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OREGON STATE TREASURY STUDY

SB 1566: Deploying Oregon Short Term Fund Moneys to the Oregon Public Employees Retirement Fund



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**Oregon State Treasury Study on Deploying Oregon Short Term Fund
Moneys to the Oregon Public Employees Retirement Fund**

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Oregon State Treasury Study on Deploying Oregon Short Term Fund Moneys to the Oregon Public Employees Retirement Fund

Executive Summary

The Oregon Legislature passed Senate Bill 1566 during the 2018 legislative session. Section 30 of the bill directed the Oregon State Treasurer to study the feasibility and prudence of borrowing money currently deposited by state agencies and tribal and local governments into the Oregon Short Term Fund (OSTF) and redeploying it into the Oregon Public Employees Retirement Fund (OPERF). The intended effects of moving the money would be to generate a higher rate of return.

This study provides an overview of the OSTF and OPERF, detailing the differences in how the funds are managed, and the challenges of redeploying OSTF funds as described in Section 30 of SB 1566. It also describes similar actions taken by other states.

OSTF is managed by the Oregon State Treasury to help local governments earn a rate of return on cash reserves and other short-term operating funds. Money invested in the OSTF is managed for three priorities, ranked in order of importance: preservation of capital, liquidity, and yield.

OPERF is managed by Treasury under policies and asset allocation targets set by the Oregon Investment Council. The Council's statutory mandate is to make the moneys in the fund as productive as possible, subject to a prudent investor standard. Treasury staff fulfill that mandate by constructing a globally-diversified portfolio of both public and private market investments, utilizing a combination of internally- and externally-managed investment strategies, monitoring and managing risks, and engaging as a responsible shareholder.

Treasury invests the pension fund on behalf of participants of the Public Employee Retirement System with the goal of achieving positive, long-term, risk-adjusted returns. While OSTF is public money – operating money from state and local governments and public universities – OPERF assets belong to PERS members. Further, OPERF is managed against an investment horizon measured in decades, while the average maturity of OSTF assets, consistent with that fund's principal preservation and liquidity goals, is generally 180 days or less.

These differences are notable, and the study identified several legal, constitutional, and financial considerations of moving money from one fund to the other.

One potential mechanism for deploying funds from OSTF to OPERF is interfund borrowing. Current interfund borrowing statutes (ORS 293.205 to 293.225) require an objective certainty of repayment to the lending fund when it needs the moneys it loaned. If money from OSTF were loaned to OPERF and invested consistent with OPERF's mandate – namely, a long-term investment mandate that is diversified globally among a myriad of public and private strategies subject to both principal volatility and liquidity risks – there may not be sufficient assurance of repayment to permit such lending under the interfund borrowing statutes. If the Legislature wants to pursue interfund loans, the repayment requirement would need to be further studied and statutory changes will likely be necessary.

Before funds were moved, Treasury also recommends a more comprehensive legal analysis of federal tax exemption. Currently, OPERF qualifies as a tax-exempt governmental pension fund under Sections 401(a) and 501(a) of the federal Internal Revenue Code. Ensuring the continued

tax-exempt status of OPERF is critical to efficient management of OPERF and the operation of the Oregon Public Employees Retirement System.

There are Constitutional considerations as well. With some exceptions, the Oregon Constitution (Article XI, Section 6) prohibits state money from being invested in stocks. OPERF is not state money, and money held in the fund is therefore not subject to the restriction. The OSTF is made up of public funds, including state funds subject to this prohibition and some local government funds subject to a similar Constitutional restriction. This raises questions about the permissibility of loaning public money held in the OSTF to a fund that is investing in stocks, and whether that money retains its Constitutionally-restricted status when loaned to OPERF as described in SB 1566 Section 30.

Finally, the Oregon Investment Council, State Treasurer, and investment staff have a fiduciary duty, described under ORS 293.726, to act in the best interest of OPERF and as a prudent investor in making decisions about how that money is invested. Additional analysis would be needed to ensure that this type of lending/borrowing arrangement is consistent with that fiduciary duty and, at minimum, does not in any way disadvantage OPERF.

The proposal outlined in Section 30 is premised on the idea that moving funds from OSTF to OPERF would generate a higher rate of return. The immediate challenge of borrowing from the OSTF for investment as part of the OPERF is the mismatch between the two funds' investment objectives and risk profiles. OSTF is managed for preservation of capital and capital liquidity and accessibility – two criteria that warrant a short duration, risk-averse investment strategy to ensure tribal, state, and local governments can have ready, reliable and immediate access to their operating balances and cash reserves on a moment's notice.

