



**OREGON SHORT TERM FUND  
BOARD MEETING  
Thursday, January 14, 2016  
Meeting Minutes**

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

**Board Attendees:** Douglas Goe  
Pat Clancy (via phone)  
Sue Cutsogeorge  
Deanne Woodring  
Darren Bond  
Laurie Steele  
Michael Schofield

**Attendees (Staff):** Perrin Lim  
Tom Lofton  
Angela Schaffers  
Debra Day  
Garrett Cudahey  
Heidi Rawe

**Other Attendees:** Lori Baker, TriMet  
Michelle Hawkins, Linn County  
Mike Clark, GPA Fixed Income  
Jason Link, Klamath County (via phone)

- i. Opening Remarks – Douglas Goe**  
The Oregon Short Term Fund Board (OSTF) began at 10:00 am. Douglas Goe welcomed all and roll was taken.
- ii. Review and Approval of Meeting Minutes**
  - a. October 8, 2016**  
MOTION: Sue Cutsogeorge moved approval of the October 2015 Board Meeting minutes. The motion was Seconded by Laurie Steele, and passed unanimously by the Board.
- iii. LGP/OSTF Investment Policy Review**
  - a. Klamath County**  
It was noted that Deanne Woodring would abstain from voting, since she was acting in an advisory capacity with Klamath County. Ms. Woodring provided information about Klamath County's Investment

Policy and invited Jason Link to share further background to the Board about the changes that had been made to their policy.

Mr. Link discussed the practice of monthly fair market value reporting, which the Klamath County Treasurer has implemented for all funds in the County Pool (County monies). His concern is that, with the County's investment strategy, there will be periods of negative total return (fair market value declines exceed investment income) and that it is not possible to charge participants negative earnings, thus the challenge was to determine how to equitably account for Pool participant earnings in periods of negative total return. Ms. Woodring suggested the creation of an allowance retention fund within the Pool to provide net zero earnings when the Pool observes periods of negative total returns. The allowance retention fund would be established by retaining income in periods of positive total return, not to exceed more than the interest rate exposure of the Pool based on a 2% interest rate rise. This is a different concept than has been seen, but Ms. Woodring expressed that this is a very important issue for public entities to address in the current market environment.

Typically public funds are required to mark-to-market fund holdings annually and presented in their financial statements. Mr. Link's concern was that if the market witnesses a large rates increase and accompanying decline in the market value of the fund, then the financial statements would not match the actual fund balance. Instead of applying mark-to-market valuations at the end of the fiscal year, Mr. Link will incorporate on a monthly basis.

**Comments from the Board were:**

- Page 31 of 63, throughout the document looks like Treasurer was added in front of Treasurer is noted as the State Treasurer and State Investment Officer as such.
- P. 36 of 63, given the longer weighted average maturity (WAM) of the Pool, the LGIP should not be used as a valid benchmark.
- Page 27 of 63, Section V under Broker/Dealers allows investment Advisers to substitute their approved list of broker/dealers for the County's approved list and allows investment transactions to be done on behalf of Klamath County, how would you mitigate risks in this instance? Jason responded that the advisor must submit a list of approved broker/dealers annually.
- Page 36 of 63, in the section titled Guideline Measurement and Adherence, par value is used to measure guideline adherence. Consider using fair market value to test guideline adherence. Jason noted that fair market value is used to measure performance.
- For consistency's sake, consider writing out the word "Section" when noting ORS in all areas, some have it written, others don't.

Mr. Goe expressed appreciation to Mr. Link for his work on the policy, and thanked him for his transparency efforts.

**b. Linn County**

Tom Lofton presented Linn County's investment policy to the Board. Michelle Hawkins shared background information relating to the update.

Linn County's Investment Policy Statement was last revised in 1998. The County is updating its policy to be more modern and flexible and allow for investments beyond 18 months. They are extending investments from 18 months to 5 years.

The County's investment portfolio ranges in size between \$10-12 million.

