LOCAL GOVERNMENT NEWS REPORT

May 2011

INTEREST RATES

The average annualized yield for April was 0.50 percent. The rate for April was as follows:

April 1st – 30th	0.50 percent

UPCOMING HOLIDAY MAY 30th

Because of the Memorial Day holiday, the Oregon State Treasury (OST), the Fed wire service, and Oregon banks will be closed Monday, May 30th. Any ACH transfers called-in prior to 1:00 p.m. on Friday, May 27th, will settle at your bank on Tuesday, May 31st. Any ACH transfers called-in between 1:00 p.m. Friday, May 27th, and 1:00 p.m. Tuesday, May 31st, will settle at your bank on Wednesday, June 1st.

ANNUAL ONLINE SERVICES USER VALIDATION

Annual User Validation reports will be e-mailed out later this month to all local governments that currently access their pool account statements online. The validation e-mail will be directed to those designated as Password Administrators and will contain a listing of all users within that local government that are currently setup to access online statements.

Local governments that receive a validation report are asked to review the report and respond back regarding its accuracy. In addition, we strongly encourage local governments to take a close look at those individuals that have not accessed the system within the last six months. If needed, users can easily be deregistered by using OST's C-26 Registration/Deregistration form. As a reminder, all local governments are required to send a C-26 Registration/Deregistration form to ost.banking@ost.state.or.us when they have any turnover in staff with online statement access.

Along with the validation, we are utilizing this opportunity to remind all users that User ID and Passwords for OST applications should not be shared. There is a process in place for resetting passwords and registration/deregistration of individual users. If you have questions regarding this process, please work with your local government password administrator. We will work together to ensure your needs are addressed.

NEW STAFF MEMBER

Due to the upcoming retirement of Debbe Myers, we have recently hired Rhonda Kutzer as our new Local Government Coordinator. Rhonda comes to us from the Oregon Department of Revenue, where she has worked most recently as an Accountant in their Financial Services section. Rhonda has over five years experience working in state government finance and we are excited about her joining our team! Rhonda may be reached at 1-800-452-0345 or at lgip@mail.ost.state.or.us

RETIREMENT OPEN HOUSE

As a reminder, there will be a retirement open house for Debbe Myers on Thursday, May 26th from 1-3 PM at Oregon State Treasury, 350 Winter St, NE, Suite 100, Salem, OR 97301. Please stop by and wish Debbe a happy retirement!

EVALUATING YOUR INVESTMENT POLICY

Writing an Investment Policy that communicates effectively and consistently with a range of audiences (internal and external) is difficult. Investment Policies are often formed by the persons or committees that are directly involved with managing an organization's finances. This makes sense given that the organization's asset managers are usually most familiar with the investment needs and associated risk tolerances of the organization. Care needs to be taken so that interested parties outside of persons or committees directly involved in the asset management function are able to interpret Investment Policy as intended by its writers. Such parties can consist of Senior Management, Compliance Oversight, Brokers, Constituents, etc. Moreover, personnel turnover within all of these groups and changing organizational makeup creates greater need for consistent interpretation and application. Along this vein, an article entitled ***Evaluating Your Investment Policy*** has been added to the Oregon State Treasury (OST) website at http://www.ost.state.or.us/Services/LocalGov/Resources.asp under the section entitled Articles of Interest. The article, by Corrine Steeger, highlights several important aspects of forming and maintaining a robust investment policy. Note that the OST provides several resources to help local governments on its website at: http://www.ost.state.or.us/Services/LocalGov/Resources.asp.