Moving funds from what is effectively an interest-bearing checking account to a long-term investment account will result in significant changes to the risk and return attributes of transferred funds. Within the OSTF, these funds earn a modest and at times negligible rate of return, but are accessible on a day's notice and exhibit no fluctuations in principal value. Upon deposit in OPERF, these funds will exhibit significant principal value volatility and comprise investments in highly illiquid assets such as real estate and private equity.

In a protracted bear market scenario, funds transferred to OPERF from OSTF may not be available as needed by tribal, state, and local governments. Put another way, the proposal embedded in Section 30 of SB 1566 does not align with why tribal, state, and local governments put money into the OSTF in the first place. These governments want their operating balances and cash reserves managed so that they are accessible, secure, and available on immediate notice in full value to meet short-term liabilities. OPERF funds, on the other hand, are managed against long-term liabilities and with an objective that subordinates stable value and liquidity to the pursuit of high, risk-adjusted returns. An appreciation for the fundamental differences between OSTF and OPERF is critical to understanding the potential conflicts and consequences associated with Section 30 of SB 1566. As part of its assessment, Treasury recommends additional analysis and deliberation before such a move were to occur.

The full Oregon Treasury study can be found at <https://www.oregon.gov/treasury/news-data/pages/treasury-news-reports.aspx#TOI>.

Oregon State Treasury Study on Deploying Oregon Short Term Fund Moneys to the Oregon Public Employees Retirement Fund

Introduction

The Oregon Legislature passed Senate Bill 1566 during the 2018 legislative session. Included in the bill was a directive to the Oregon State Treasurer to study the feasibility and prudence of borrowing money currently deposited by state agencies and tribal and local governments into the Oregon Short Term Fund and redeploying it into the Oregon Public Employees Retirement Fund. Section 30 of the bill outlined the intended effects of moving the money: “generate a higher rate of return sufficient to repay the borrowing and make supplemental deposits targeted at reducing the unfunded actuarial liability of the Public Employees Retirement System.”

The Oregon Treasury took up this study, the results of which follow. The study offers broad assessments of legal, Constitutional, and financial considerations, plus summaries of similar actions taken by other states. As part of its assessment, Treasury recommends areas for additional analysis before such a move were to occur.

About the Funds

Oregon Short Term Fund

The Oregon Short Term Fund (OSTF) is managed by the Oregon State Treasury to help local governments earn a rate of return on cash reserves and other short-term operating funds. The rate is determined by Treasury staff based on market conditions and yields for short-term fixed income securities such as government bills and notes and corporate bonds.

Money invested in the OSTF is managed for three priorities, ranked in order of importance: preservation of capital, liquidity, and yield.

- **Preservation of capital:** The primary objective of Treasury staff’s OSTF management is maintaining participating governments’ principal investment value.
- **Liquidity:** Money invested in the OSTF must be readily available for local governments to use for operations, such as meeting payroll and making payments to vendors.
- **Yield:** Treasury staff carefully manage the OSTF assets to generate a positive rate of return while still meeting the principal preservation and liquidity criteria described above.

All state agencies, public universities, and approximately 1,000 local governments, such as school districts and counties, use the fund to invest cash reserves and short-term operating balances. The local government participants in the OSTF are referred to as the Local Government Investment Pool.

OSTF governance is informed by the Oregon Short Term Fund Board, which advises the Oregon Investment Council and Oregon State Treasury investment staff. The Board is made up of the Oregon State Treasurer or designee, three members of the public appointed by the Oregon State Treasurer, and three local government representatives appointed by the Governor.

Oregon Public Employees Retirement Fund

The Oregon Public Employees Retirement Fund (OPERF) is managed by Treasury under policies and asset allocation targets set by the Oregon Investment Council. The Council's statutory mandate is to make the moneys in the fund as productive as possible, subject to a prudent investor standard. Treasury staff fulfill that mandate by constructing a globally-diversified portfolio of both public and private market investments, utilizing a combination of internally- and externally-managed investment strategies, monitoring and managing risks, and engaging as a responsible shareholder.

