

**Minutes of the
Cash Management Advisory Board
April 26, 2011
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Lawrence Wilson, Assistant Treasurer, Cash Management
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 10:01 a.m., thanked the members for their time, and asked the board members if there were any comments regarding the February 17, 2011 Cash Management Advisory Board minutes. With no comments, the minutes were adopted.

Mr. Coudert reviewed the performance of the Short-Term Investment Fund (STIF). Mr. Coudert stated that for the one year period ending March 31, 2011, STIF outperformed its benchmark by 16 basis points, and for the quarter ending March 31, 2011, by 15 basis points. Mr. Coudert continued by saying that STIF's daily annualized rate during the current month of April 2011 was consistently around 0.22 percent.

Mr. Coudert discussed the current composition of STIF. Mr. Coudert indicated that STIF's same-day liquidity was at \$3.2 billion or 68 percent of the \$4.8 billion in assets. Mr. Coudert continued by saying that 43 percent of the portfolio was invested in securities issued, guaranteed or insured by the U.S. government or federal agencies, or in repurchase agreements backed by such securities. Mr. Coudert noted that the weighted-average maturity was 25 days while the weighted-average life was 85 days.

Mr. Coudert updated the board regarding the Gryphon Funding note. Mr. Coudert explained that Gryphon's current exposure was \$27.7 million while the market value provided by the Bank of New York was \$31.4 million.

Mr. Thompson made a motion at 10:06 a.m., seconded by Mr. Desautelle, to enter into executive session in order to discuss an issue exempt from disclosure under the Freedom of Information Act. Mr. Desautelle, Mr. Thompson, Mr. Wilson, Mr. Coudert, Mr. Gagnon, and Mr. Gajowiak participated in the executive session. No votes were taken

during the executive session. At 10:21 a.m. the executive session adjourned and the meeting went back into regular session.

Mr. Desautelle asked if CD deposits in STIF were safe in the event of an issuer bankruptcy. Mr. Coudert stated that if we held the CDs at the time of bankruptcy, then we would have the same rights as other depositors. Mr. Coudert continued by saying that this is why we currently require a daily put which we could execute if we suspected a bank credit issue. In addition, Mr. Wilson stated that banks are required to collateralize deposits based on a sliding scale related to their capital ratios pursuant to Connecticut General Statutes, along with having \$250,000 in FDIC insurance.

A broad discussion developed regarding such topics as the Federal Reserve, inflation, interest rates, oil, and the overall economy.

Mr. Coudert stated that the Extended Investment Portfolio (EIP) continued to have a small portfolio balance of \$62 thousand which was not expected to increase due to the State's overall cash position.

Mr. Coudert reported that the STIF Plus Fund had an asset size of \$21.5 million, with 70 percent of assets in corporate notes, 29 percent in asset-backed securities, and 1 percent in a government money fund. Mr. Coudert indicated that of the asset-backed securities, the \$400 thousand Nomura Asset Acceptance Corp. security and the \$1.1 million IndyMac Mortgage Loan Trust security continued to be distressed as discussed in prior meetings. Mr. Coudert stated that the two securities have continued to pay principal and interest for now.

Mr. Wilson stated that much of the state's operating cash had been left in the state's bank concentration account due to it earning a slightly higher interest credit rate in the bank than the interest paid by STIF. Mr. Wilson stated that this action has helped not only the State, but municipal entities as well, since most of these monies would have been invested in overnight rates which are significantly lower than the overall STIF rate, thereby driving the STIF rate down. Mr. Wilson added that the bank concentration account was fully insured by the FDIC.

Mr. Wilson mentioned that the state's current cash position was over \$2 billion dollars, with April's personal income tax receipts coming in over \$200 million higher than budgeted.

With no further business, Mr. Wilson adjourned the meeting at 10:42 a.m.