

**Minutes of the  
Cash Management Advisory Board  
January 31, 2013  
Via Telephone Conference Call**

**Attendees:**

William Desautelle, CMAB Member  
J. Victor Thompson, CMAB Member  
Lawrence Wilson, Assistant Treasurer, Cash Management  
Michael Terry, Principal Investment Officer, STIF  
Paul Coudert, Investment Officer, STIF  
Peter Gajowiak, Securities Analyst, STIF  
Marc Gagnon, Securities Analyst, STIF

**Minutes:**

Assistant Treasurer Lawrence Wilson called the meeting to order at 2:02 p.m., asking members if there were any comments regarding the October 24, 2012 Cash Management Advisory Board minutes. With no comments, the minutes were adopted.

Mr. Terry advised the board that a change to the Short-Term Investment Fund's (STIF) strategy had been submitted and approved by the Treasurer that allowed the portfolio's weighted average maturity to increase to a maximum of 45 days from 33 days. Mr. Terry stated that this move would increase the STIF rate while remaining conservative in a low interest rate environment. Mr. Desautelle asked if Standard & Poor's was on board with the strategy change. Mr. Wilson responded, saying that S&P's guidelines allow for a maximum weighted average maturity of 60 days. Mr. Thompson asked how the extension might affect the STIF yield. Mr. Terry said the strategy would somewhat reduce our overnight cash position currently earning single digits while increasing our 10 month to 1 year agency and Treasury holdings earning approximately 19 basis points, picking up a significant spread.

Mr. Terry informed the board that we had begun a process of formulating and codifying procedures and work product in order to potentially add credit-based investments back into the STIF portfolio. Mr. Terry indicated that these investments would include commercial paper and 2a-7-eligible coupon corporates. Mr. Terry continued, saying that we will be working with S&P and the Treasurer to make certain that this is done properly and within our guidelines.

Mr. Coudert reviewed the performance of the Short-Term Investment Fund (STIF). Mr. Coudert stated that for the quarter ending December 31, 2012, STIF earned an average annualized yield of 20 basis points, outperforming our benchmark by 14 basis points. Mr. Coudert continued, saying that for the one year period ending December 31, 2012, STIF returned 16 basis points, outperforming our benchmark by 9 basis points. Mr. Coudert said that STIF's current yield was 6 basis points, due to low rates on repurchase agreements and daily contributions to the Designated Surplus Reserve.

Mr. Coudert discussed the current composition of STIF, indicating that STIF's one-day liquidity was approximately \$3.0 billion. Mr. Coudert continued by saying that 70 percent of the portfolio was invested in securities with some type of federal government support, such as agency securities, FDIC-insured securities, or repurchase agreements backed by such securities. Mr. Coudert stated that the remainder of the portfolio was in commercial paper and certificates of deposit, all with daily put options. Mr. Coudert indicated that STIF's reserves had grown to \$48.1 million and contributions were currently being made since the reserves were less than one percent of STIF assets. Mr. Coudert stated that although the Gryphon notes had been sold, settlement had not yet taken place due to Storm Sandy and unique procedural issues.

Mr. Coudert stated that the Extended Investment Portfolio's (EIP) current asset size was approximately \$100,000 and that it was earning 22 basis points.

Mr. Coudert reported that STIF Plus's current asset size was approximately \$4.2 million and consisted entirely of asset-backed securities. Mr. Coudert said that the Nomura Asset Acceptance Corp. security in STIF Plus was downgraded by S&P to D from CCC and was in technical default due to an interest short-fall. The security is rated Ca by Moody's. Mr. Wilson stated that by investing in STIF Plus and EIP, rather than STIF, approximately \$13 million in additional income had been earned, well above any loss we could incur, making use of EIP and STIF Plus a valuable strategy.

Mr. Desautelle initiated a discussion regarding the ownership of STIF's reserves and the process for any distribution that could potentially occur.

With no further business, Mr. Wilson adjourned the meeting at 2:24 p.m.