Treasury invests the pension fund on behalf of participants of the Public Employee Retirement System with the goal of achieving positive, long-term, risk-adjusted returns. While OSTF is public money – operating money from state and local governments and public universities – OPERF assets belong to PERS members. Further, OPERF is managed against an investment horizon measured in decades, while the average maturity of OSTF assets, consistent with that fund's principal preservation and liquidity goals, is generally 180 days or less.

The Oregon Investment Council sets investment policy and establishes strategic asset allocation targets for OPERF; Treasury staff implement investment strategies and manage the full spectrum of daily investment activity. The Council is made up of the State Treasurer, four members appointed by the governor, and one ex officio member, the director of the Public Employees Retirement System.

Feasibility and Prudence of Shifting Funds

Constitutional and Statutory Feasibility

This study is premised on the idea that money currently invested in the Oregon Short Term Fund can be moved into the Oregon Public Employee Retirement Fund. Setting aside for a moment the financial merits of such a decision, there are specific statutory and Constitutional provisions that must be considered, and questions about feasibility, introduced below, that would need to be more fully explored should a proposal move forward.

One potential mechanism for deploying funds from OSTF to OPERF is interfund borrowing. Current interfund borrowing statutes (ORS 293.205 to 293.225) require an objective certainty of repayment by the borrowing fund to the lending fund, with at least 2% interest, when the lending fund needs the money. If money from OSTF were loaned to OPERF and invested consistent with OPERF's mandate – namely, a long-term investment mandate that is diversified globally among a myriad of public and private strategies subject to both principal volatility and liquidity risks – there may not be sufficient assurance of repayment to permit such lending under the interfund borrowing statutes. Should the Legislature want to pursue interfund loans, the repayment requirement would need to be further studied and statutory changes are likely to be necessary.

Before funds were moved, Treasury also recommends a more comprehensive legal analysis of federal tax exemption. Currently, OPERF qualifies as a tax-exempt governmental pension fund under Sections 401(a) and 501(a) of the federal Internal Revenue Code. Even if interfund lending complies or eventually were to comply with Oregon state law, ensuring the continued tax-exempt status of OPERF is critical to efficient management of OPERF and the operation of the Oregon Public Employees Retirement System, which support the retirement of thousands of Oregonians.

There are Constitutional considerations as well. With some exceptions, the Oregon Constitution (Article XI, Section 6) prohibits state money from being invested in stocks. As noted earlier, OPERF is not state money, and money held in the fund is therefore not subject to the restriction. The OSTF is made up of public funds, including state funds subject to this prohibition and some local government funds subject to a similar Constitutional restriction. This raises questions about the permissibility of loaning public money held in the OSTF to a fund that is investing in stocks, and whether that money retains its Constitutionally-restricted status when loaned to OPERF as described in SB 1566 Section 30.

Finally, the Oregon Investment Council, State Treasurer, and investment staff have a fiduciary duty, described under ORS 293.726, to act in the best interest of OPERF and as a prudent investor in making decisions about how that money is invested. Additional analysis would be needed to ensure that this type of lending/borrowing arrangement is consistent with that fiduciary duty and, at minimum, does not in any way disadvantage OPERF.

Financial Prudence

The second premise of the SB 1566 proposal is that moving funds from OSTF to OPERF would generate a higher rate of return to state agencies and local governments. While the above paragraphs focused on the feasibility of interfund lending and investment, the section below focuses on the prudence of such a decision, and whether the stated goal of Section 30 could be met.

The immediate challenge of borrowing from the OSTF for investment as part of the OPERF is the mismatch between the two funds' investment objectives and risk profiles.

As noted above, OSTF is managed for preservation of capital and capital liquidity and accessibility – two criteria that warrant a short duration, risk-averse investment strategy to ensure tribal, state, and local governments can have ready, reliable and immediate access to their operating balances and cash reserves on a moment’s notice.

Moving funds from what is effectively an interest-bearing checking account to a long-term investment account will result in significant changes to the risk and return attributes of transferred funds. Within the OSTF, these funds earn a modest and at times negligible rate of return, but are accessible on a day’s notice (i.e., are highly liquid) and exhibit no fluctuations in principal value. Upon deposit in OPERF, these funds will exhibit significant principal value volatility and comprise investments in highly illiquid assets such as real estate and private equity.

