



**OREGON SHORT TERM FUND
BOARD MEETING
Thursday, April 9, 2015
MINUTES**

OSTF Location: Orrick, Herrington & Sutcliffe, LLP
1120 NW Couch Street, Suite 200
Portland, Oregon

Board Attendees: Douglas Goe
Darren Bond (via phone)
Pat Clancy (via phone)
Laurie Steele (via phone)
Deanne Woodring

Attendees (Staff): Perrin Lim
Tom Lofton
Garrett Cudahey
Heidi Rawe

- i. **Opening Remarks – Douglas Goe**
The meeting began at 10:00 am. Douglas Goe welcomed all to the Oregon Short Term Fund (OSTF) Board meeting and roll was taken.
- ii. **Review and Approval of Meeting Minutes**
 - a. **January 8, 2015**
MOTION: Deanne Woodring moved approval of the January 8, 2015 OSTF Board Meeting Minutes, the motion was seconded by Laurie Steele, and passed unanimously by the Board.
- iii. **LGP/OSTF Investment Policy Reviews**
 - a. **Lincoln County**
 - Garrett Cudahey presented Lincoln County's Investment Policy to the Board and noted that he had worked with Linda Pilson on the policy update. Lincoln County's investment policy was last updated in 1998. The County is in the process of updating their policy to be more modern, flexible and allow for investments beyond 18 months in maturity. The County's portfolio ranges in size from \$30 million to \$60 million.

Comments from the Board were:

- Page 34 of 37, Federal Instrumentality Securities: The proposed policy lists several federal agencies, but not all of the agencies listed on the List of US Government and Agency Securities for Local Government Investment which is found on the Oregon State Treasury website.
- Members of the Board agreed upon the recommendation to include the sample policy sections regarding hiring an investment advisor.
- It was noted that the policy appears more like a “work-in-progress” rather than a completed policy and important guidelines were omitted:
 - Competitive Transactions were omitted.
 - Maximum limits on callable securities were omitted.
 - Securities ratings were omitted.
 - Guideline Violation resolution section appears weak.
 - Reporting section is weak. More than one report a year to the governing is recommended.
 - Compliance reporting is not addressed.
 - Portfolio evaluation is not addressed.
 - Pricing is not addressed.
 - Annual policy reviews are omitted. It was noted that this section is included in the previous policy.
 - Throughout the policy the use of “Custodial Officer” and “Investment Officer” are interchangeable. The consistent use of “Investment Officer” is recommended.
- Page 31 of 37, Delegation of Authority, 2nd line: The ORS reference is incomplete; a reference number is missing from ORS 294.04.
- Page 34 of 37, Authorized Securities and Transactions, 4th line: There is a typo and an extra “s” is after ORS.
- Page 35 of 37, Time Deposit Open Accounts, Certificates of Deposit, and Savings Accounts 4th line: Insert “Chapter” between ORS and 295.
- Page 37 of 37, Investing Bond Proceeds, 3rd line: It was recommended to use “Internal Revenue Code of 1986” instead of “Tax Reform Act of 1986.”
- The absence of a representative from Lincoln County via phone or in person was noted. It was recommended by the Board that representatives of local governments attend the OSTF Board meeting via phone or in person.
- Risk: It was noted that this policy is allowing the highest level of risk.
- Finally, the Board agreed that the policy is difficult to follow and noted that if the sample policy had been used as a guide, most of the commentary would have been addressed.

Mr. Goe suggested that the sample policy be updated to include “Investment Officer” instead of “Custodial Officer.”

It was further suggested to have information on the Treasury website informing local governments that the sample policy can be requested in an editable Microsoft Word document.

Mr. Goe thanked Staff and the Board for their comments and efforts.

iv. Market Overview and Portfolio Update - Garrett Cudahey

Garrett Cudahey presented the OSTF Portfolio update. US Government Rates and credit spreads were discussed and the current investment environment was reviewed.

- US Government Rates
- Barclays 1-3 Year Credit Spreads
- JP Morgan 2 Year Auto and Card ABS Spreads

- OSTF Portfolio Update

February 28, 2015	
Fund Market Value	\$13,648,857,925.25
Unit Value	1.001379
Weighted Average Credit Quality	AA
Book Yield	0.573%
Weighted Average Maturity	176.83
Weighted Average Life	487.85
Rate Paid to Participants	0.50%

- OSTF Net Asset Value History
- Deposit Mix Update
- Holdings by Security Type
- OSTF Diversification
- OSTF Credit Profile
- OSTF Fixed/Floating Rate Allocation
- OSTF Maturity Profile
- OSTF Rates Comparison
- OSTF Performance

Perrin Lim commented on the OSTF Credit Profile chart and noted that Treasury is in the process of implementing BlackRock/Aladdin operating management system and risk platform. As part of that transition the Credit Profile chart methodology will change to better illustrate the risk profile of the fund and that it will match Barclay's family of indices methodology. Mr. Lim noted that information regarding the transition will be brought to the Board as it progresses.

Discussion followed regarding World Bank and their products coming to market as well as bond market trends.

v. State Agency Interfund Loan/Line of Credit Update

Perrin Lim addressed the Board regarding State Agency Interfund Loan and Line of Credit Activity. Oregon law provides authority for interfund borrowing under the terms of ORS 293.210 to 293.225. In some circumstances, individual agencies or programs may also have specific borrowing authority granted in statute. All such borrowings are to be considered a tool employed by the Oregon State Treasury to assist agencies that may be experiencing short-term, transitory cash imbalances created in the conduct of legislatively approved agency activities. At current, the total line of credit commitments is \$256.5 million.

Currently there are five outstanding lines of revolving credit to various state agencies.

- Oregon Department of Forestry
- Oregon Department of Fish and Wildlife
- Oregon Department of Human Services
- Oregon Health Authority
- Oregon Military Department

Discussion followed regarding repayment, timing and the application/approval process. Mr. Lim noted that he would provide this information on a regular basis going forward.

vi. Closing Remarks/Other Items of Business

- a.** Darren Bond gave an update on legislative activity, noting the Investment Modernization Act is not expected to pass. However, twenty-three new positions have been approved.
- b.** The next OSTF Board Meeting is scheduled for July 7, 2015 in Portland, Oregon.
- c.** The meeting adjourned at 11:06 pm.

Respectfully Submitted by,



Norma Harvey
Investment Analyst