

# New Hampshire Public Deposit Investment Pool

February 17, 2022

New Hampshire Banking Department  
53 Regional Drive  
Concord, NH 03301

## MINUTES OF PUBLIC SESSION

Present: Jamie Teague, NH School Board Association; Charles Nickerson, NH Association of Counties; Dawn Enwright, NH Government Finance Officers Association; Dan Lynch, NH Municipal Association; Keith Pike, NH Bankers Association; James Gerry, NH DRA; and Michele Bogardus, NH Government Finance Officers Association.

Also Present: Emelia Galdieri, Commissioner, NH Banking Department; Lauren Warner, Deputy General Counsel, NH Banking Department; Beth Galperin, PFM; and Katia Frock, PFM.

Via Remote Call-In: John Molloy, PFM; Kerri Muskin, PFM; Kristy Merrill, NH Bankers Association; and Ryan Hale, NH Bankers Association.

Commissioner Galdieri opened the meeting at 9:05 a.m.

The roll was called for attendance, and it was established that a quorum of the Board was present via in-person attendance.

### Tab I: Minutes:

The minutes of the meeting of August 26, 2021, were reviewed. The following edits were proposed:

Page 4: fifth paragraph, change “stays above the buck” to “provides a positive yield to investors.”

Page 5: first sentence, change “PFAM” to “PFM”.

Commissioner Galdieri asked for a motion to accept the minutes of October 14, 2021, as edited. Dan Lynch made the motion to accept, seconded by Charles Nickerson. Board members voted unanimously to pass said motion.

Commissioner Galdieri introduces herself to the Board, and asked each member in the room to introduce themselves. Welcome to new member Dawn Enwright.

### Tab II: Investment Advisor Report, presented by Kerri Muskin:

Page 5: Inflation report. Inflationary pressures grow throughout 2021, and has continued to accelerate in 2022. Consumer prices were up 7% by the end of 2021, and are now 7.5% for

January 2022. Increases are across all groups, suggesting supply is not keeping up with consumer demand.

Page 6: Fed updated projections. Core PCE inflation now showing increased projections for further increases in 2022. Additionally, the Fed Funds Rate also shows increased projections.

Page 7: Accelerated tapering time line. Shifting gears to quantity of tightening. There is no fix for the current supply issue. March meeting will have a new updated dot plot. Current estimates show seven possible rate hikes this year. This will be the first rate hike since the 2017-2018 timeframe.

Page 8: US treasury yield curve largest market move has occurred in this the first part of this year. Large increase in the treasury, with 80 basis points in the last four months.

Page 9: At the third quarter meeting, market pricing showed the possibility of a rate hiking cycle. However, in the last few months of 2021 there has been dramatic repricing. Three month CP is at 40 basis points.

Page 12: Investment overview snapshot. There has been a shift in portfolio composition, allocation to US Treasury and repurchase agreements increased in fourth quarter in anticipation for the expected rate hiking cycle. There was also an increase in corporate notes/bonds.

Page 13: Maintaining net asset value is the cornerstone of the Pool. Current net asset value is just slightly below one. NAV will likely stay slightly below one as interest rates rise.

Pg. 14: PFM is ensuring the safety of the NAV by investing in high quality credit of A1 and A1+ short term rating (commercial paper, etc.), and long term (treasury and corporate bonds).

Pg. 15: Weighted average maturity days decreased slightly. No securities held in the portfolio are greater than 6 months. Weighted average maturity has fallen to the low 30s, which is a major shift, but shows the strategy of the portfolio for expected rate hikes beginning in March.

Pg. 16: The Pool's gross yield still continues to beat the S&P.

Pg. 20: Stress test review. In all three extreme case scenario tests the portfolio did not drop below the net asset value.

Pg. 25: Liquidity test summary review shows 26.9% of daily liquidity on hand is well above the required 10%. Also it is above the weekly required 30%, coming in at 36.3%.

Commissioner Galdieri asks if there are any questions in the room or on the phone. No questions.

