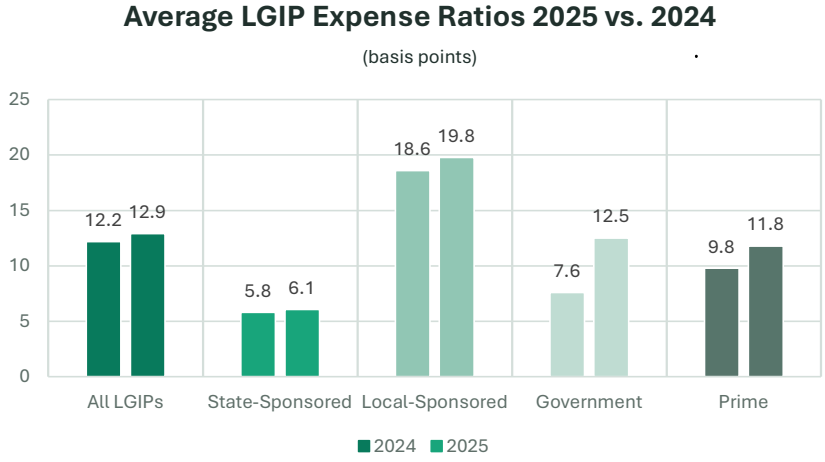
Sponsors Play a Key Role for Some LGIPs

- **Local government associations may play a role in organizing, managing and sponsoring an LGIP**
  - 59 local-sponsored LGIPs have sponsorship from at least one local government association
  - Sponsoring associations may have a role in selecting trustees/directors
    - For some pools associations are ex officio trustees
    - Associations may nominate board members.
- **Sponsors may provide services for a pool**
  - Education/training
  - Transfer agent type activities
  - Oversight of other service providers
  - Marketing (subject to resolving regulated entity issue).
- **Sponsors receive fees from pools**
  - Usual arrangement is an asset based fee paid directly by pool rather than by other parties
  - Fees may be tied to specific services
  - Fees may compensate for services and/or endorsement.

LGIP Expenses Vary Widely

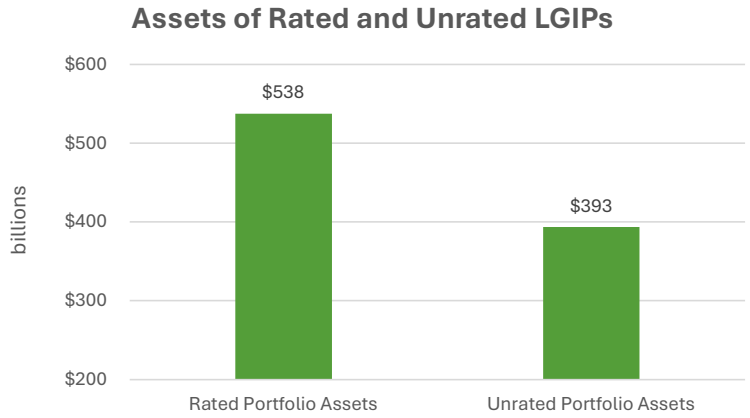
- **Average expenses of all stable value LGIP portfolios were 12.9 basis points of assets.**
  - State sponsored programs = 6.1 basis points
  - Local sponsored programs = 19.8 basis points.
- **Expenses for prime portfolios averaged 11.8 basis points and for government portfolios they averaged 12.5 basis points.**
- **These compared with average expense ratios for institutional money market funds in 2025:**
  - Institutional government money market funds: 22 basis points
  - Institutional prime money market funds: 10 basis points.
- **Average fees were higher than in 2024.**

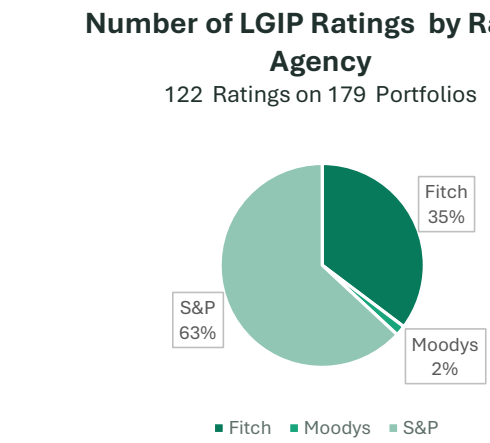




Credit Ratings: Less Prominent Than for Money Market Funds

- Two-thirds of stable value LGIP portfolios, representing 58% of LGIP stable value assets, are rated by a credit rating agency.
- Some stable value portfolios are successfully offered with a bond fund rating, foregoing the rating agency designation of principal stability.
- Most rated portfolios carry a single rating;
  - this compares with money market funds where the norm is multiple ratings for a fund.
- 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 a minimum liquidity requirement.





