

STATE OF TENNESSEE



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STATE CAPITOL
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LOCAL GOVERNMENT INVESTMENT POOL
TREASURY.TN.GOV

MEMO

Date: July 14, 2021
From: Treasurer David H. Lillard, Jr.
To: Tennessee County and City Mayors

As local government entities begin to receive federal dollars from the American Rescue Plan, I want to point out that you may want to consider depositing the funds into the Local Government Investment Pool (LGIP).

The Tennessee Department of Treasury manages state and local governments' short-term investments through pooled funds known as the State Pooled Investment Fund (SPIF) and the Local Government Investment Pool (LGIP). Treasury manages all of these funds with the objectives of safety, liquidity, and a competitive return on investments. The LGIP is commingled with the SPIF for investment purposes and provides local public finance officials an option to invest funds until they are needed, earning the same return on investments as the State Treasurer earns on the State's cash portfolio.

Funds from the American Rescue Plan received through the State can be deposited into an LGIP account. A separate LGIP account for ARP funds can also be established, allowing the funds to be tracked separately from operating funds. If your entity receives ARP funds directly from the federal government, you can establish an LGIP account transfer the funds to the Treasury Department for investment in the LGIP. If your entity has an existing LGIP account for managing operating cash, you may wish to consider requesting an additional LGIP account for ARP funds.

Investments under the purview of Treasury, including the SPIF and the LGIP, are managed by an in-house staff of 36 investment professionals with extensive education, as well as professional training, and experience.

While the LGIP may provide an option for investment of federal dollars, we would also like to remind local governments that there may be restrictions, conditions, or limitations on how federal dollars (specifically federal funds received as part of the American Rescue Plan) may be invested or managed. Treasury is not responsible for compliance with any restrictions, conditions, or limitations relative to the investment or use of federal funds in the SPIF/LGIP. We recommend consulting with the appropriate legal, tax, or other advisors to evaluate the risks and merits of any investment in the LGIP.

Please note, investment returns in an LGIP account are not guaranteed and may fluctuate based on market changes, and losses or gains will be distributed to all participants on a pro

rata basis. Both the principal contributed to an LGIP account and any investment returns are not an obligation of the State of Tennessee nor are they guaranteed or insured by the State of Tennessee, the State Treasurer, the State Funding Board, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other state or federal agency. LGIP investments and earnings can be found at [Treasury.tn.gov](https://treasury.tn.gov) > Investments > Investment Management > Local Government Investment Pool.

Participants of the LGIP can also utilize a second pooled investment option managed by the Tennessee Treasury Department, which is the Intermediate Term Investment Fund (ITIF). The ITIF is a longer-term investment option for public funds where participants may benefit from a longer yield curve. The objective of the fund is to achieve a superior level of total return at a reasonable level of risk measured over a longer-term investment horizon. The disclosure for the ITIF outlines the requirements for participation as well as the investment risks, which may be found at: [Treasury.tn.gov](https://treasury.tn.gov) > Investments > Investment Management > Local Government Investment Pool.

I appreciate the important work you do for your community, and the Tennessee Department of Treasury would like to support you in any way we can. If you would like more information regarding participation in the LGIP or ITIF or to establish an LGIP Account, visit [Treasury.tn.gov](https://treasury.tn.gov) > Investments or call Casey Wright in the Treasury Investments Division at (615) 532-1163.