While long-term returns on transferred funds could be significantly greater than comparable period returns available from the OSTF, short-term returns on transferred funds will be highly volatile and often negative. Moreover, the ready, reliable and immediate access OSTF participants are accustomed to with their OSTF deposits will be contingent at best and unavailable at worst. Further, these deposits could be subject to multi-year lock-up periods consistent with the contractual terms and conditions of many OPERF investment strategies. If investments had to be liquidated before their intended maturities, they may suffer a loss or have earnings that are insufficient to pay the 2% return required under the inter-fund borrowing statutes to the OSTF.

In a protracted bear market scenario, funds transferred to OPERF from OSTF may not be available as needed by tribal, state, and local governments. Put another way, the proposal embedded in Section 30 of SB 1566 does not align with why tribal, state, and local governments put money into the OSTF in the first place. These governments want their operating balances and cash reserves managed so that they are accessible and secure, available on immediate notice in full value to meet short-term liabilities. OPERF funds, on the other hand, are managed against long-term liabilities and with an objective that subordinates stable value and liquidity to the pursuit of high, risk-adjusted returns. An appreciation for the fundamental differences between OSTF and OPERF is critical to understanding the potential conflicts and consequences associated with Section 30 of SB 1566.

Recent Actions by Other States

Treasury staff researched actions taken by other states, looking for examples of states borrowing money from a short-term fund for redeployment into another fund comparable to OPERF. While staff didn’t find examples that parallel the SB 1566 proposal, they did find state actions with some similarities. Most of these examples occurred in states during times when excess revenue was received by the states’ general funds.

Reserve and “Rainy Day” Funds

Alaska, Texas, and North Dakota have each invested excess budget reserves into longer-term investment vehicles that seek higher returns.

A 2015 Pew Charitable Trust analysis of these initiatives found, “While concerns about safety and liquidity discourage most states from pursuing high-risk investment strategies for their short-term reserve accounts, a few have experimented with more aggressive investments for at least a portion of their reserve balances. These experiments have been prominent in states that link savings to revenue from extractive industries, because high energy prices that prevailed until recently allowed these states to build considerably larger reserves than is typical.”

North Dakota, for example, moved a portion of its restricted oil revenue out of a short-term fund earning 1.9 percent into a fund with a riskier and long-term-focused “market-driven” portfolio. In this case, the restricted oil revenue is already earmarked for the state’s long-term financial health – it’s not a resource for either the state’s or local governments’ short-term expenditures.

In 2015, Texas changed state statute to enable a comparable shift in funds. The Texas Legislature passed a bill that allowed excess monies in its rainy day fund to be moved into corporate bonds and money market funds. The state comptroller has the authority to decide how much of the excess money is invested, while the portfolio itself is managed by a company that manages other state monies.

The Pew analysis notes that even in states where moving rainy day fund money into funds with higher potential returns but greater risk is allowed, a transfer of funds is not necessarily implemented. Arizona state law, for example, gives the state treasurer such authority. The analysis notes, however: “This option has never been exercised, in part because of IRS rules on municipal tax-free debt. These rules deny tax-exempt status to government bonds if states invest the proceeds of a bond issuance—or an equivalent amount of general fund dollars—in vehicles that yield a higher rate of return.”

Further, moving funds does not guarantee results, as Alaska found when it moved reserve funds into a riskier portfolio. In that case, the moved moneys were affected by volatile returns that ranged from 15.9 percent to -15 percent. In 2015, the subaccount where the reserve funds were held was closed and liquidated.

Boosting Retirement Funds

Several states have pursued borrowing strategies to boost retirement funds or attempt to correct a retirement fund shortfall. For example, California’s 2017-18 budget package included a provision to borrow \$6 billion from the Pooled Money Investment Account to make a one-time payment to one of the state’s retirement funds. Repayment of that loan – principal and interest – falls to the state’s general fund and to other state funds that make pension payments. A primary driver of the lending strategy was to “slow the pace at which the state’s annual pension costs rise.”

Illinois has also pursued a strategy to address its pension fund deficit through borrowing. The state has an unfunded liability in its retirement system that has increasingly gotten worse over several years; a 2019 proposal focused on pension obligation bond issuance as a means to reconcile the gap. New Jersey, in an effort to address its unfunded pension liabilities, has also considered issuing pension obligation bonds.

The scenarios in each of these states are either too early in their implementation to evaluate or different enough from the concept in SB 1566 to not merit extensive analysis here. In its research, Treasury staff found no state that had successfully resolved retirement savings deficits through interfund borrowing.