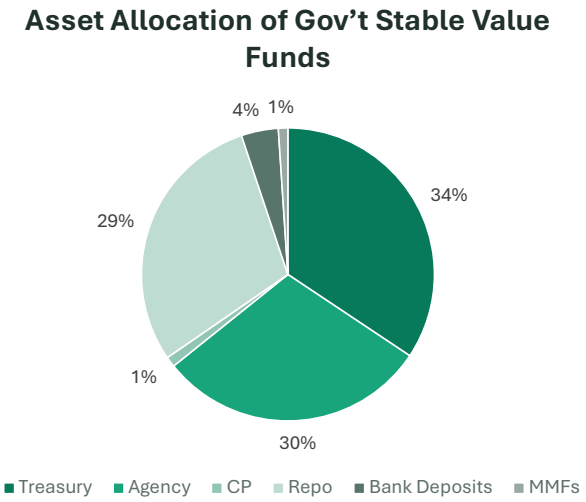
Combined Portfolio Holdings Show Heavy Reliance on Commercial Paper

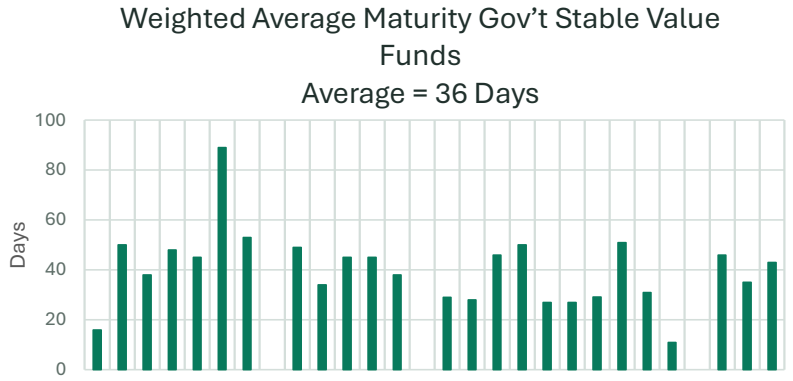
- Commercial paper represents the largest sector for combined LGIPs.
  - Holdings represent nearly 20% of total prime commercial paper outstanding; LGIPs are a major segment of the market.
  - Commercial paper holdings represented 44% of total local sponsored LGIP holdings vs. 16% of holdings of state-sponsored pools.
- Credit-backed holdings represented 58% of assets of local sponsored pools vs. 30% of assets of state sponsored pools.
- Liquidity (total of Treasury, Agency, repo and money market fund assets) represented 68% of state sponsored assets vs. 38% of local sponsored pool assets.
- Bank deposits, either insured or collateralized, totaled $30 billion or 3% of total assets.
- No notable changes in asset allocation compared to 2024.



Portfolio Characteristics of Government Portfolios

- 95% of government oriented LGIP assets were invested in Treasuries, Agencies or Repo.
- Minor portions invested in bank deposits and commercial paper, neither permitted for government MMFs.
- LGIPs' use of Agencies by the average fund (30%) is notable and larger than usual allocation of government money market funds.
- Generally managed liquidity using Treasury and Agency holdings, with less reliance on repo than institutional government money market funds.
- Generally managed WAMs to be less than 60 days. WAMs averaged 36 days in December 2025.
  - Many investment policies permit longer WAM
  - Rating agency requirements act as restriction.

