

## Office of the State Treasurer (“OST”) Georgia Fund 1 Prime Investment Circular (FY 2024/25)

### Structure and Purpose:

Georgia Fund 1 Prime (GF1 Prime) is an LGIP Offering under the Local Government Investment Pool Trust. GF1 Prime is available for use by Georgia local governments, authorities, and approved state entities. GF1 Prime may provide a higher investment yield than Georgia Fund 1 (GF1), due to the inclusion of investment grade credit securities. Due to the risk of exposure from credit investments, GF1 Prime is intended for participants’ strategic liquidity (and not operating or restricted bond funds). As a conservative and liquid investment option for strategic liquidity, GF1 Prime seeks to minimize the risk of principal loss while offering daily liquidity, a stable Net Asset Value (NAV), and a competitive rate of return. The State Depository Board (the Board) has authorized the State Treasurer to work with an approved LGIP services provider to manage GF1 Prime servicing and investments. OST will oversee servicing and investments by this entity to ensure compliance with OST investment policies, GF1 Prime Investment Guidelines, and accomplishment of investment performance expectations. The Board has selected Federated Hermes, Inc. (“FHI”) as the entity to provide LGIP servicing and investment services for GF1 Prime. Due to the inclusion of credit investment instruments in GF1 Prime, mandatory training will be required for certain staff of participant entities in the fund.

GF1 Prime deposits are not guaranteed or insured by any bank, the FDIC, the Federal Reserve Board, the State of Georgia, or any other agency.

### OST Investment Policy:

GF1 Prime shall invest funds in accordance with the Investment Policy for the OST approved by the Board. The OST Investment Policy can be found at the following link:

<https://ost.georgia.gov/divisions-offices/investments/ost-investment-polices>

### Risks:

#### *Interest Rate Risk*

Interest rate risk is the risk associated with changes in interest rates that could adversely affect the fair value of an investment. The prices of the fixed income securities in which GF1 Prime will invest rise and fall in response to changes in the interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. However, market factors, such as demand for particular fixed income securities, may cause the price of certain fixed income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities. GF1 Prime uses the Weighted Average Maturity (“WAM”) method to analyze interest rate risk. WAM expresses the average time until maturity for the investments in a portfolio weighted to reflect the dollar size of the individual investments within the portfolio.

#### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. OST has contracted with FHI to manage the GF1 Prime portfolio within the specifications of the OST Investment Policy and GF1 Prime Investment Guidelines. The portfolio contains a relatively low level of credit risk utilizing commercial paper, negotiable bank CDs, government securities or repurchase agreements collateralized by U.S. government securities. In strict accordance with the OST Investment Policy and GF1 Prime Guidelines, FHI utilizes a counterparty risk assessment model to assess the credit risk of counterparties that have been approved as repurchase agreement counterparties or depositories.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk associated with losses that may occur due to lack of investment counterparty diversification. Concentration of credit risk is mitigated by limiting the percentage of total investments with any one issuer. OST limits concentration of credit risk by establishing maximum issuer exposure limits and ensuring FHI utilizes its credit process to vet the credit worthiness of investment counterparties.

### *Liquidity Risk.*

Liquidity risk is the risk that the Fund will experience significant net redemptions of Fund Shares at a time when it cannot find willing buyers for its portfolio securities or can only sell its portfolio securities at a loss.

## **Ratings:**

GF1 Prime follows recommended best practices for stable NAV LGIPs as suggested by the National Association of State Treasurers (NAST) and National Association of State Auditors, Comptrollers and Treasurers (NASACT). This includes providing pertinent information about LGIP's statutory authority, offerings, investment policy and financial information. OST follows voluntary guidelines for the management of stable NAV LGIPs, which recommend utilizing an NRSRO in oversight of the fund.

Voluntary Guidelines for stable NAVs: <https://ost.georgia.gov/ost-operating-policies>

GF1 Prime is currently seeking a rating by the following NRSRO:

- Fitch Ratings Inc. AAmmf

## **Yield:**

GF1 Prime annualized yield is calculated and reported on an Actual/365 basis net of administrative, investment management and participant servicing related fees. GF1 Prime yield information can be found at the following link:

[www.georgiaprime.com/ga/pools/investment-pools/georgia-1-prime.do](http://www.georgiaprime.com/ga/pools/investment-pools/georgia-1-prime.do)

## **Custodian:**

GF1 Prime employs State Street Bank for LGIP custodial bank services.

