MOSIP



# Does Your LGIP Follow GASB 79?

The last thing government finance officials want to worry about is the safety and liquidity of public funds invested in a local government investment pool (LGIP). The Governmental Accounting Standards Board (GASB) Statement 79[1] offers guidance for LGIPs that PFM Asset Management* (PFMAM) believes helps LGIPs as they seek to maintain safety of principal and provide adequate liquidity.

GASB 79, issued in 2015, incorporates robust guidance and accounting standards for LGIPs to qualify for electing to measure its investments at amortized cost from a financial reporting perspective.

An LGIP could opt not to adopt these standards and default to the fair value reporting standards in GASB 31[1]. All stable value LGIPs administered by PFMAM have adopted GASB 79.

## GASB 79 Adherence Checklist

**Maturity Requirements.** All securities in the portfolio must have a maturity of 397 days or less. The portfolio's weighted average maturity must be 60 days or less, along with a weighted average life of 120 days or less.

**Diversification.** No more than 5% of the portfolio's assets are from a single issuer. U.S. government securities are exempt from this requirement.

**Liquidity.** At least 10% of the portfolio's assets must be in daily liquid assets, in addition to at least 30% being held in weekly liquid assets as those thresholds are defined in GASB 79. This is aimed at providing minimum daily and weekly liquidity under adverse market conditions.

**Portfolio Quality.** Securities must be rated in the highest category of short-term ratings.

** PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc., MOSIP's investment advisor and administrator, that services public sector clients.*

*1 Source: https://www.gasb.org/standards-and-guidance/pronouncements*

## How GASB 79 Can Help Focus on Investment Goals

For LGIPs, the primary goal is to seek to preserve the safety of principal and liquidity of funds in all rate environments, but especially during times of economic stress. Providing a competitive yield is also an important objective, but secondary to maintaining safety and providing liquidity.

Maintaining liquidity can allow the Missouri Securities Investment Program (MOSIP) to serve unexpected investor redemptions and supports its ability to maintain a stable net asset value (NAV).



## MOSIP and GASB 79

The MOSIP Liquid Series aims to follow GASB 79 liquidity, maturity, quality and diversification requirements to help protect the portfolio and its investors during adverse market conditions. Conversely, portfolios that hold more credit may encounter additional liquidity risk when credit spreads widen during times of crisis.

**877.MY.MOSIP | MOSIP.org | CSGMWW@pfmam.com**

*This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the investment objectives, risks, charges and expenses before investing in any of the Missouri Securities Investment Program's portfolios. This and other information about the Program's portfolios is available in the Program's current Information Statement, which should be read carefully before investing. A copy of the Information Statement may be obtained by calling 1-877-MY-MOSIP or is available on the Program's website at www.mosip.org. While the MOSIP Liquid Series seeks to maintain a stable net asset value of $1.00 per share and the MOSIP Term portfolio seeks to achieve a net asset value of $1.00 per share at the stated maturity, it is possible to lose money investing in the Program. An investment in the Program is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Fund are distributed by U.S. Bancorp Investments, Inc., member FINRA (www.finra.org) and SIPC (www.sipc.org). PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc., which serves as administrator and investment adviser to the Fund. U.S. Bancorp Asset Management, Inc. is a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bancorp Investments, Inc. is a subsidiary of U.S. Bancorp and affiliate of U.S. Bank N.A.*