



# Act 10 of 2016

## Expansion of Permitted Investments

### Act 10 Overview

- Expanded permitted investments
- Opportunity for greater diversification and enhanced yields
- Became Effective May 24, 2016

### Changes to PLGIT

- New variable rate, liquid PLGIT/PRIME Portfolio
- New PLGIT/TERM fixed rate, fixed term option
- No change to most PLGIT options



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### Act 10 of 2016 Overview

Act 10 of 2016\* (House Bill 1296) amends the Act of July 25, 1973, authorizing cities of the first and second class to invest in commercial paper by expanding it to include all local governments, school districts, and municipal authorities.

Act 10 also expands permitted investments to include, along with commercial paper, bankers' acceptances, and negotiable certificates of deposit, and eliminates the maximum maturity limit of federal agencies.

### Expanded Investments

#### Commercial Paper

Corporate entities, which may include a bank holding company, issue short-term debt, generally between 1 and 270 days, to finance daily business activities. Sold at a discount, pays face value at maturity. Investments must have a top short-term rating by at least two NRSROs\*\*.

#### Bankers' Acceptances

Commercial banks issue the short-term debt instrument, generally from 1 to 180 days, to facilitate commercial trades. Sold at a discount, pays face value at maturity. Investments must have a top short-term rating by at least two NRSROs\*\*.

#### Negotiable Certificates of Deposit

Commercial banks issue these securities with maturities between 7 days and 5 years. Pays face value and interest at maturity. Maximum maturity is three years under Act 10. For maturities less than one year, investments must have a top short-term rating by at least two NRSROs\*. Investments with maturities greater than one year must be rated "A" or better by at least two NRSROs\*\*.

#### Federal Agency

Act 10 removes the maturity limit for investments in federal agency securities.

### Act 10 Benefits

- ✓ *Increases opportunity for diversification*
- ✓ *Creates uniformity among the investment options available to local governments*
- ✓ *Aligns investment code with best practices and options available in a majority of other states*
- ✓ *Adds potential for more competitive yields*

\*For the full Act 10 of 2016 document, please follow the link below:

<http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2016&sessInd=0&act=10>

\*\*NRSROs – Nationally Recognized Statistical Organizations (for example, S&P, Moody's, Fitch)

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## Changes to the PLGIT Investment Line-up

Most PLGIT investment options have not changed under Act 10. Effective May 24, 2016, PLGIT implemented changes to the **PLGIT/PRIME** and **PLGIT/TERM** portfolios. Investors now have the choice, but not the requirement, to utilize the new **PLGIT/PRIME** share class and **PLGIT/TERM** investment options.

The changes include:

### PLGIT/PRIME Portfolio

- Investment Policy updated to take advantage of all newly permitted investment options
- Expanded availability to all PLGIT Investors

### PLGIT/TERM

- Current **PLGIT/TERM** investments will not be changed
- Future **PLGIT/TERM** investments will take advantage of new permitted investments

## Features of PLGIT/PRIME

1. No minimum initial deposit or balance requirements
2. Offers a limited number of cash management services including:
  - Wire in/out; direct deposit of subsidies; direct payments of federal/state payments
  - Withdrawals, including transfers to other PLGIT liquid options, limited to 2 per month; transactions can be done online or over the phone
3. Check writing continues to be offered through the PLGIT Portfolio (**PLGIT-Class**)

## Features of PLGIT/TERM

1. Available maturities from 60 to 365 days
2. Minimum investment amount remains \$100,000
3. The inclusion of additional potential investments provides opportunity for greater diversification and enhanced yield than traditional **PLGIT/TERM** investments

## PLGIT's Sponsoring Associations:



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