Conclusions

This report identifies issues that would need further analysis should the Legislature pursue a strategy in which Oregon Short Term Fund money was deployed into the Oregon Public Employees Retirement Fund. Nonetheless, Treasury's preliminary conclusion is that the proposal outlined in Section 30 of SB 1566 raises important questions of constitutionality and statutory feasibility and represents a material mismatch of risk and return expectations for tribal, state, and local governments.

Additional Resources

This study includes additional resources that may be helpful to the Oregon Legislature as members consider next steps. The first is a best practices document from the Government Finance Officers Association on local government investment pools. This document distinguishes between investment pools that have an objective of maintaining principal and liquidity and those that attempt to maximize returns. For funds with the latter strategy, the document notes, "While they may be appropriate for longer-term strategies, these pools would not be appropriate for funds that must be liquid and stable." The best practices document is attached.

Treasury staff consulted a paper from Pew Charitable Trusts published in May 2016: "Investment Policy to Preserve Fiscal Flexibility." This paper can be found online at <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2016/05/state-budget-strategies-investment-policy-to-preserve-fiscal-flexibility>.

Treasury staff also consulted IRS Publication 4079: Tax-Exempt Governmental Bonds for this study. It can be found at <https://www.irs.gov/pub/irs-pdf/p4079.pdf>.

The text of SB 1566 is available at <https://olis.leg.state.or.us/liz/2018R1/Downloads/MeasureDocument/SB1566/Enrolled>. The section focused on in this report reads:

SECTION 30. (1) The State Treasurer shall study the feasibility and prudence of borrowing moneys currently deposited by state agencies and other state entities into the Oregon Short Term Fund created by ORS 293.728 to be redeployed by the Oregon Investment Council into investments in the Public Employees Retirement Fund created in ORS 238.660, that would generate a higher rate of return sufficient to repay the borrowing and make supplemental deposits targeted at reducing the unfunded actuarial liability of the Public Employees Retirement System. The study must include an examination of recent similar actions in other states. (2) The State Treasurer shall report to the Legislative Assembly in the manner provided in ORS 192.245 on the results of the study performed under subsection (1) of this section no later than September 30, 2019.



BEST PRACTICE

Local Government Investment Pools

BACKGROUND:

In many states, the state treasurer or the authorized governing board of another governmental entity (such as a county) oversees a pooled investment fund that operates like a money market mutual fund for the exclusive benefit of governments within the entity's jurisdiction.

Unlike mutual funds, however, local government investment pools (LGIPs) are not registered with the Securities and Exchange Commission (SEC) and are exempt from SEC regulatory requirements because they fall under a governmental exclusion clause. While this exemption allows pools greater flexibility, it also reduces investor protection. Investments in these pools are not insured or guaranteed and substantial losses have occurred in the past.

These pools typically combine the cash of participating jurisdictions and invest the cash in securities allowed under the state's laws regarding government investments. By pooling funds, participating governments benefit from economies of scale, full-time portfolio management, diversification, and liquidity (especially in the case of pools that seek a constant net asset value of \$1.00). Interest is normally allocated to the participants on a daily basis, proportionate to the size of the investment. Most pools offer a check writing or wire transfer feature that adds value as a cash management tool.

Government Sponsored versus Joint Powers Agreement Pools

Local government investment pools (LGIPs) may be authorized under state statutes and sponsored by the state or local governments, or may be set up through intergovernmental agreements known as "joint powers" agreements. In several states, local governments have joined together through joint powers agreements to sponsor the creation of LGIPs that operate independent of the state government. The investment authorization to pool funds is generally derived from state statutes that allow governments to perform collectively any service or administrative function that they may undertake individually. A board of trustees, normally made up of public officials, oversees these pools and typically selects a financial services firm to provide services such as the following: investment management, custodial services, participant record keeping, independent audits, and legal services. These pools may invest only in securities otherwise allowed to individual governments.

Whether the LGIP is state-sponsored or created through a joint powers agreement, it is important to be aware that the authorizing entity typically does not guarantee investments in the LGIP.

Not All Pools Are the Same

Although there are many similarities between the various LGIPs, there are also differences. One significant difference among pools that must be understood before placing money in them is their

investment objectives. When LGIPs were first created, most emulated money market mutual funds with the objective of maintaining a "constant" Net Asset Value (NAV) of \$1.00 and providing excellent liquidity for the investor. Such LGIPs invest in short-term securities with average maturities sufficiently short to avoid market price risk. The "constant" NAV pools are appropriate investments for funds that must be liquid and have virtually no price volatility.

