



**OREGON SHORT TERM FUND
BOARD MEETING
Thursday, January 10, 2013
Meeting Minutes**

OSTF Location: Oregon State Treasury
350 Winter Street NE, Suite 100
Salem, Oregon 97301

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

Attendees (Staff): Perrin Lim
Tom Lofton
Garrett Cudahey
Norma Harvey

Attendees (Other): Rhyan Van Horn - TriMet, Senior Accountant of Treasury and Cash Mgmt
Dave Auxier - TriMet, Chief Financial Officer
Lori Baker, Trimet, Director of Financial Services
Peter Beyer, Home Forward, Chief Financial Officer
Ann Brandt, Home Forward, Treasury and Revenue Manager
Jeff Klatke, Home Forward, Senior Treasury Accountant

i. Opening Remarks – Douglas Goe

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. October 11, 2012

MOTION: Pat Clancy moved approval of the October 11, 2012 OSTF Board Meeting Minutes, the motion was seconded by Stewart Taylor, and passed unanimously by the board.

iii. LGP/OSTF Investment Policy Reviews

a. TriMet

Tom Lofton presented TriMet's Investment Policy to the Board, noting that he worked with Rhyan Van Horn to align TriMet's policy with the new sample policy. Mr. Lofton presented a summary of key revisions to TriMet's Investment Policy for discussion.

During the review, the OSTF Board offered the following comments:

- Members of the Board agreed that the revisions were well written.
- (Page 36 of 51) It was noted that the "Compliance" section in the sample policy was omitted from TriMet's revised policy. Discussion followed regarding the advantage of having this section in the policy as well as violations and resolution of violations if the fund falls outside policy guidelines. Rhyan Van Horn agreed to work with Tom Lofton and add the compliance section from the OSTF sample policy.
- (Page 5 of 51) The GASB 54 definition of funds was discussed and Ms. Van Horn noted that TriMet is an Enterprise Fund, not a general government, and not subject to GASB 54.
- (Page 11 of 51, section 6.3.1) A question arose regarding "how many quotes" are obtained, which is not specified in the policy. Ms. Van Horn noted that TriMet uses four Investment Managers and normally obtains three quotes. She further noted that the number of quotes would be incorporated into the policy language.

Mr. Goe expressed thanks to TriMet for their good policy revision efforts. Ms. Van Horn also thanked Staff and the Board for working with TriMet to facilitate the changes.

b. Home Forward (formerly Housing Authority of Portland)

Tom Lofton presented Home Forward's Investment Policy to the Board, noting that he had worked with Ann Brandt during the revision process. Home Forward has adopted the OSTF Board Sample Investment policy as the base for a revised investment policy with several revisions to adjust it to Home Forward's needs.

Home Forward is currently managing approximately \$28 million under its existing investment policy. Over the next three years, Home Forward estimates funds managed will approximate: \$20 million, \$14 million, and \$9 million. Mr. Lofton reviewed the key policy revisions with the board.

There was discussion regarding Section X and why so much of the sample policy was carved out of Home Forward's policy. Peter Beyer responded that Home Forward is a municipal government and that they have certain investments that relate to a general reserve and other investments are related directly to specific housing projects; some of which have a duration of 60 years. Mr. Beyer further noted that there is a need to match investment options that mirror the timing of the underlying debt. He was concerned that including language in ORS Chapter 294 may limit Home Forward's ability to match underlying investment requests for specific deals.

During the review, the OSTF Board offered the following comments:

- There is a need for policy and guidelines to govern the allowable investments for long-duration housing projects. Without an overlying Investment Policy, it allows ad hoc decision-making without a set policy or guidelines. It was also noted that Home Forward is subject to the requirements of ORS 294.
- Home Forward was encouraged to consult its Bond Counsel regarding the covenants under ORS 294.052 and 294.035. It was noted that the statutes in ORS Chapter 294 provide broad flexibility with respect to bond proceeds, particularly ORS 294.052.
- The Board agreed that there should be guidelines for the maturity structure regarding bond proceeds and payment reserves.
- Questions arose regarding the increase of maximum levels of credit exposure and whether or not there was expertise available to manage the risk.
- It was noted that the Oregon Government Standards and Practice has changed their name back to **Oregon Government Ethics Commission**.
- Home Forward was asked, throughout its policy when referring to ORS 456 or ORS 294 to insert the word **Chapter** between the two.

Peter Beyer and Ann Brandt agreed to re-work their policy and add language that will be in compliance with sample investment policy. It was agreed that they would work with Tom Lofton in reworking the policy and send a revised version to the Board.

Mr. Goe thanked Ms. Brandt and Mr. Beyer for their participation.

iv. Overview of SB 120 – Oregon Investment Council (OIC) Staffing Bill

Darren Bond provided an overview of Senate Bill 120, the OIC Staffing Bill. He explained that, at the request of the OIC, the Treasurer drafted Senate Bill 120. If the bill passes, it will move the Treasury investment management functions from the Treasurer to the OIC. Treasury investment staff will work for the OIC, rather than the Treasurer, thus aligning the governance of the investment functions and fiduciary responsibility. Also, the investment division would not be subject to legislative budgetary oversight and would therefore benefit by hiring more middle and back office staff to allow managing more investments in house.

Discussion followed and Mr. Bond answered questions regarding the proposed changes and outlined possible outcomes and benefits to the Treasury.

Mr. Goe thanked Mr. Bond for his timely update and asked him to let the Board know if they could help with the legislation in any way.

v. OSTF/Market Review - Garrett Cudahey

Perrin Lim introduced Fixed Income Investment Officer, Garrett Cudahey. Mr. Cudahey provided an in-depth market review and outlook to the Board. During the review Mr. Cudahey discussed Operation Twist, European Markets, the fiscal cliff and Fed strategy considerations as well as market rates. Discussion followed and Board questions were addressed.

Deanne Woodring asked about Net Asset Value (NAV) reports and Perrin Lim agreed to provide the information to the Board via email. Mr. Lim further noted that he would have a formal discussion about possibly providing NAV info to the Board on a monthly basis and make it a topic at the next OSTF Board meeting.

Ms. Woodring also asked about the OSTF position of gross vs net. Mr. Lim noted that he would email the information to the Board and, going forward, provide it at each meeting.

vi. Market Participants Perspective – Deanne Woodring

Ms. Woodring shared a market participant's perspective on the current investment markets. She discussed the upcoming Government Finance Officers Association (GFOA) meeting and noted that she would provide an update at the next OSTF meeting.

vii. Closing Remarks

- a. The Oregon Municipal Finance Officers Association (OMFOA) has invited the OSTF to speak at their Spring Conference at Salishan on March 12, 2013 at 2:00 pm. Members of the Board were invited to be on the panel of speakers along with Perrin Lim and Garrett Cudahey. It was suggested that Laurie Steele report on the updates and changes to the new sample investment policy available on the Treasury website.

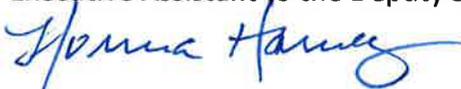
- b. The date of the next OSTF Board meeting is April 11, 2013 at 10:00 am, the location will be Orrick, Herrington and Sutcliffe LLP, in Portland

The Meeting was adjourned at approximately 11:47 am

Respectfully Submitted by,



Heidi C. Rawe
Executive Assistant to the Deputy State Treasurer



Norma Harvey
Investment Analyst