

**Oregon Short Term Fund Board
MINUTES - TELECONFERENCE**

June 4, 2007

- Location:** Oregon State Treasurer's Office
Columbia Conference Room
350 Winter Street NE, Ste 100
Salem, OR 97301
- OSTFB Members Present:** Linda Haglund, Office of the State Treasurer
Gary Wallis, City of Wilsonville
Michelle Hawkins, Linn County Treasurer
Deanne Woodring, Davidson Fixed Income Management
Bob Woodruff, Nike Corporation
Harvey Rogers, K & L Gates
- OST Staff Present:** Perrin Lim, Sr. Fixed Income Investment Officer
Ellen Hanby, Fixed Income Investment Officer
Darren Bond, Director of Finance
Heidi Rawe, Executive Support Specialist
- Other Attendees:** Ritha Metcalf, City of Gresham
Terry McCall, City of Gresham
Deborah Bond, City of Gresham
Mary Donovan, MBIA
David Lee, MBIA

I. Opening Remarks

Perrin Lim introduced himself, and the Oregon Short Term Fund Board Meeting commenced at 11:13am.

II. LGP/OSTF Investment Policy Review – City of Gresham

The City of Gresham's Investment Policy was presented to the board by Ellen Hanby. Staff felt the policy to be outstanding and thorough.

There was discussion about the proposed revision to the maturity limits in the policy, where the minimum requirement for maturities less than one year is reduced to 25% of the portfolio from the current 50%, especially, as Bob Woodruff noted, with the prospect for higher interest rates having gained momentum in the past month. The key constraint, unchanged from the City's current policy, is that the maximum weighted average maturity (WAM) of the portfolio may not exceed eighteen months. Without this constraint, the proposed revision would imply a hypothetical maximum WAM of 2.41 years, or a fairly substantial increase of 0.50 years from the current hypothetical maximum. As discussed by Deanne Woodring and Mary Donovan, the eighteen month WAM constraint continues to limit excessive market exposure of the City's assets. The revision allows more flexibility with yield curve exposure if/when the shape of the curve normalizes from its current relatively flat status.

For example, the City might like the idea of a 45% allocation to 3-year bonds and 15% to 1.5-year bonds, or 60% greater than one year, complying with their maturity guidelines. This would lead, however, to a 1.58 year WAM and an out-of-compliance issue with their investment policy. The allocation would have to be adjusted to comply with the eighteen month WAM limitation. One solution would be a 45% allocation to 3-year bonds, 9.9% to 1.5 year bonds (54.9% greater than one year) and 45.1% in overnight maturities, leading to a 1.5 year WAM.

The board recommended one change relating to the Collateralization Section on Page 6 of the policy - this was to replace "...in accordance with ORS 295.015 and ORS 295.018." with "...in accordance with ORS 295.005 through ORS 295.165". The City of Gresham was praised for being proactive in keeping their policy up to date.

III. Closing Remarks

Perrin Lim thanked everybody for attending.

Meeting adjourned at 11:33am.

Respectfully Submitted,

Heidi C. Rawe
Executive Support Specialist