There are also government investment pools that have an investment objective of maximizing return. These pools are variable Net Asset Value (NAV) pools and introduce market risk to the investor through a fluctuating NAV. They invest in longer-term securities, thus subjecting their portfolios and their participants to greater market price volatility. The principal invested in the pool may not be the same principal returned to the investor, depending on the movement of interest rates. While they may be appropriate for longer-term strategies, these pools **would not** be appropriate for funds that must be liquid and stable.

Other differences among pools include legal structure, authorized investments, procedures for depositing and withdrawing money, and services provided to participants. Each pool has a process that a participant must complete, including documents to be signed and banking information to be provided, in order to establish an account. Sources of information for evaluating pools may include a pool offering statement, investment policy or audited financial statements.

Rated LGIPs¹

Rating agencies rate constant dollar LGIPs using the same criteria that they use for rating money market mutual funds. These ratings are based on safety of principal and ability to maintain a NAV of \$1. Fluctuating NAV pool ratings include a volatility factor. Pool ratings can provide an additional method of due diligence.

RECOMMENDATION:

GFOA makes the following recommendations to governments that invest in or are considering investing in Local Government Investment Pools (LGIPs).

Government investors should:

1. Confirm LGIPs are eligible investments under governing law and the government's investment policy.
2. Fully understand the investment objectives, legal structure and operating procedures of the investment pool before they place any money in the pool. When evaluating an LGIP, investors should read the pool's offering statement, investment policy, and audited financial statements carefully.
3. Pay particular attention to the investment objectives of a pool to determine whether the pool seeks to maintain a constant NAV of \$1.00 or could have a fluctuating NAV. This information is essential in order to determine which pools are appropriate for liquidity strategies (constant NAV) and which ones are only appropriate for longer-term strategies (fluctuating NAV).
4. Review the pool's list of eligible securities to determine compliance with the participating government's investment policy. Portfolio maturity restrictions and diversification policies should be evaluated to determine potential market and credit risks.
5. Evaluate portfolio pricing practices.
6. Review custodial policies (e.g., delivery versus payment).
7. Evaluate the qualifications and experience of the portfolio manager, management team and/or investment adviser.
8. Review the earnings performance history relative to other investment alternatives. On constant NAV LGIP funds, the current yield of the portfolio can be compared with competitive institutional money market funds, or overnight repurchase agreement rates. Standard & Poor's releases an index of LGIPs on a weekly basis that reports the average 7- and 30-day

yields and average maturities of LGIPs holding its highest ratings (AAAm and AAm). Any pool with above-average yields or longer maturities should be further evaluated for risk.

9. Evaluate variable NAV LGIPs in relation to appropriate benchmarks.
10. Although ratings are not mandatory, seek LGIPs with the highest ratings, where possible.
11. Fully understand procedures for establishing an account, making deposits and withdrawals, and allocating interest earnings. There may be limits to the number of deposits and withdrawals in a month. There may also be dollar limits for deposits, withdrawals and balances. Deposits or withdrawals may require advanced notification, especially if they are large. If so, investors should be aware of the deadlines.
12. When selecting an LGIP, consider any additional services offered by an LGIP, such as: check writing, wire transfers, issuing paying agent services, setting up multiple accounts for an entity, and arbitrage accounting for bond funds.
13. Confirm that an LGIP provides regular, detailed reporting to pool participants and follows accepted reporting standards. GFOA recommends that pool administrators, on a daily basis, determine the market value of all securities in the pool and report this information to all pool participants on at least a monthly basis. These values should be obtained from a reputable and independent source. This information should be included in the report to the governing body prepared on at least a quarterly basis.
14. Be aware that an LGIP may be a part of a diversified portfolio but that a portfolio comprised solely of an LGIP may not provide the government entity with appropriate diversification.

Notes:

- ¹ Not all LGIPs are rated.

References:

- *Investing Public Funds, Second Edition*, Girard Miller with M. Corinne Larson and W. Paul Zorn, GFOA, 1998.
- *Elected Officials Guide Investing, Second Edition*, Sofia Anastopoulos, GFOA, 2007.
- GFOA Best Practice, "Diversification of Investments in a Portfolio," 2007.
- *Standard & Poor's Guide to LGIPs*