#### Tab III – Financial Report, Katia Frock, PFM:

Page 1: Statement of net position as of 12.31.21 was just shy of \$235 million.

Page 2: Changes in net position, with investment income of around \$74, 903. Prior to fee waiver, PFM fee's totaled roughly \$130,000. However, PFM has waived just over half their fees, around \$66,000 to keep yield positive at 2 basis points.

Page 4: Total waived fees by PFM since November 2020 are roughly \$228,000. PFM may recover said fees if the monthly distribution of the Pool is over 50 basis points. PFM would notify the Bank Commissioner before seeking recovery of any waived fees.

Commissioner Galdieri asks if there are any questions in the room or on the phone. No questions.

#### Tab IV - Marketing Update, Beth Galperin, PFM:

Ms. Galperin has contacted over 91 customers and secured 14 new accounts this quarter. Ms. Galperin provided an overview of upcoming events.

Ms. Teague noted she greatly appreciated the mailings received by Ms. Galperin.

Commissioner Galdieri asked if there were any questions. There were no questions.

#### Tab V, Senate Bill 272, Commissioner Galdieri

Ms. Frock stated she was made aware of the senate bill, and briefly discussed the materials included in the meeting materials.

Current status of SB 272 is voted Ought to Pass ("OTP") with amendments.

Commissioner Galdieri stated the Banking Department did not take a position on the bill.

Commissioner Galdieri asks if there are any questions in the room or on the phone. No questions.

#### Invoicing Update, Deputy General Counsel Lauren Warner

Ms. Warner provided a brief review of NH RSA 383:22, V, which requires the Bank Commissioner to charge for the Department's time spent in operation of the Pool, including staff hours spent on said operations based on the per diem rate. The Banking Department will commence charging as of this quarter. PFM will invoice the pool for said expenses.

Ms. Warner asked if there were any questions. Ms. Teague asked if there were any alternatives to invoicing the Pool. Ms. Warner stated there are none. This legislation change was brought about by HB 610 (2021 Legislative Session) to address the Bank Commissioner's lack of funding mechanism to recoup the costs incurred by the Bank Commissioner and Banking Department staff for time spent on the Pool. This meant entities regulated by the Banking Department were subsidizing the costs incurred by PDIP. HB 610 was put into effect to address this inherent conflict.

Mr. Lynch inquired further about invoicing. Commissioner Galdieri provided a detailed explanation.

No further questions.

New Auditor Discussion, John Molloy, PFM

Most recent auditor RSM informed PFM they are no longer able to serve as the Pool's auditor given a conflict of interest stemming from PFM's acquisition by US bank. PFM has been looking for a new auditor for the Pool. Ernst & Young has agreed to be the auditor for the pool pending a conflicts check, which is expected to be completed in the near future. Agreement with Ernst & Young will be at the same fee RSM charged, so there will be no difference in cost to the Pool. At the next quarterly meeting PFM will present an engagement letter to the Board for review to recommend to Commissioner Galdieri to agree to said engagement to and sign the letter. This would be for the 2021-2022 audit this coming fall. PFM uses Ernst & Young on a number of all similar Pools which PFM manages.

Commissioner Galdieri asks if there are any questions in the room or on the phone. No questions.

Tab VI - Upcoming Meeting Dates, Commissioner Galdieri:

Next meeting is 5.26.22. Ms. Galperin requests to move the meeting to the prior week due to the Tri State ASBO Conference. Commissioner Galdieri states new meeting date will be 5.19.22. Commissioner Galdieri reviewed the remainder of meetings proposed in the meeting materials through Feb. 2023. No other conflicts identified.

Mr. Lynch inquires when the committee start meeting on SB 272. How can this be tracked? Commissioner Galdieri notes committee meetings can be scheduled very quickly, with not much notice. Ms. Enwright is on the legislative committee for the NH Tax Collectors Association. She receives weekly updates and would be happy to send them to the Board.

Motion to adjourn the meeting made by Dan Lynch. Seconded by Charles Nickerson. All in favor.

Commissioner Galdieri adjourned the meeting at 10:14AM.