



**OREGON SHORT-TERM FUND
BOARD MEETING
Minutes
October 13, 2011**

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

Board Attendees: Douglas E. Goe, Orrick, Herrington & Sutcliffe LLP
Darren Bond, Oregon State Treasury
Deanne Woodring, Davidson Fixed Income Management
Wayne Lowry, Sherwood School District
Stewart Taylor, City of Albany (via phone)
Laurie Steele, Marion County Treasurer

Attendees (Staff): Tom Lofton, Oregon State Treasury
Heidi Rawe, Oregon State Treasury (via phone)

Attendees (Other): Elizabeth Michaels, Tigard-Tualatin
Deena Goss, Jefferson County
David Wynde, Portland Public Schools - Multnomah County District 1J
Hank Horn, Portland Public Schools
Holly Steele

i. Opening Remarks

Doug Goe welcomed all to the OSTF Board meeting.

ii. Review and Approval of Meeting Minutes

a. July 14, 2011

Deanne Woodring had a couple of insignificant changes to the minutes and will send these amendments to Heidi Rawe.

MOTION: Laurie Steele moved approval of the April 7, 2011 minutes. The motion was seconded by Ms. Woodring and passed unanimously by the board.

Stewart Taylor enquired as to the status of the Investment Procedure Manual that Ms. Steele is putting together. Ms. Steele gave a brief update and confirmed that she would be happy to share it with the board.

iii. LGP/OSTF Investment Policy Reviews

a. Tigard-Tualatin School District

Deanne removed herself from commenting as a board member, since she is the advisor for Tigard-Tualatin.

Tom Lofton presented the Tigard-Tualatin's School District's Investment Policy to the Board, stating that it was a well written policy, with a number of substantive changes.

Comments by the Board members and Staff were:

- The OSTF Board commends the Tigard-Tualatin School District for incorporating much of the Government Finance Officers Association ("GFOA") Model Investment Policy into its revised policy.
- Section V. Standards of Care
 - Subsection 2. Ethics and Conflicts of Interest
 - In last line of paragraph, replace "ORS 244" with "ORS Chapter 244".
- Section VII. Authorized Financial Institutions
 - In line five of the initial paragraph, replace "15C3-1" with "15c3-1"
 - Subsection 1: Broker/Dealer Relationships
 - Within the paragraph, it states: "The Chief Financial Officer will periodically review the approved list for due diligence regarding financial condition, registration and ethical conduct". The board believes that the review periodicity should be defined, e.g., annually, semi-annually, quarterly.
 - Subsection 2: Financial Bank Relationships
 - In eighth line of paragraph, replace "ORS 295" with "ORS Chapter 295".
- Section VIII. Safekeeping and Custody
 - Subsection 2: Bank Deposits and Certificates of Deposits
 - Replace "ORS 295" with "ORS Chapter 295".

b. Jefferson County

Jefferson County's investment policy was presented to the Board by Mr. Lofton. He noted that there had been a number of significant changes made to bring the policy in line with the GFOA policy.

Comments by the Board members and Staff were:

- Section I. Introduction
 - Delete "s" from the word "invests" in line four of first paragraph.
 - Consider adding amounts of funds expected to be invested under policy.
- Section II. Governing Authority
 - Replace "ORS 294" with "ORS Chapter 294" in line three.
- Section III. Scope
 - Subsection a)
 - Replace "for" with "of" in first line.
- Section VI. Authorized Financial Institutions
 - Replace "County's" with "Treasurer's" in line five of first paragraph.
 - Subsection 6.2 Financial Bank Institutions
 - Replace "ORS 294" with "ORS Chapter 294" in line eight.
 - Replace "ORS 294" with "ORS Chapter 294" in line nine.
- Section VIII. Authorized and Suitable Investments

- Subsection 8.1 Authorized Investments
 - Consider adding reference to ORS 294.052 which allows for GICs. (in terms of “what is allowable”)
- Subsection 8.2 Suitable Investments
 - In notation below table, add requirement that the non-compliant situation and its resolution should be reported to the governing board.
- Section IX. Investment Parameters
 - Subsection 9.1 Diversification
 - Consider adding language such as: “Subject to the Policy Guidelines, Maximum % Holdings constraints may be revised”
 - Subsection 9.2 Investment Maturity
 - Regarding language in the third bullet, Board Members commented that the objectives of “quality” and “liquid” are not well defined but also noted that need for flexibility when applying these objectives.
 - In the asterisked paragraph at the end of subsection 9.2, add requirement that the non-compliant situation and its resolution should be reported to the governing board.
- Section X. Investment Pooling
 - Make the name of the referenced pool consistent throughout this section.
- Section XI: Performance Standards
 - Regarding language in the second bullet, Board members commented that the language is vague relative to defining a benchmark. However, Board Members also commented that benchmarks are unique to each portfolio.

c. Portland Public Schools – Multnomah County District 1J

Mr. Lofton presented the Portland Public Schools/Multnomah County District 1J to the Board. The policy was greatly enhanced with a number of substantive and good changes.