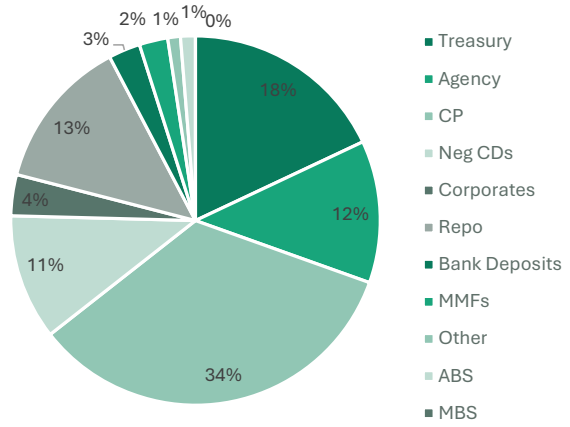




Portfolio Characteristics of Prime Portfolios

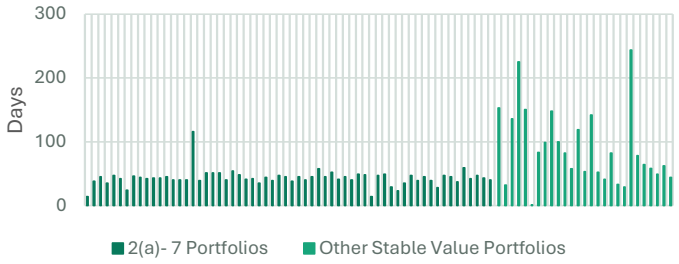
- **51% of Prime LGIP portfolio holdings were in credit.**
  - Some Rule 2(a)-7 LGIPs had as much as 90% in credit.
  - Some Other Stable Value portfolios with fixed rate fixed term offerings had 90% to 100% in credit.
  - Commercial paper was the predominant vehicle but some invested in negotiable CDs and corporate bonds.
  - Overall average credit allocations of prime LGIPs were similar go those in 2024.
- **28% of Prime LGIP portfolio holdings were in Treasuries and Agencies.**
- **13% of assets were in repo.**
- **Prime LGIP WAMs generally were 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 prime LGIPs do not manage daily/weekly liquidity to SEC money market fund requirements.**
  - They may rely on saleable securities vs. overnight repo maturities and liquid government obligations for liquidity.

Asset Allocation Prime Stable Value LGIPs



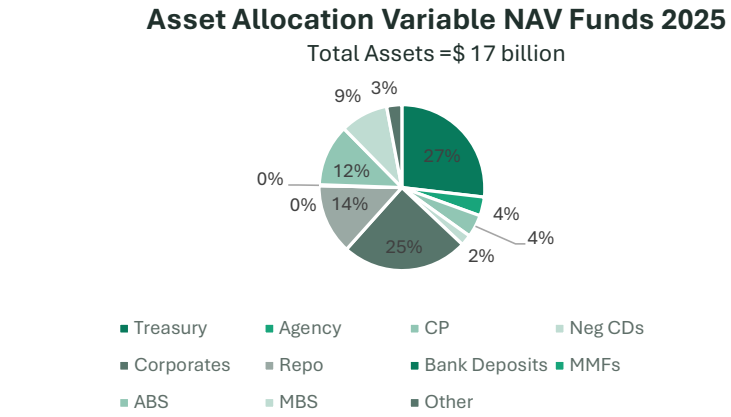
Weighted Average Maturity Stable Value LGIPs

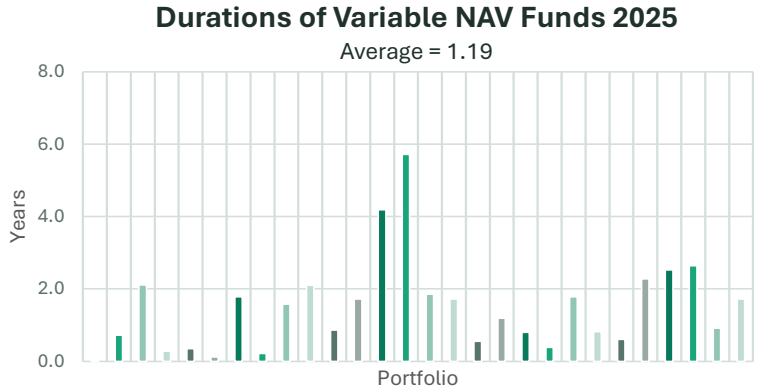
2(a)-7 Funds = 43 days
Other Stable Value Funds = 90 days



