Minutes of the
Cash Management Advisory Board
April 24, 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
Marc Gagnon, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:05 a.m., and asked if there were any comments regarding the draft January 31, 2013 Cash Management Advisory Board minutes. With no comments, the minutes were adopted.

Mr. Terry began his discussion by telling the board that short-term rates continue to decline. Mr. Terry indicated that overnight repurchase agreement rates were posting in a range of 4 to 7 basis points. Mr. Terry continued, stating that rates in the 6 to 12 month area had also declined. Mr. Thompson asked if rates were declining, in part, due to the Federal Reserve purchasing collateral. Mr. Terry responded, saying there had been a reduction in the issuance of cash management bills, four week Treasury Bills, as well as the purchasing of mortgage collateral by the Fed. Mr. Terry stated that these actions were causing more money to chase less collateral, driving rates lower.

Mr. Coudert reviewed the performance of the Short-Term Investment Fund (STIF). Mr. Coudert stated that for the quarter ending March 31, 2013, STIF earned an average annualized yield of 12 basis points, outperforming our benchmark by 8 basis points. Mr. Coudert continued, saying that for the one year period ending March 31, 2013, STIF returned 16 basis points, outperforming our benchmark by 10 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 $3.4 billion and, that 65 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 bank deposits. Mr. Coudert indicated that STIF's reserves had grown to $49.0 million and contributions were currently being made because the reserve size was less than one percent of STIF assets. Mr. Coudert stated that the Gryphon note finally settled in February 2013.

Mr. Terry advised the board of changes to STIF's strategy which had been submitted and approved by the Treasurer. Mr. Terry said that the three month CD had been removed as a STIF benchmark because it represented an apples-to-oranges comparison. Mr. Terry explained that STIF has daily liquidity, while the three month CD has no liquidity. In addition, Mr. Terry said that we increased the potential length of repurchase agreements to 2 weeks. Mr. Terry said that repo dealers have been cutting back on collateral and term repo gives us some flexibility in increasing our repo exposure. Lastly, Mr. Terry indicated that the required daily put on bank deposits had been increased to 7 days, giving us the ability to obtain somewhat higher yields.

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 current NAV was 11.97, up from 10.51 at June 30, 2012. 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 potential loss, making EIP and STIF Plus a valuable strategy.

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.

With no further business, Mr. Wilson adjourned the meeting at 10:25 a.m.