## **Financial Reporting and Audit Information:**

The State Treasurer produces annual financial statements for the LGIP Trust and requests the Georgia Department of Audits and Accounts ("DOAA") to conduct an annual audit of the LGIP. The annual financial statements as of June 30th of each fiscal year, including the Auditor's opinion, are provided to the State Depository Board, and made available to the public.

Financial statements can be found at the following link:

Financials: <https://ost.georgia.gov/financial-reports>

GF1 Prime Monthly Holdings can be found at the following link:

GF1 Prime Holdings: [www.georgiaprime.com/ga/pools/investment-pools/georgia-1-prime.do](http://www.georgiaprime.com/ga/pools/investment-pools/georgia-1-prime.do)

## Administration and Investment Management Fees and Expenses:

Administrative, investment management, and participant service-related fees collected from LGIP participants are to be used to fund expenses related to carrying out the investment functions and operations of the OST and FHI. According to O.C.G.A. §36-83-8(l), “payments of amounts for administrative expenses shall be deemed contractually obligated funds held in trust for the benefit of the local government investment pool and shall not lapse” and will be held in trust (the “LGIP Trust Reserve”) for the benefit of the LGIP Trust. The LGIP Trust Reserve retains all unexpended administrative fees and interest earned on the reserve balance. The LGIP Trust Reserve is to be maintained for the benefit of all LGIP participants, whether pooled participants or separately managed accounts, and may be utilized at the discretion of the State Treasurer in the interest of the LGIP Trust. With the approval of the State Treasurer, gains not distributed to current participants of any LGIP Offering may be deposited into the LGIP Trust Reserve. The assets held in the LGIP Trust Reserve are to be used for the benefit of the LGIP, at the discretion of the State Treasurer, for any of the following purposes:

- To preserve the liquidity and net asset value of an LGIP Offering or otherwise protect the interests of LGIP participants;
- To offset any realized net losses determined to be significant to the aggregate portfolio in order to preserve the NAV of a pooled LGIP offering;
- For payment of administrative expenses incurred by the State Treasurer in connection with investing state and local government funds, safeguarding assets, and otherwise carrying out activities necessary to preserve and operate the LGIP;
- To stabilize the value of an LGIP Offering intended to maintain a stable NAV due to unexpected withdrawals from participants or other unforeseen circumstances;
- To cover any uninsured losses due to error, omission, or fraud; and
- For continuity of business due to disaster, economic, or market-related issues.

GF1 Prime currently charges a fee of 5.5 basis points which consists of management, participant servicing, and administrative fees. Such fees can be reduced or waived by the State Treasurer if deemed necessary.

## Establishing an Account

All new accounts must be approved by the State Treasurer and reported to the Board. Instructions for opening GF1 Prime accounts with a GF1 Prime Resolution (including the form itself) can be found on the link below. Instructions for initiating deposits or withdrawals are also included on the link below.

Georgia Fund 1 Prime Resolution Instructions: [www.georgiaprime.com/ga/participant-services/participant-support/new-participant-enrollment.do](http://www.georgiaprime.com/ga/participant-services/participant-support/new-participant-enrollment.do)

## GF1 Prime Website/ Account Access Information

To facilitate your investment in the Pool, Georgia Prime Participant Services (Participant Services) has created a participant website, *GeorgiaPrime.com*, and *GA Fund 1 Prime* Account Access available in both online and mobile formats. *GA Fund 1 Prime* Account Access is a robust, user-friendly tool that will enable you to place transactions in the Pool, perform inquiries on your accounts, and review Pool performance information.

You may obtain all forms necessary to participate in GF1 Prime through the participant website located at *GeorgiaPrime.com*.

## How to Contact Participant Services

You may contact Participant Services by telephone at 1-833-G1P-Pool (417-7665) during the hours of 8:00 a.m. – 6:00 p.m. ET on any business day.