Portfolio Characteristics of Variable NAV Portfolios

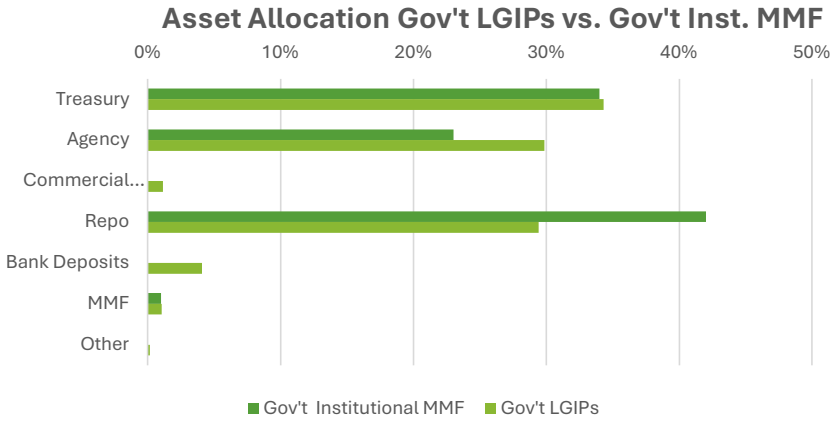
- Portfolio strateiges for variable net asset value portfolios are similar to those of registered bond bonds offered to institutional investors
  - Duration targets 2-3 years, but some are shorter because of small portfolio size
  - Generally do not use leverage.
- Some state sponsored pools have longer duration separate accounts or pools that are not open to local government investors.
- Holdings have a profile similar to that of stable net asset funds.
  - Government obligations represented nearly one third of holdings
  - They invest in commercial paper (12%) and repo \(16%)
  - Modest use of corporates with a bias to upper investment grade
  - Modest use of asset- and mortgage-backed securities.
- Durations of bond funds averaged 1.19, down from 1.5 in 2024 survey.
- Small size of some portfolios appears to be a significant constraint on investment strategy.





Key Differences Between LGIP and Money Market Fund Investment Strategies

- **Government LGIP portfolios are similar to those of Institutional money market funds**
  - LGIPs make modest use of bank deposits and commercial paper
  - LGIPs have higher allocation to Agencies
  - Repurchase agreements are a smaller component of LGIPs.
- **Prime LGIP portfolios differ significantly from prime institutional money funds**
  - Local-sponsored prime LGPs had notably higher allocation to credit, primarily through commercial paper
  - State-sponsored prime LGIPs had a notably higher allocation to government obligations
  - LGIP portfolios had smaller allocation to repo.
- **Prime LGIPs do not meet the Rule 2(a)-7 requirement for daily/ weekly liquidity**
  - LGIPs rely on the "know your customer" principal to support a lower liquidity position.
- **LGIPs continue to make lower use of repo than MMFs**
  - Smaller LGIPs may lack access to the overnight market
  - Lack of access to the Fed's Reverse Repo Facility
  - Some LGIPs have documentation issues with repo.
  - Move to central clearing may further dis-advantage some LGIPs because of size and documentation issues.



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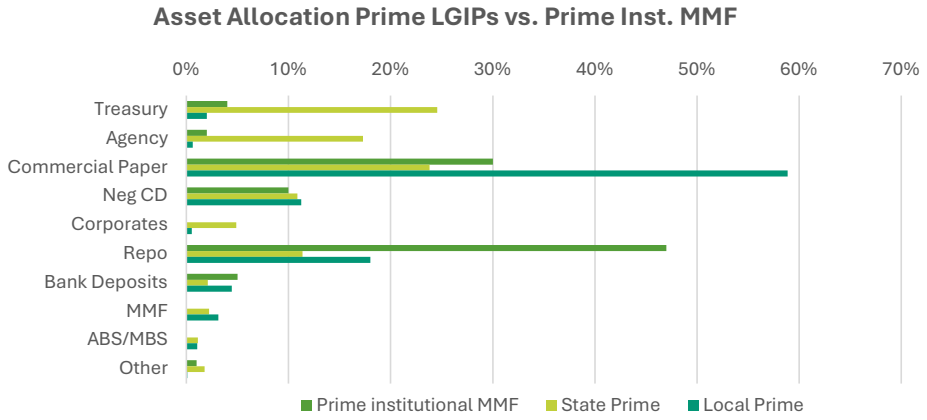


Source: MMF data Cranedata.

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 prescribes audit 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.
- Disclosures/transparency across pools generally does not support comparison by investors.
  - Absence of uniform yield disclosures
  - No standard for calculating key portfolio characteristics such as yield, WAM and liquidly
  - No standards for disclosing portfolio summaries/holdings.
- Rated LGIPs report key characteristics weekly to the rating agency <u>but these generally are not disclosed to investors</u>.

