

**OREGON SHORT-TERM FUND
BOARD MEETING
Minutes
December 4, 2009**

Location: Orrick, Herrington & Sutcliffe LLP
1120 NW Couch Street, Suite 200
Portland, OR 97209

OSTF Board Members Present: Douglas Goe, Orrick, Herrington & Sutcliffe LLP
Darren Bond, Oregon State Treasury
Wayne Lowry, Sherwood School District
Deanne Woodring, Davidson Fixed Income Management
Gary Wallis, City of Wilsonville
Robert Woodruff, Nike Corporation

OSTF Staff Present: Perrin Lim, Senior Fixed Income Investment Officer
Tom Lofton, Senior Credit Analyst
Ellen Hanby, Fixed Income Investment Officer
Norma Harvey, (by phone)
Judy Whaley-Fultz, Assistant Director of Cash Management
Heidi Rawe, Executive Assistant to the Deputy Treasurer

Others: Cynthia Byrnes, Department of Justice
Michael Montgomery, City of Portland
Barbara Christensen, City of Ashland (by phone)
Randall Hopkins, Citizen of City of Ashland (by phone)
Alison Chan, City of Medford (by phone)
Emily Ferguson, MBIA (by phone)
Mary Donovan, MBIA (by phone)
Claire Dolittle – Tualatin Valley Fire and Rescue (by phone)
Laurie Steele, Marion County (by phone)

i. Opening Remarks

The Oregon Short-Term Fund (OSTF) Board Meeting was called to order by Douglas Goe at 8:30am. Those present introduced themselves. Mr. Goe thanked Cynthia Byrnes for being in attendance

ii. Review and Approval of Minutes – November 5, 2009

MOTION: Mr. Goe moved approval of the November 5, 2009 Minutes. The motion was seconded by Gary Wallis and passed unanimously by the board.

iii. LGP/OSTF Investment Policy Review

a. City of Medford

The City of Medford's policy was presented by Ellen Hanby to the board.

Comments by the Board members were:

- Section 7, Internal Controls, should address the frequency of adherence and monitoring for compliance.
- Section 12.1.7 states that time certificates of deposit at a limit of 35%, whereas Section 14 states 25%, this should be amended to read the same percentage.
- Section 12.1, line 4, hyphen should be removed at "ORS Chapter 294.145"
- Mr. Wallis stated that the policy was well written.
- Ms. Hanby stated that the City of Medford incorporated Staff recommendations to their policy and thanked the City for their cooperation in this process

Alison Chan thanked Ms. Hanby for her assistance and confirmed that she would make the corrections as noted.

Mr. Goe noted for the record that he is the Bond Counsel for City of Medford, however, was not involved in this review process, and has not advised the City regarding the development of its investment policy, and therefore it would not pose a conflict of interest.

iv. Presentation on Role and Responsibilities of Board Members

Darren Bond introduced Cynthia Byrnes, from the Department of Justice, who was in attendance to give a presentation regarding the role and responsibilities of board members.

Ms. Byrnes's presentation included the history of the OSTF Board. During the last legislation, the role of the OSTF Board was clarified in Senate Bill 832. In addition, ORS Chapter 294 prescribes the powers and duties of the board.

A discussion took place regarding how OSTF Board is related to the Oregon Investment Council (OIC). Statutes put OSTF Board in an advisory role to the Oregon Investment Council (OIC) and to Oregon State Treasury (OST) under ORS Chapter 294.895. The OSTF Board reviews and makes recommendations to the OIC on OSTF portfolio rules and to local governments on their submitted investment policies under ORS Chapter 294.135.

In addition, a discussion took place relating to the following statutes that affect the board:

- Public Body under Oregon Public Meetings law.
- Public Records Law.
- Administrative Procedures Act.
- Oregon Tort Claims Act (Personal Liability).
- Government Ethics Laws ORS Chapter 244.

Ms. Byrnes invited the board to contact her with any questions and also noted the Board and Commission Training Manual.

v. Board Questions and Discussion of Board's Role and Responsibilities

Mr. Goe opened discussions with the board about its broad statutory responsibilities. A discussion took place between the board members about what role they would like to have going forward.

Each board member contributed dialogue about what knowledge, expertise and experience they bring to the OSTF Board. A discussion continued with regards to how this can provide value to the state, and local governments enabling them to play a leading role. Board members welcomed the opportunity to take on a broader role. Mr. Goe proposed that Ms. Woodring and Mr. Woodruff take time at each board meeting to give perspective and insight as to challenges being faced nationwide. It was decided that this would fit well with the update that Perrin Lim provides the board. This would benefit both the Public and the State.

vi. Investment Year in Review and Update on Financial Health of Board

Perrin Lim presented a brief re-cap of the Oregon Short Term Fund since November 30, 2009. He noted that the Federal Reserve and the U.S. Treasury have gone to unprecedented lengths to infuse cash and stimulate the economy. He further noted that the plan is working, to a degree, and the financial markets that were on the verge of collapse have rebounded during the last eight months. The bond markets have rallied and Treasuries are still positive. (refer to attached, exhibit 1).

Discussion followed regarding:

- Fed Fund Strategy
- The direction of Rates
- Employment Report
- Treasury Market
- Weakness of the US Dollar
- Interest Rates
- Over-all Yield of the OSTF

Tom Lofton outlined the OSTF's strong fundamental approach to corporates and noted that the commercial paper market is constantly monitored as he examines cash generation and balance sheets.

Discussion followed regarding the effectiveness of rating agencies and it was noted that the OSTF has a minimum requirement of AA credit. The Portfolio Statistics & Compliance Report was also reviewed.

Mr. Lim addressed Ms. Woodring's questions and concerns regarding the Lehman position in the portfolio and the January and May 2010 maturity schedule. He noted that the bonds will be moved into an "impaired" category until the bankruptcy is complete.

Ms. Woodring requested further clarification and communication to local government participants including a plan of action for recovery. She also requested transparency regarding the value the participants have been able to achieve and how the OSTF compares to other pools.

Mr. Goe requested further discussion of the Lehman position during the January 26th OSTF Board meeting.

Vii Other Items of Business

a. OSTF Presentation at 2010 OMFOA Spring Conference

Ms. Woodring shared information relating to the next OMFOA/OACTFO Annual Spring Conference taking place in March 2010. A discussion continued with the idea that staff could share their plan of action with those attending the conference, as well as emphasize the value that participants in the fund have been able to achieve in this very challenging market through the yield of the pool, compared with other pools.

The OSTF Board will discuss details of the presentation that it will give at this conference at the next OSTF Board meeting on January 26, 2010.

b. Topics To Be Discussed At Next OSTF Board Meeting

- Review of Investment Policies
- Continuation of discussion relating to the Lehman position
- OMFOA/OACTFO Spring Conference presentation topic

vii. Closing Remarks

In closing, Mr. Goe expressed his thanks to Ms. Byrnes and Mr. Lim for their presentations. He invited the Board to convey additional thoughts/ideas to him before the next meeting on January 26, 2010.

The meeting of the OSTF Board was adjourned by Mr. Goe at 10:09 am.

Respectfully submitted,



Heidi C. Rawe
Executive Assistant to the Deputy Treasurer