You also may contact Participant Services by email [gapool@sscinc.com](mailto:gapool@sscinc.com)

The mailing address for GA Fund 1 Prime Services is PO Box 219007, Kansas City, MO 64121-9007, and the facsimile number is 1-833-419-8686.

Please have your Participant ID# and PIN, each as described in the following sections, readily available when you contact Participant Services, as you will be asked to provide such information for security purposes.

## New Participant Enrollment in GA Fund 1 Prime

To enroll in GF1 Prime, training certification is required by each Authorized Representative. Contact Georgia Prime Participant Services to enroll in the training. Once training is complete, the Participant Enrollment, Resolution, and Authorized Representatives form will be sent to the participant for completion. If necessary, you can complete an additional New Account Application for each account that you wish to establish.

Upon receipt and review of the Participant Enrollment, Resolution, and Authorized Representatives form, Georgia Prime Participant Services will establish the relationship. New participants will be assigned a single participant identification number (Participant ID#), which is a unique, five-digit numeric identifier. You also will be assigned a separate account number for each account that you have established.

## Authorized Representative Designation

The Head of Governing Authority (HGA) must specify those individuals who will be authorized to sign documentation, execute transactions and perform inquiry functions on behalf of the entity's GF1 Prime accounts. There is no set number of individuals that may be so authorized.

Georgia Prime Participant Services will send via secure email unique, six-digit PINs to all authorized representatives who are listed on the Participant Enrollment, Resolution, and Authorized Representatives form. For security reasons, your authorized representatives should treat PINs as personal and confidential.

The HGA or two authorized representatives acting jointly and approved by HGA are required to submit a new Authorized Representatives Resolution form if they want to change individuals designated as authorized representatives. Georgia Prime Participant Services will rely upon the accuracy and completeness of the most current Authorized Representatives Resolution forms and can only accept directions from those individuals listed therein.

## General Instructions for Placing Transactions with the Pool

- To transact in the Pool, you must contact Participant Services by telephone, or transmit an instruction through online *GA Fund 1 Prime* Account Access. **Participants should not attempt to submit or cancel transactions via email to Participant Services. Transaction requests via email will not be honored.**
- All transaction instructions must identify the Participant ID#, Pool number 814, and the applicable account number. Authorized representatives also will be required to verify their PIN.
- All transaction instructions receive a confirmation number (both online and telephonic). This is your notification that GA Fund 1 Prime has received your request.

- All transactions may be entered with a future settlement date up to 90 business days in advance. The settlement date is the date you expect to receive your withdrawal proceeds or fund your deposit, whether via wire or ACH.
- For activity conducted through the *GA Fund 1 Prime* Account Access online, the use of an Internet browser with at least 256-bit encryption is recommended. The browser must also be compliant with TLS version 1.2. (or higher)

## Communication of Large Liquidity Needs by Participants in GF1 Prime

To assist FHI in managing the Pool effectively, as a courtesy, we ask that participants provide advance notice (when known) for large deposits or withdrawals by calling Participant Services.

## Deposits in the Pool

**Deposits in the Pool may be made on any business day in one of two ways, as described below.**

### 1. By Wire

Deposits in any Pool account may be made by wiring federal funds. The following information should be included on the wire advice in order to ensure proper credit to your account:

**State Street Bank & Trust Company Boston, MA**

ABA= 011000028

BNF = Attn: GA Fund 1 Pr #9900-155-4

RFB = Pool #814 - Participant ID #

OBI = Account Number, Participant Name

Deposits by wire that are preceded by a telephone call to Participant Services, by fax, or by an instruction transmitted through the *GA Fund 1 Prime* Account Access before 3:00 p.m. ET on a business day will be made at the NAV next calculated after your transaction is received. The transaction will be credited that day, and you will be entitled to interest beginning on that day.

Any transaction received after 3:00 p.m. ET will be made at the NAV next calculated after your transaction is received (normally 3:00 p.m. ET on the next business day). Participants must contact their bank to initiate a wire to GA Fund 1 Prime.