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.

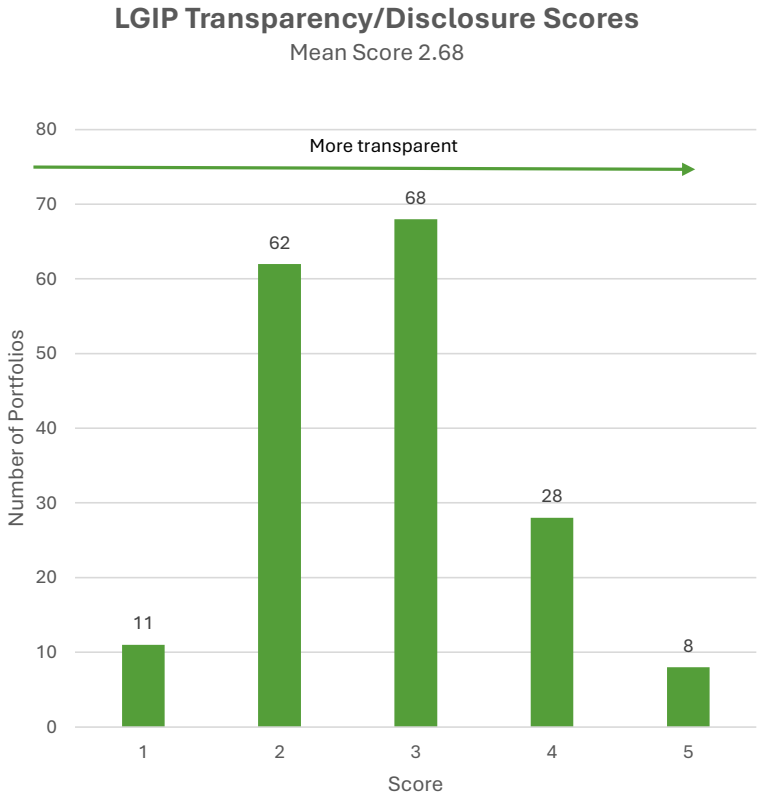
Disclosure/Transparency Scores

Pool disclosures were scored on a scale of 1 to 5

A few LGIPs follow SEC requirements closely:

- Extensive program disclosure
- Daily yield and ddetailed 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.



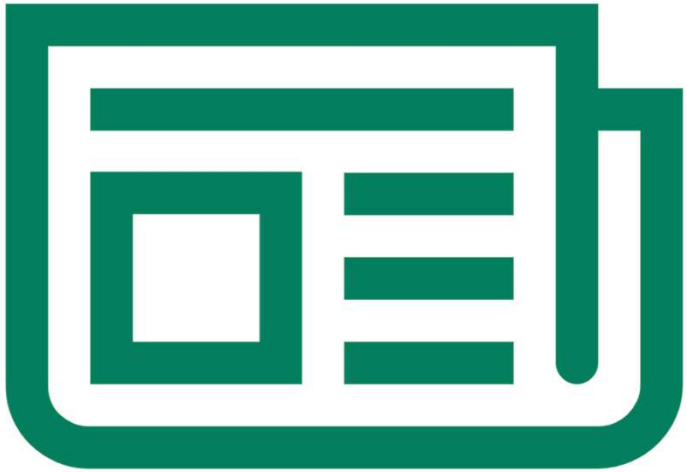
Some LGIPs have improved disclosure compared to 2024

- 20% of pools ranked in top 2 categories (4 and 5) vs. 6% in 2024
- Pools with out sourced managers/marketing agents tend to have more robust disclosures.

Sources and Methods

1. The survey was limited to LGIPs that are offered widely to external participants. Commingled pools created to manage assets of a state or local government entity and its related agencies/accounts were not included.
2. Basic information for all programs was accessed on a state treasurer's website or a separate program website.
3. Portfolio characteristics such as yields and net asset values 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 31,2025. There is no uniform standard or requirement for calculation of key portfolio characteristics such as yield. Methods vary from program to program and in some cases the detailed method is not published or available.
4. While published information is useful for assessing the overall state of the industry, the lack of common dates and common calculation methods limits the ability to compare one fund to another.
5. Most LGIPs provide separate audited financial statements but some state sponsored programs the financial statement information is incorporated in the state's Comprehensive Annual Financial Report.
6. Money market mutual fund information is available from 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



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