



**Volume 28 • Issue 2  
Second Quarter 2016**

**PLGIT SPEAKS**

- **June 3**  
*Southwest PASBO*  
Bill Kruck  
Act 10

**For a complete list of events click [here](#).**

**Welcome New Investors**

- Susquehanna County
- County of Lackawanna
- Transit System
- Leet Township
- Manheim Township
- Lackawanna County

**Upcoming Trustees Meeting**

May 20, 2016  
The Nittany Lion Inn

**PLGIT Holidays**

May 30, 2016 - Memorial Day

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# Perspectives

## **New Law Enables PLGIT to Expand Investment Options for Local Governments and Schools**

*New PLGIT Investment Options Available May 24, 2016*

Act 10 of 2016 (House Bill 1296) was signed into law on March 25, 2016, giving municipal and school investors a greater range of investment vehicles that offer increased diversification and the potential for more competitive yields. The new permitted investments include commercial paper, bankers' acceptances and negotiable certificates of deposit.

### **Why update permitted investments?**

- Prior PA statues restricted the investments available to most schools and local governments to historically lower-yielding, fixed-income options
- In recent years, these investments carried interest rates near zero percent
- Act 10 of 2016 ("Act 10") provides alternatives to the diminishing supply of federal agency securities
- These new investment instruments will give schools and local governments the opportunity to generate additional yield for their operating and reserve funds
- Public investors in most states around the country have been able to use these investment instruments for many years

See the chart on page 2 for a comparison of current and new investment instruments.

### **What is PLGIT doing for Investors?**

With the law's passage, and subject to its effective date in May, PLGIT will make new investment instruments available to its 2,900 investors as of December 31, 2015, and to other municipalities and schools across the state. Importantly, most of the PLGIT investment options you are familiar with and have invested in for years are not changing. See page 3 for an overview of PLGIT's enhanced liquid and fixed-rate options.

*The newly allowed investments are consistent with the best practices prescribed for local governments by the Government Finance Officers Association (GFOA), a leading national organization.*

*"The new authority to invest in high-quality bank and corporate instruments should provide a more level investing field for schools and local governments."*

- Marty Margolis, Chief Investment Officer at PFM Asset Management LLC (PFMAM), PLGIT's investment advisor

## Overview of Current Investment Options vs. Expanded Investment Options Permitted under Act 10 of 2016

Under prior law, local government and school investment codes varied by entity type and class. Act 10 enables all PA local governments and schools to have the same opportunities and aligns permitted investments with best practices.

Government Type	Current Fixed Income Investments					Act 10 Permitted Investments – “Prime” Securities		
	US Treasuries	Agency*	Bank Deposits & Bank CDs	G.O. Debt of Comm. & PA Local Govt.s	MMF and LGIPS	Commercial Paper	Banker’s Acceptance	Negotiable CDs
Boroughs	✓	✓	✓	✓	✓	Act 10	Act 10	Act 10
Cities, 1st & 2nd Class	✓	✓	✓	✓	✓	✓	Act 10	Act 10
Cities, 3rd Class	✓	✓	✓	✓	✓	Act 10	Act 10	Act 10
Counties –2nd & 2A Class	✓	✓	✓	✓	✓	✓	Act 10	Act 10
Counties 3rd – 8th Class	✓	✓	✓	✓	✓	✓	Act 10	Act 10
Municipal Authorities	✓	✓	✓	✓	✓	Act 10**	Act 10	Act 10
School Districts	✓	✓	✓	✓	✓	Act 10	Act 10	Act 10
Twps of 1st Class	✓	✓	✓	✓	✓	Act 10	Act 10	Act 10
Twps of the 2nd Class	✓	✓	✓	✓	✓	Act 10	Act 10	Act 10

\*Generally only short-term Federal Agencies with maturities less than 397 days; Act 10 allows for longer maturities

\*\*Currently some Authorities are permitted to invest in commercial paper

## Overview of New Investment Types

### Commercial Paper

- Corporations or other business entities issue short-term debt, generally between 1- and 270-days, to finance accounts receivable, inventories, and meeting other short-term liabilities.
- Issued at a discount, pays face value at maturity.
- Creditworthiness relates to the credit of the issuing company.
- Generally, higher yielding than government securities.

