

Local Government Investment Pool

Washington's Local Government Investment Pool (LGIP) was authorized by the 1986 Legislature at the request of the Treasurer's office. The LGIP and other local investment pools, currently operating in approximately half of the states, have been successful in providing cash managers in local governments and other political subdivisions an attractive investment option.

The program encourages small and large entities to pool their resources to earn a higher return on investments. The State Treasurer oversees the management of the pool in consultation with the LGIP Advisory Committee.

Cash managers previously limited either by relatively small amounts of available funds for investment or the complexities of today's investment environment can take advantage of the volume and expertise of the State Treasurer's investment program to maximize earnings. The LGIP:

- Provides flexibility for cash managers;
- Allows local governments to earn competitive rates of return on liquid funds;
- Maintains the safety of funds;
- Utilizes the economies of scale inherent in the securities market;

- Allows the option of direct deposit of revenue to individual pool accounts; and,
- Allows participants to open a separate account for bond proceeds to facilitate the arbitrage calculation process.

From July 1, 2012 through February 28, 2013 the LGIP charged a monthly fee of 3.5 basis points (bp), or 0.035%, to cover the costs of operating the Investment Pool. Administrative fees and overdraft charges in excess of LGIP's \$546,050.81 operating costs were rebated to participants based on their average daily invested balance. The amount rebated to participants was \$1,564,033.89.

On March 1, 2013 the LGIP began to operate using a daily expense factor that is based on an estimate of the LGIP actual expenses. This estimate will be adjusted as needed and will result in fees collected equaling expenses, e.g., no rebates in the future. This is significant, especially in this low interest rate environment. In FY 2013 the rebate represents 12% of the LGIP earnings. LGIP participants will now have the use of those earnings monthly, as opposed to waiting for an annual rebate.

The net administrative charge to participants was 0.871 basis points (0.00871 percent) for FY 2013.