

NEW HAMPSHIRE PUBLIC DEPOSIT INVESTMENT POOL

October 10, 2019

New Hampshire Banking Department
53 Regional Drive
Concord, NH 03301

MINUTES OF PUBLIC SESSION

Present: Bill Dwyer, NH State Treasurer; Charles Nickerson, NH Association of Counties; David G. Fredette, NHGFOA; Daniel Lynch, NH Municipal Association; Keith Pike, NH Bankers Association; Shaun Thomas, NH Department of Revenue Administration; Joe Thornton, NH Bankers Association.

Also Present: Gerald Little, Commissioner NH Banking Department; Chiara Dolcino, General Counsel, NH Banking Department; Doreen Sheppard, NH Banking Department; John Molloy, PFM; Beth Galperin, PFM; Dan Hess, PFM; Thomas Fahey, NH Bankers Association.

Via Telephone: Bob Cheddar, PFM; Kerri Staub, PFM; Patrick Mulloy, PFM; Matthew Siegel, RSM.

Call the Meeting to Order: New Hampshire Banking Department Commissioner, Gerald Little, called the meeting to order at 9:02 a.m.

Draft minutes of meeting of August 8, 2019 were reviewed.

Commissioner Little addressed the request in the October minutes for a list of participants in the PDIP.

Ms. Dolcino stated that the list is public information pursuant to RSA 91-A, relevant case law, etc.

Mr. Molly noted concern over sharing list with members who represent “competitors” of the pool.

Mr. Dwyer asked about possible statutory exemptions from RSA 91-A, to which Ms. Dolcino explained that all participants in the pool are public bodies and the information would be public through them.

At this time, Commissioner Little asked whether there were any issues with the August meeting minutes. There being none, he requested a motion to accept which was made and seconded and VOTED unanimously, with Mr. Dwyer abstaining as he had not been present for the August meeting.

Discussion returned to applicability of RSA 91-A to the list of PDIP participants.

Mr. Molloy stated the board is entitled to any information it asks for and that PFM's position is that it is not for them to make it public.

Ms. Dolcino stated that if request came from outside the Board, we would have to disclose it.

Commissioner Little stated that PDIP would do all it could to protect any proprietary information.

Bob Cheddar of PFM, via telephone, discussed the information under Tab II of the materials, Fixed Income Credit Process.

The process is integrated into the whole screening process. Focus is on traditional credit sectors while also doing additional research to identify additional issuers. Issuers are approved by credit committee to create approved issuer list.

Commissioner Little explained that concern had been raised by Wall Street Journal article reporting rating companies were going back to pre-2008 practices; i.e., ratings may be for sale.

Mr. Cheddar stated PFM does use ratings companies but goes beyond with its own process. He further explained that the credit committee is made up of experienced people. No one person is making decisions.

Commissioner Little asked how quickly an issuer can be added or removed. Mr. Cheddar replied that it can be done fairly quickly once the issuer is approved. The process leading up to approval can be weeks or months.

Mr. Cheddar reviewed various events over the last decade that impacted credit process, as outlined on page 5 of the presentation. The most recent event was Brexit and resulted in hold a on some issuers.

Kerri Staub of PFM, via telephone, reviewed the Quarterly Market Update.

The third quarter saw treasuries falling.

Stock market enthusiasm due to activity of the Fed. Concerns about recession? There is no reliable way to predict. Leading Economic Index is the best indicator; suggests recession likely next year or in 2021.

Tarriff results hurting US farmers/agriculture. Manufacturing in decline is at 10-year low. Service industry also declining is at 5-year low.

Yield curve is less inverted but still low. Repo rates as of 9/17/19 went to 5%.

Commissioner Little questioned how we get to this position. Ms. Staub explained the market needed to find a source of cash due to treasuries settling and corporate tax day.

Ms. Staub continued with the Investment Overview.
NAV is good. There are no securities rated at less than A.

The Stress Test was reviewed as outlined on page 27. Extreme test scenarios applied do not “break the buck” of PDIP portfolio.

Dan Hess of PFM discussed the information under Tab III, Financial Reports.

Mr. Molloy stated that PDIP board needs to act on annual and auditors reports.

Mr. Hess discussed the annual report.

Patrick Mulloy and Matt Siegel of RSM, the auditing firm, via telephone, discussed the auditors’ report. Mr. Mulloy pointed out that the report found no audit adjustment or uncorrected misstatements.

It was pointed out that there are typos in the year stated in the auditors’ letter where 2017 – 2019 should be 2020-2022. Will be corrected.

Required correspondence reviewed; i.e., Independent Auditors’ Report and Representation Letter which includes a list of member firms.

Mr. Molloy explained necessary board action: 1) approve annual report; 2) accept audit report; 3) re-engagement of RSM.

Commissioner Little requested motions on above three items.

As to approval of annual report, pending completion of the audit, Mr. Dwyer moved, seconded by Mr. Lynch and VOTED Unanimously.

As to acceptance of the audit report, Mr. Lynch moved, seconded by Mr. Fredette and VOTED Unanimously.

As to re-engagement of RSM as auditor, Commissioner Little reminded the board that it requires the bidding process.

Mr. Molloy stated that PFM had issued an RFP before engaging RSM. Ms. Dolcino questioned whether the contract is between RSM and the PDIP. Mr. Dwyer questioned whether the prior RFP had to be approved by G&C.

Commissioner Little stated the matter makes more sense for action at the next PDIP Board meeting.

Beth Galperin of PFM reviewed the information under Tab IV of the materials.

Mr. Molloy gave update on security measures being implemented. Strong passwords are now being required. Password reset is allowed by member. Multi-factor authentication is being rolled out; not yet mandatory.

Commissioner Little stated that current contract between PDIP and PFM expires in June of 2020. He requested a subcommittee of PDIP members to handle the contracting process. Committee was established: Sharon Wickens, David Fredette, and Bill Dwyer.

Commissioner Little raised discussion regarding proposed relocating of PDIP authority out of the NH Banking Department. Would like to do more aggressive outreach. Requested members to raise the question with their respective trade organizations, etc.

Mr. Lynch stated the question that will be brought back is, if not with Banking then with who?

Commissioner Little responded that there are other options. Other states have PDIP with municipal associations, non-profits, etc. He stated that upcoming legislation proposes to broaden institutions eligible to accept deposits.

The October meeting for 2020 was set for October 10, 2020.

Mr. Lynch moved to adjourn the meeting; second by Mr. Dwyer and VOTED Unanimously.

Meeting adjourned at 11:15 a.m.