### Bankers’ Acceptances

- Commercial banks issue these short-term instruments, generally from 1- to 180-days, to facilitate commercial trades.
- Issued at a discount, pays face value at maturity.
- Creditworthiness relates to the credit of the issuing bank.
- Generally, higher yielding than government securities, though slightly less than commercial paper.

### Negotiable Certificates of Deposit

- Issued by a nationally or state-chartered bank, a federal or state savings and loan association, or a state-licensed branch of a foreign bank, generally maturities are within 7-days and 5-years (3-year maximum maturity in Act 10).
- Pays face value and interest at maturity or sold at a discount and pays face value at maturity.
- Creditworthiness relates to the credit of the issuing company.
- Generally, higher yielding than government securities.

## PLGIT Investment Line Up

### What does Act 10 of 2016 mean for PLGIT?

Upon the law's effective date of May 24, 2016, Investors will have access to enhanced liquid and fixed-rate investment options

- PLGIT/PRIME Portfolio will be available to all PLGIT Investors and its investment policy will be expanded to include the newly permitted investments
- PLGIT/TERM Portfolio will also be able to offer the new permitted investments

There will be no changes to the PLGIT Portfolio (Class, PLUS, I-Class), the PLGIT CD Purchase Program or the PLGIT/ARM Pool. PLGIT/ARM Individual Portfolios and PLGIT/SAM could be updated depending upon each Investor's investment policy. All current cash management services offered through the PLGIT portfolio will continue to be available.

### Current PLGIT Line Up



### Features of PLGIT/PRIME Portfolio

- PLGIT/PRIME includes all permitted investment options outlined in Act 10
- No minimum initial deposit or balance requirements; any Investor can use this account
- Withdrawals limited to two per calendar month; no limit on amount withdrawn
- PLGIT/PRIME Investors gain access to the full array of PLGIT cash management services via transfers to PLGIT-Class Shares including:
  - Wire in/out; Direct Deposit of subsidies; Direct payments of federal/state payments
  - Transactions could be done online or over the phone
  - Check writing would continue to be offered through the PLGIT-Class Portfolio; Investor would transfer funds from PLGIT/PRIME to PLGIT-Class to write checks

### Features of PLGIT/TERM Portfolio

- Investment parameters for current PLGIT/TERM investments will not change; future PLGIT/TERM series will take advantage of new permitted investments
- Upon the Act 10 effective date of May 24, PLGIT will start a new PLGIT/TERM series that will be able to invest in include new investments, such as commercial paper and negotiable CDs, along with its traditional investments
- Available maturities will range from 60 – 365 days
- Minimum investment amount remains \$100,000

Key Benefits of updating the PLGIT/PRIME and PLGIT/TERM Portfolios include the opportunity for enhanced yield and diversification. Commercial paper, negotiable CDs, and bankers' acceptances typically offer a yield advantage compared to other permitted investment vehicles. An investment in PLGIT/PRIME or PLGIT/TERM, in addition to your entity's overall cash and investment portfolio, provides another layer of diversification.

*For assistance or to learn more about PLGIT/PRIME and PLGIT/TERM, please contact PLGIT at 1-800-572-1472 or visit us on the web at [www.plgit.com](http://www.plgit.com) to view a copy of the updated Information Statement that was provided to Investors in April and provides detail on the newly permitted investment options.*

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Pennsylvania Municipal League  
Pennsylvania State Association of Township Commissioners  
Pennsylvania State Association of Township Supervisors  
Pennsylvania Municipal Authorities Association  
Pennsylvania Association of School Administrators  
County Commissioners Association of Pennsylvania

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## PLGIT Marketing Team



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To learn more about PLGIT programs and services, please contact PLGIT at 1-800-572-1472 or email via this [link](#).

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*<sup>SM</sup>PLGIT, PLGIT-Class Shares, PLGIT/PLUS-Class Shares, PLGIT/I-Class Shares, PLGIT/TERM, PLGIT-CD, PLGIT/ARM, PLGIT/PRIME, PLGIT/SAM, and PLGIT-CAP are service marks of the Pennsylvania Local Government Investment Trust.*

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