### 2. By Automated Clearing House (ACH)

Deposits in any Pool account may be made by prearranged Automated Clearing House (ACH) instructions as provided on the GF1 Prime Banking Instructions Form. If your ACH transaction request is received by telephone call to Participant Services, by fax, or by an instruction transmitted through *GA Fund 1 Prime* Account Access prior to 3:00 p.m. ET on a business day, that day is considered to be your transaction date. If your ACH transaction request is received after 3:00 p.m. ET on a business day, the next business day is considered to be your transaction date. **Settlement occurs on the next business day** after the transaction date. You will be entitled to interest beginning on the day that your transaction is settled.

GA Fund 1 Prime will ACH debit the prearranged account as provided on the Participant Enrollment, Resolution, and Authorized Representatives form or Banking Instructions form.

## Withdrawals in the Pool

**Withdrawals from an account may be made on any business day, as noted below. Your withdrawal will be priced at**

## the NAV next calculated after the request is received by the Pool.

Note that neither the **Trust nor FHI** will be responsible for any losses resulting from an unauthorized withdrawal. Participant Services may record calls or request other verification information for security purposes. You should verify the accuracy of your monthly statements upon receipt and notify Participant Services immediately of any discrepancies in your account activity.

### 1. By Wire

All wire withdrawal requests must be received before 3:00 p.m. ET to be wired that day by the close of the Federal Reserve wire system. Interest is earned until, but not including the day of the withdrawal. For your protection, funds may be wired only to those bank accounts designated in the current GF1 Prime Banking Instructions Form. Bank wire changes may not be made directly on *GA Fund 1 Prime* Account Access. Please call Participant Services for instructions on how to designate additional bank accounts for withdrawals. Participants may initiate withdrawal transaction by online account access, telephone, or fax.

### 2. By Automated Clearing House (ACH)

Withdrawals in any Pool account may be made by prearranged Automated Clearing House (ACH) instructions. If your ACH transaction request is received by telephone call to Participant Services, by fax, or by an instruction transmitted through *GA Fund 1 Prime* Account Access prior to 3:00 p.m. ET on a business day, that day is considered to be your transaction date. If your ACH transaction request is received after 3:00 p.m. ET on a business day, the next business day is considered to be your transaction date. Settlement occurs on the next business day after the transaction date. You will earn interest through the transaction date. Please note that full withdrawal liquidations cannot be processed by ACH.

GA Fund 1 Prime will credit the prearranged account as provided on the Participant Enrollment, Resolution, and Authorized Representatives form or Banking Instructions form.

## Transfers Between Accounts

A participant may make transfers between GF1 Prime accounts by calling Participant Services, through *GA Fund 1 Prime* Account Access, or faxing written notification to Participant Services.

## Closing an Account

Participants who wish to close an account with GA Fund 1 Prime can process a withdrawal as described in “Withdrawals in the Pool” to bring the account to a zero balance. An account can remain on the GA Fund 1 Prime Account Access system with a zero balance until otherwise notified or be removed from the listing of accounts by request.

## Audit Confirmation Request

A participant’s auditor may submit written requests for confirmations of account balances to Participant Services. Participant Services will respond to such requests, provided that an authorized representative of the participant has authorized the auditor’s written request.

## Business Days

FHI is open for business and the Pool’s NAV per unit is calculated each day on which both the Federal Reserve Bank and the New York Stock Exchange are open. At no time will Participant Services be closed for more than one day in observance of the same holiday. In the event such a case should arise, FHI would follow the New York Stock Exchange closing schedule.

All holiday announcements will be available on *GeorgiaPrime.com* and *GA Fund 1 Prime* Account Access prior to the upcoming holiday.

The following are the holidays or their observances on which GA Fund 1 Prime will normally be closed:

- New Year's Day
- Martin Luther King, Jr. Day
- Presidents Day
- Good Friday
- Memorial Day
- Juneteenth Day
- Independence Day
- Labor Day
- Columbus Day - Closed for Transaction but Participant Services will be open for inquiries
- Veterans Day - Closed for Transaction but Participant Services will be open for inquiries
- Thanksgiving Day
- Christmas Day

## Monthly Statements

A monthly account statement reflecting all activity for the month and the earnings paid will be available online via GA Fund 1 Prime Account Access, after the close of each month, within three business days.