

# NEW HAMPSHIRE PUBLIC DEPOSIT INVESTMENT POOL

May 9, 2019

New Hampshire Banking Department  
53 Regional Drive  
Concord, NH 03301

## MINUTES OF PUBLIC SESSION

Present: William (Bill) Dwyer, NH State Treasurer; David G. Fredette, NHGFOA; Charles Nickerson, NH Association of Counties; Dan Lynch, NH Municipal Assoc.; Keith Pike, NH Bankers Association; Joe Thornton, NH Bankers Association; Sharon Wickens, NHGFOA.

Also Present: Gerald Little, Commissioner NH Banking Department; Doreen Sheppard, NH Banking Department; John Molloy, PFM; Beth Galperin, PFM.; Ryan Hale, NH Bankers Association.

Via Telephone: Jeff Rowe, PFM

Call the Meeting to Order: New Hampshire Banking Department Commissioner, Gerald Little, called the meeting to order at 9:01 a.m.

Commissioner Little distributed corrected draft minutes from the February 21, 2019 public meeting for review by the board. Mr. Molloy indicated the spelling of “Verano” should be “Varano,” and proposed a minor edit for clarity to the section titled Security Enhancements. Mr. Fredette moved to approve the minutes with proposed edits. Ms. Wickens seconded the motion. The committee unanimously voted to approve the minutes as edited.

Commissioner Little proposed that all those in attendance introduce themselves before proceeding with the meeting and the introductions were made.

Mr. Molloy of PFM discussed the information under Tab II, Financial Report. Noted increase between December 2018 and March of 2019.

Mr. Dwyer noted cash disbursements shows payment made to S & P and asked what the pool’s S & P rating is. Mr. Molloy answered the rating is AAA.

Mr. Rowe of PFM discussed the information under Tab III, Market Update. Noted three main themes:

- Capital Markets-Reversal from sharp movement of 2018 fourth quarter
- The Fed-shift to neutral stance on interest rates
- Economic Growth-slowed in 2019 quarter 1 and GDP actually came in higher than expected. US GDP remains above 2% which is higher than growth around the globe.

The Federal “dot plot” as of March 2019, the Fed expects no more interest rate hikes in 2019. Yield curve has become more inverted but does not necessarily mean recession. Other market indicators do not point to imminent recession.

Mr. Rowe moved onto the pool portfolio. It is up 13 basis points. Rate hike in December 2018 helped in 2019 quarter 1. Government agencies dipped while US treasuries increased.

Commissioner Little noted the shift towards floating rates and questioned how that has affected the portfolio. Mr. Rowe stated 2018 rate increases made floating rates attractive and still makes up about 25% of the portfolio. Commissioner Little asked whether it creates any friction? Mr. Rowe answered it does not as the rates reset every month.

Mr. Rowe reviewed the “stress test” on page 21 of the meeting materials. Also highlighted the “liquidity analysis” shown on pages 27-28.

Ms. Galperin of PFM reviewed the information under Tab IV, Marketing Update. She stated the monthly newsletter and regular mailings continue to go out to members and reviewed upcoming NH conferences. At a recent conference a bank distributed a flyer advertising its “investment pool.” Mr. Molloy noted that the flyer did not appear to comply with FINRA rules. It was stated that banks do not have the same compliance rules as the PDIP.

Commissioner Little discussed the information under Tab V. He sees a conflict between the PDIP and banking regulation. He has responsibility to PDIP as well as to make sure New Hampshire banks operate safely and soundly. Commissioner Little noted that 47 US states operate pools but only New Hampshire places responsibility for the pool in the Banking Department which is the agency that makes sure banks are operating at best liquidity for community and safety and soundness. He asks the PDIP Advisory Board for help resolving this conflict. He noted that any change will require legislation and that is a long, slow process.

Mr. Lynch described PDIP as, initially, seen as another “bank” that municipalities could deposit into. Questioned what other state agency could take it on.

Commissioner Little described the origin of PDIP as a solution to a very specific issue of NH banks holding deposits in excess of FDIC insurance limits.

Mr. Lynch stated that municipalities may not deposit into banks chartered in other states; only NH banks or national banks with branch in NH. Commissioner Little explained that is not a banking statute but a municipal statute. May be addressed with legislation directly.

Mr. Molloy stated that the majority of other state pools are with those states’ treasury department. Some states have created separate agencies. Some create under inter-governmental cooperatives.

Mr. Dwyer questioned whether NH Securities would have a role. Mr. Molloy answered that PFM is registered with NH Securities.

Ms. Wickens noted that a lot of discussion will need to be had on this issue. Commissioner Little stated that the matter will stay on the board's agenda.

Mr. Dwyer suggested that NH Dept. of Justice might provide an outside perspective on the Banking Department conflict and potential other models.

Mr. Molloy cautioned that too much information getting out could cause great concern. Recognizing that this is a public meeting with public minutes, cautioned to be very careful.

Mr. Fredette asked if there is an existing list of participating cities and towns. Ms. Galperin will provide such list.

The information under Tab VI, Upcoming Meetings was discussed. Meeting for May 2020 meeting was set for May 28, 2020.

Mr. Pike moved to adjourn the meeting. Motion seconded by Mr. Lynch. It was voted unanimously to adjourn.

Commissioner Little adjourned the meeting at 10:35 a.m.