**Comments from the Board included:**

- Ms. Cutsogeorge asked Ms. Hawkins how she decides which of the benchmarks to use. Ms. Hawkins stated that they are about the same. Ms. Hawkins and Ms. Steele discussed that when Ms. Hawkins uses her investment software, she makes sure to clearly document what is being considered in the portfolio.
- Mr. Bond stated the standard admonition should be included in the letter. WAM going out to 2 years significantly affects the risk profile.
- Mr. Clancy referred to pages 20/21 where the policy expands the maximum to 5 years and marks to market on monthly basis. Mr. Clancy noted that under the guideline measurements, the policy does not use market value. Ms. Hawkins stated she has never had to do that. Both Mr. Goe and Mr. Bond agreed that it would be good to add that language to the policy.
- Mr. Bond regarding Reporting and Disclosure, OSTF P. 21 Performance Standards/Evaluation – language of a 5 year return should be removed. Ms. Hawkins will remove.

**c. TriMet**

Mr. Lofton provided details for TriMet’s Investment Policy and thanked Lori Baker for attending.

The Tri County Metropolitan Transportation District has made a number of small changes to the policy, which for the most part has made the policy more conservative.

**Comments from the Board included:**

- Ms. Woodring commented the policy looked good but that the rating requirement for corporate indebtedness could be more precise since use of “AA” refers to the rating category rather than to a specific rating level. Ms. Woodring also noted the sample policy should be improved similarly so that there is no interpretation issue and that the lowest rating in the category would comply with statute.
- Ms. Steele - P. 54/85 “Authorized and Suitable Investments” section does not say if a security should be sold that it needs to be reported to the investors. Ms. Steele would like to see a sentence that TriMet will report this information. Mr. Bond commented that this information is included in section 9.2.3. Ms. Woodring requested that staff revise the Board’s Sample Policy so that these types of guidelines are in the one place.
- Mr. Clancy commented that relating to the AA rating category spoken of earlier, that staff needs to make sure that this is sorted on the sample policy.
- Mr. Clancy noted section 7.1.1 is misnamed and should read 7.1.
- Mr. Goe thanked Ms. Baker for attending. Mr. Goe suggested that under Commercial Paper on P.32 of 85 in section 7.2 replacing the parentheses with brackets for the references to sections within the Securities Act of 1933. Mr. Goe noted that he would like this to be updated on the sample policy as well.

**iv. Inter-Fund Borrowing Update – Perrin Lim**

Forestry had a \$50m credit that currently has \$5m outstanding which expires on June 30, 2016. This is the only one that is outstanding.

**v. OSTF Market Overview and Portfolio Update – Garrett Cudahey**

Garrett Cudahey provided a Market review and Portfolio Update to the Board. He also introduced Angela Schaffers as the newest member of the fixed income team.

**vi. Oregon Short Term Fund Revised Policy – Garrett Cudahey**

Mr. Cudahey shared information on the OSTF Policy changes and commented revisions were not substantial, bringing it more in-line to the Sample Policy. Mr. Cudahey reported that the revisions were approved by Oregon Investment Council.

**vii. GASB #79 – Laurie Steele**

Ms. Steele shared information about GASB 79 and doesn't see any issues with the OSTF. She believes OSTF is already compliant in this area. Mr. Bond noted that this will not impact the LGIP.

**viii. Closing Remarks/Other Items of Business**

- a. Mr. Bond extended an invitation to all OSTF Board members to attend an open house reception at Oregon State Treasury's new Tigard office on March 9, 2016. He also introduced Debra Day to the Board.
- b. Presentation at the OMFOA Meeting in March 7, 2016, in Sunriver. Mr. Lofton will present. Ms. Woodring was appreciative of the OSTF staff attending and presenting at this event. Mr. Goe agreed.
- c. Date of next Board meeting – April 14, 2016
- d. The meeting adjourned at 11:40 am.

**Respectfully submitted by,**

**Aliese Jacobsen  
Executive Assistant**