



Tennessee
Department of **T**reasury

Tim McClure, CTP
Assistant Chief Investment Officer

Congratulations!

Now what?



Investment Options

- The statutes give each of us guidance in how to securely invest our funds. All of the options are geared toward safety and a degree of liquidity.
- TCA 5-8-301



Bank Deposits

- Banks are essential business partners as they offer a multitude of services that are needed by public entities, including wire services and ACH processing, that may require substantial sums to be deposited in bank accounts for daily operations



Bank Deposits

- Statutes require that all deposits must be protected by either FDIC coverage or collateral
- FDIC coverage is limited to \$250,000; if your deposit balance at any bank exceeds that amount, the excess must be covered by collateral.
- Bank participation in the Bank Collateral Pool Program is voluntary.



Collateral Pool Program

- Authorized by statute in 1990
- Launched by Treasurer in 1995
- No cost to depositors or banks
- Today, over 100 banks participate
- The program provides a service to the banks because collateral is pledged in aggregate to the Treasurer creating efficiencies



Collateral Pool Benefits

<u>Depositor Responsibility</u>	<u>Pool</u>	<u>Non-Pool</u>
• Confirm that bank is in the Pool	yes	n/a
• Execute depository agreement	yes	yes
• Execute trustee custodian agreement	no	yes
• Determine if collateral being pledged qualifies	no	yes
• Maintain an inventory of pledged collateral	no	yes
• Authorize the pledging , releasing and substitution of collateral	no	yes
• Reconcile collateral inventory to trustee custodian monthly	no	yes
• Daily pricing of collateral	no	yes
• Confirm that account is coded as a public deposit	yes	yes



LGIP

- Used by many local government officials
- There are over 300 entities that participate
- The total State Pooled Investment Fund (SPIF) is over \$12 billion, and the LGIP is over \$3 billion of that total
- By joining forces, efficiencies are gained and your funds are professionally invested without the staffing requirement



LGIP

- The LGIP is managed to be in compliance with GASB 79. This means that the fund is a stable dollar fund.
- The fund operates and reports at a stable dollar making accounting and reporting much simpler.



LGIP

- The LGIP operates under the policy requirements of safety, liquidity, and competitive performance.
- The LGIP is a component of the State Pooled Investment Fund (SPIF). The fund has NEVER experienced a credit loss.
- The fund operates with sufficient liquidity to honor same-day requests.



LGIP

- Performance:

- Fund returned 1.87% net for the month of July

Performance Comparisons:

	LGIP	90 Day Bill	MLIXX
– 1 year	1.34%	1.42%	.74%
– 3 year	.72%	.72%	.34%
– 5 year	.49%	.44%	.22%



LGIP

- **Contact:**

- Casey Wright 615-532-1167 casey.wright@tn.gov
- Roger Henry 615-532-8722 roger.d.henry@tn.gov
- Tim McClure 615-532-1166 tim.mcclure@tn.gov

- Treasury site <http://www.treasury.state.tn.us/lqip/index.html>
 - This site contains the participant manual, historical rates, and historical portfolio listings



Intermediate Term Investment Fund

- Created by the State Funding Board in accordance with TCA 9-4-608 after determining that a need existed for longer term investments.
- This fund is available to any participant of the LGIP, and is managed in a way to take advantage of the additional returns expected farther out on the yield curve.



Intermediate Term Investment Fund

- The ITIF is not for every participant as the fund provides no liquidity and is riskier than the LGIP
- The ITIF operates with a floating rate NAV that is reset each day based upon the market value of the fund.



Intermediate Term Investment Fund

- The ITIF is ideal for funds that will not be needed for three to five years or longer.
- Long term investments are sensitive to interest rate changes. When rates rise, the market value of this fund will drop.
- Managed internally just like the LGIP; administrative fee is kept lower than other institutional funds (5 basis points)



Intermediate Term Investment Fund

- Return since inception is 2.75%
- Return for FY18 was -.057%
- Current YTM is 2.23%
- Current NAV is 1.027536



Intermediate Term Investment Fund

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- Treasury site

<http://www.treasury.state.tn.us/lgip/interterminvfund.html>

- This site contains the investment policy, disclosure statement, resolution, NAV, portfolio, and annual report