Comments by the Board members and Staff were:

- Section I. Scope and Pooling of Funds
 - Consider removing the last sentence: “Investments of employees’ retirement funds, deferred compensation funds, and other funds are not covered by this policy.”
 - Consider excluding petty cash from the scope of the policy.
 - Consider excluding cash management tools such as checking deposits from the policy.
 - Consider adding reference to total amounts of funds that may fall under the scope of the policy over a three to five year period.
- Section III. Standards of Care
 - Subsection 2. Ethics and Conflicts of Interest
 - In the last sentence, replace “ORS 244” with “ORS Chapter 244”.
- Section IV. Safekeeping and Custody
 - Subsection 1. Authorized Financial Dealers and Institutions
 - In the fifth line, replace “15C3-1” with “15c3-1”.
 - In the list of bullet points citing information that must be submitted by financial institutions and broker/dealers that want to become qualified, replace “Proof of National Association of Securities Dealers (NASD) Certification” with “Proof of

Financial Industry Regulatory Authority (FINRA) certification”. FINRA is the successor organization to the NASD. FINRA was formed by a consolidation of the enforcement arm of the New York Stock Exchange, NYSE Regulation, Inc., and the NASD in 2007.

- Section VII. Delivery Safekeeping and Collateral
 - Subsection 1. Delivery and Safekeeping
 - In the third line, replace “ORS 291.145(5)” with “ORS 294.145(5)”.
 - Consider rewording or replacing the sentence: “It is the intent of the District that all purchased securities shall be perfected in the name of the District.” with “It is the intent of the District that all purchased securities shall be delivered to the district’s third party custodian in the account name of the district.” This reflects the fact that securities are no longer delivered in physical form.
 - Subsection 2. Collateralization
 - The first paragraph of this section notes that bank deposits, time deposits, certificates of deposit, and savings accounts are designated as cash management tools and not investments. This conflicts with Section VIII. #3.
- Section VIII. Suitable and Authorized Investments
 - #3
 - If operating cash and cash management tools such as checking accounts are excluded from the policy, consider highlighting the exclusion in this section to avoid confusion.
- Section IX. Investment Parameters
 - Subsection 2. Maximum Maturities and Percentage of Investments by Type
 - Consider noting that per subsection 4. Credit Ratings, minimum ratings are required on certain investments pursuant to ORS 294.035.
 - Subsection 3. Liquidity of Funds
 - Consider adding a maturity target profile for the overall portfolio. This was removed from prior policy; however, this constraint helps to manage the overall portfolio interest rate risk.
 - For example:
 - Minimum 25% < 1 year to maturity
 - Minimum 50% < 2 years to maturity
 - Minimum 100% < 3 Years to maturity

David Wynde thanked the Board for their review and expressed appreciation for the discussion.

d. Middle Fork Irrigation District

The Middle Fork Irrigation District (MFID) created this policy, which is their first policy, using the sample on Oregon State Treasury’s (OST’s) website; no changes were made except for inserting their name. Mr. Lofton presented it to the Board.

Comments by the Board members and Staff were:

- The Board was complimentary that MFID had taken the initiative to have a policy, especially since their portfolio is 18 months or shorter.
- It was suggested that the District include the dollar amount of their portfolio.
- Section III

- IV Safekeeping and Custody
 - Replace “Proof of National Association of Securities Dealers (NASD) Certification” with “Proof of Financial Industry Regulatory Authority (FINRA) certification”. FINRA is the successor organization to the NASD. FINRA was formed by a consolidation of the enforcement arm of the New York Stock Exchange, NYSE Regulation, Inc., and the NASD in 2007.

Mr. Taylor asked if the Sample policy reflected timely changes that had been suggested by the Board. Mr. Lofton confirmed that he is currently working on an updated version of the Sample policy, which includes a combination of the current policy as well as a lot of the GFOA’s model policy language. He plans to submit this to the board at the next OSTF Board meeting.

iv. Short Form Investment Policies Submitted

By way of information, Short-Form Investment Policies were submitted from the following entities:

- a. MINET (Monmouth Independent Networks)
- b. Parkrose Public Schools – Multnomah School District

No discussion was needed, noted for the Board’s information only.

v. Market Review – Tom Lofton

Mr. Lofton shared information on the Bond Market and how the OSTF fund is positioned.

vi. Market Participants Perspective – Deanne Woodring

Ms. Woodring gave a brief update relating to the market from a participant perspective.

The Board discussed the perception of the reviewing process, following a couple of comments that had been made at the recent Oregon Association of County Treasurers and Finance Officers (OACTFO) meeting. Mr. Lofton encouraged feedback relating to any changes that should be made to the review process. Ms. Steele provides outreach to the Counties, she and Mr. Taylor suggested that Mr. Lofton share their name, as a resource, with entities who may be struggling with updating their investment policy. Mr. Goe reiterated that both Staff and the Board want to be responsive and helpful any feedback and suggestions with regards to the review process would be appreciated.

vii. Global Perspective – Bob Woodruff

Bob Woodruff was unable to attend. His presentation will be given at the next OSTF Board Mtg.

viii. Other Items of Business

- Ms. Steele shared information relating to her new role as a facilitator for the Public Treasury Institute. She gave details of a training opportunity, the Fundamentals of Public Investing, which she hopes to introduce at the spring 2012 Oregon Municipal Finance Officers Association (OMFOA) conference. The training is basic and good for beginning Public Fund Investors, or those who may not have had the opportunity to go through any formal training process. Ms. Woodring confirmed that she was familiar with the company and stated that their resources are very good.

Mr. Goe thanked Ms. Steele and asked that Mr. Lofton include details of it in Oregon State Treasury’s Local Government newsletter once the training has been set up.

- Next meeting: January 12, 2012

ix. Closing Remarks

Mr. Goe thanked all for their participation.

The meeting was adjourned at approximately 11:45 am.

Respectfully submitted by,

Heidi C. Rawe

Executive Assistant to the Deputy State Treasurer