

State Treasurer's Investment Guidelines for the Local Government Investment Pool (LGIP) Portfolio

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk.

Investment activity for the LGIP is guided by an investment policy approved by the State Treasurer and operates under the standard of a prudent investor. According to this policy:

1. Investments are limited to those authorized by statute. They include:
 - U.S. Treasury and agency securities (more precisely, obligations of any government-sponsored corporation eligible for collateral purposes by the Federal Reserve Bank);
 - Repurchase agreements;
 - Commercial paper which complies with policies and procedures of the State Investment Board;
 - Certificates of deposit with qualified public depositories; and,
 - Banker's acceptances.
2. Investments are made with the following objectives in priority order:
 - Safety of principal;
 - Liquidity; and,
 - Maximum yield within the parameters set by the first two objectives.
3. Securities purchased have a maximum final expected maturity of 397 days.
4. The average weighted life of all securities owned does not exceed 90 days.
5. Investments subject to high price sensitivity or reduced marketability are limited to no more than 10 percent of the portfolio.
6. All security transactions are done on a delivery versus payment basis.
7. All securities are held in the custody of the State Treasurer or the Treasurer's third-party custodian.