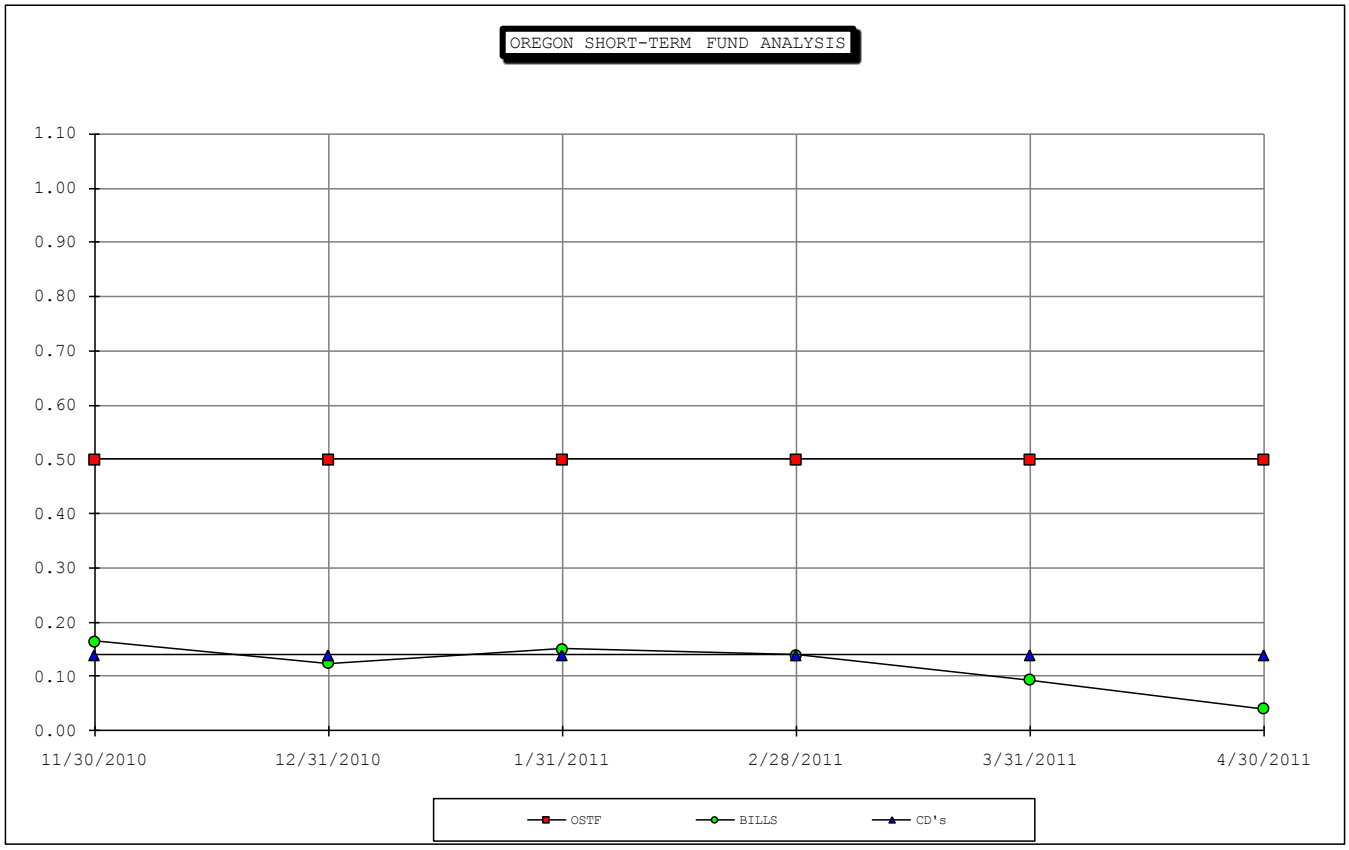
MARKET DATA TABLE

		Change				
Rates	**4/30/11**	**MTD**	**QTD**	**YTD**	**90 Day**	**TTM**
3-Month LIBOR**	0.27	(0.03)	(0.03)	(0.03)	(0.0)	(0.1)
3-Month Tsy**	0.04	(0.05)	(0.05)	(0.08)	(0.1)	(0.1)
6-Month Tsy**	0.10	(0.07)	(0.07)	(0.09)	(0.1)	(0.1)
2-Year Tsy**	0.61	(0.22)	(0.22)	0.01	0.1	(0.4)
3-Year Tsy**	0.99	(0.31)	(0.31)	0.00	0.1	(0.5)
5-Year Tsy**	1.97	(0.31)	(0.31)	(0.04)	0.1	(0.4)
7-Year Tsy**	2.67	(0.25)	(0.25)	(0.03)	0.0	(0.4)
10-Year Tsy**	3.29	(0.18)	(0.18)	(0.01)	(0.0)	(0.4)
30-Year Tsy**	4.40	(0.11)	(0.11)	0.06	(0.1)	(0.1)
2s/5s Curve (bp)**	1.36	(0.09)	(0.09)	(0.05)	(0.0)	(0.1)
5s/7s Curve (bp)**	0.70	0.06	0.06	0.01	(0.0)	0.0
7s/10s Curve (bp)*	0.62	0.06	0.06	0.02	(0.0)	0.1
10s/30s Curve (bp)	1.11	0.07	0.07	0.07	(0.1)	0.2
2s/10s Curve (bp)*	2.68	0.04	0.04	(0.02)	(0.1)	(0.0)
2s/30s Curve (bp)*	3.79	0.11	0.11	0.05	(0.2)	0.2

