

OREGON SHORT-TERM FUND
BOARD MEETING
Minutes

April 24, 2009 at 10:30 am

Location: Columbia Conference Room
Office of the State Treasurer
350 Winter Street NE, Suite 100
Salem, Oregon 97301

OSTF Board Members Present: Douglas Goe, Orrick, Herrington & Sutcliffe LLP (in person)
Michelle Hawkins, Linn County (by phone)
Wayne Lowry, Sherwood School District (by phone)
Deanne Woodring, Davidson Fixed Income Management (by phone)
Bob Woodruff, Nike (by phone)

OST Staff Present: Ellen Hanby, Fixed Income Investment Officer
Norma Harvey, Fixed Income Investment Analyst
Perrin Lim, Sr. Fixed Income Investment Officer
Tom Lofton, Fixed Income Credit Analyst
Heidi Rawe, Executive Support Specialist
Judy Whaley-Fultz, Assistant Director of Cash Management

Others (via teleconference): David Thurman, City of Portland
Michael Montgomery, City of Portland
Tod Burton, Tualatin Valley Water District
Bob Shields, Tualatin Valley Water District
Paul Downey, City of Forest Grove

i. Opening Remarks

The Oregon Short-Term Fund (OSTF) Board meeting was called to order by Douglas Goe, Chair. His opening remarks welcomed and thanked all for being present.

ii. Welcome new Board Member

Since Darren Bond was unable to attend, Mr. Goe deferred congratulating him on his new role as Deputy State Treasurer and welcoming him to the board. This item will be added to the agenda for the next OSTF Board meeting.

iii. Review and Approval of Minutes – January 15, 2009

MOTION: Bob Woodruff moved approval of the January 15, 2009 Minutes. The motion was seconded by Deanne Woodring and passed unanimously by the Board.

iv. Review of the Short Form

Perrin Lim led a discussion regarding the use of the “Short Form” since November 2008 with the issuance of the new TLGP securities and questioned whether these FDIC backed securities could be included within the Short Form. He noted that according to ORS Chapter 294, TLGP/FDIC securities should be purchased under the Corporate or Government Sponsored Entity (GSE) banner because they are as close to or richer than GSEs. He discussed adding an amendment to the Short Form to allow the use of TLGP securities as long as it fits the guidelines as eligible investments in 8.0 under authorized and suitable investments bullet point 2:

- Obligations of the U.S. government agencies, corporations wholly owned by the U.S. government or any Government Sponsored Enterprises (GSE’s): Specific Listing:
 - Federal Home Loan Bank – FHLB
 - Federal Farm Credit Bank – FFCB
 - Federal Home Loan Mortgage Corporation – FHLMC
 - Federal National Mortgage Association – FNMA

Board discussion followed regarding the ownership of corporate paper versus TLGP and the reporting process of labeling the securities “Corporates” by local governments.

Mr. Goe noted that after the legislation passes, there will be a new category and until that time, as a matter of State law, the Corporate designation under ORS 294.035 is the only category into which the TLGP securities will clearly fit.

It was the consensus of the Board to report TLGP securities under the “Corporate” category until such time as legislation passes that creates a separate category.

Discussion followed regarding several individual local governments and their individual policies as well as the bond measure process. Deanna Woodring suggested an amendment to the language in 14.0 to reflect that the short form cannot be changed and that the OSTF Board recommends local governments adopting a comprehensive investment policy. The current policy reads:

14.0 Investment Policy Adoption

This is a temporary policy. It will expire twelve months after the date it is adopted unless the Entity has then either: submitted a comprehensive investment policy to the OSTFB; or, requested a waiver from the OSTFB.

Mr. Lim noted that the short form was originally intended to allow local governments to expeditiously put their bond proceeds to work in the market, in order to avoid market risk if they took the time to go through the comprehensive investment policy review process. Mr. Goe noted that the Short-Form should make clear that ORS 294.052 investments are also permitted investments of bond related funds.

It was the consensus of the Board to:

- Revise the Short Form and circulate to Board Members for approval.
- Require an annual review and approval of the short form by each Local Government Board or Governing Body and a copy of that approval (minutes) to be sent to Treasury as an information/file copy.
- Add language in a cover letter that the Board believes that each Local Government should adopt a comprehensive policy.
- After approval, this action will be announced in the Local Government Newsletter.

v. OSTF Investment Policy Review - Tualatin Valley Water District

Ms. Woodring removed herself from the Board review, since she is acting as the Investment Advisor for the Tualatin Valley Water District (TVWD). Their investment policy was presented to the Board by Ellen Hanby.

The policy is a revised policy. Comments from the board and Oregon State Treasury Staff were:

- Under portfolio diversification LGIP is not mentioned. However it is mentioned under Diversification by Institution. This should be addressed in both sections.
- TLGP is included in Corporate Bucket where it belongs for now. TLGP 10%, CP 5%, other Corp Debt 5%.
- TVWD has incorporated other recommended minor editing requested by OSTF staff.
- Good comprehensive policy.
- Add footnote to policy regarding TLGP securities asset classification after legislature has amended statutes.
- Mr. Goe suggested that with the changes of law contemplating that TLGP will be taken out of corporate bucket, it would be prudent to have a statement stating that upon a change of the law regarding TLGP, moving from one category to the government category, the entities/municipalities do not need to resubmit their policy or make further changes.

vi OSTF Investment Policy Review – City of Forest Grove

The City of Forest Grove’s Investment Policy was presented by Ms. Hanby to the Board. Since Ms. Woodring was acting as Investment Advisor for the City, she removed herself from the Board review.

Comments from the board and Oregon State Treasury Staff were:

- Does the City pool funds? If so this should be discussed
- The City indicates it will be buying TLGP securities. What category will these securities fall under? No Corporate Indebtedness was indicated in the policy.
- In the collateralization section language should be changed to “through the State collateral pool as required by ORS Chapter 295” so that any changes to that statute will automatically be captured.
- Good comprehensive policy.

vii. Closing Remarks

This meeting of the OSTF Board was adjourned by Mr. Goe at 11:22am.

Respectfully submitted,

Heidi C. Rawe
Executive Support Specialist