			Change				
Credit		**4/30/11**	**MTD**	**QTD**	**YTD**	**90 Day**	**TTM**
US IG Corporate*	OAS	138	(4)	(4)	(18)	(12)	(5)
	YTW	3.83%	-24 BP	-24 BP	-19 BP	-11 BP	-44 BP
Industrial*	OAS	121	(2)	(2)	(13)	(8)	2
	YTW	3.80%	-20 BP	-20 BP	-13 BP	-5 BP	-33 BP
Utility*	OAS	135	(3)	(3)	(12)	(7)	(2)
	YTW	4.18%	-21 BP	-21 BP	-11 BP	-8 BP	-38 BP
Financial*	OAS	164	(7)	(7)	(27)	(19)	(16)
	YTW	4.18%	-21 BP	-21 BP	-11 BP	-8 BP	-38 BP
Sovereign*	OAS	133	4	4	(19)	(14)	2
	YTW	3.94%	-12 BP	-12 BP	-16 BP	-13 BP	-33 BP
Corporate AAA*	OAS	25	(2)	(2)	(9)	(11)	(8)
	YTW	1.86%	-21 BP	-21 BP	-8 BP	-3 BP	-35 BP
Corporate AA*	OAS	99	(5)	(5)	(9)	(9)	12
	YTW	3.22%	-25 BP	-25 BP	-11 BP	-9 BP	-23 BP
Corporate A*	OAS	130	(4)	(4)	(20)	(13)	(7)
	YTW	3.73%	-23 BP	-23 BP	-21 BP	-13 BP	-50 BP
Corporate Baa*	OAS	171	(3)	(3)	(21)	(14)	(3)
	YTW	4.39%	-21 BP	-21 BP	-22 BP	-14 BP	-38 BP

* Source: Barclays Family of Indices
** Source: Bloomberg
OAS= Option Adjusted Spread to Treasuries

Rhonda Kutzer
Local Government Coordinator
350 Winter Street NE, Suite 100
Salem, Oregon 97301-3896
Phone: (503) 373-1194 or 1-800-452-0345
Fax: (503) 373-1179
Voice Response System (VRS): 1-877-888-1767
E-mail: lgip@mail.ost.state.or.us
Website: http://www.ost.state.or.us/divisions/finance/LocalGovernment/Index.htm
Local Government News List: http://listsmart.osl.state.or.us/mailman/listinfo/local-gov-news



Oregon Short-Term Fund Analysis as of April 30, 2011

	11/30/2010	12/31/2010	1/31/2011	2/28/2011	3/31/2011	4/30/2011
LGIP AV DOLLARS INVESTED (MM)	5,383	5,667	5,425	5,244	5,112	5,021
STATE AGENCY AV DOLLARS INVESTED (MM)	5,833	5,466	5,647	5,412	5,478	5,939
TOTAL OSTF AV DOLLARS INVESTED (MM)	11,217	11,133	11,072	10,656	10,589	10,960
OST ANNUAL YIELD (ACT/ACT)	0.50	0.50	0.50	0.50	0.50	0.50
3-MO UST BILLS (BOND EQ YLD)	0.17	0.13	0.15	0.14	0.09	0.04
3-MO JUMBO CDS (ACT/360)	0.14	0.14	0.14	0.14	0.14	0.14

NOTE: The OST ANNUAL YIELD represents the average annualized yield paid to accountholders during the month. Since interest accrues to accounts on a daily basis and the rate paid changes during the month, this average rate is not the exact rate earned by each account.

3-MO UST BILLS yield is the yield for the Treasury Bill Issue maturing closest to 3 months from monthend. 3-MO JUMBO CDS is the highest posted rate received by the Treasury from Oregon banks as of monthend. Consequently, whereas the yield on UST Bills should normally be lower than CD rates, the fact that the quotes are up to a week different in time may result in an apparent reversal of this situation.

This material is available in alternative format and media upon request.