**NEW HAMPSHIRE PUBLIC DEPOSIT INVESTMENT POOL**

February 21, 2019

New Hampshire Banking Department
53 Regional Drive
Concord, NH 03301

**MINUTES OF PUBLIC SESSION**

Attendance and Quorum: Attendance taken.  Quorum established.

Present: William (Bill) Dwyer, New Hampshire State Treasurer; David G. Fredette, New Hampshire Government Finance Officers Association (NHGFOA); Dan Lynch, New Hampshire Municipal Association; Keith Pike, New Hampshire Bankers Association (NHBA); Shaun Thomas, New Hampshire Department of Revenue Administration; Sharon Wickens, NHGFOA.

Also Present: Gerald Little, Commissioner, New Hampshire Banking Department (NHBD); Doreen Sheppard, NHBD; Beth Galperin, PFM.; Ryan Hale, NHBA.

Via Telephone: John Molloy of PFM; Michael Varano of PFM

Call the Meeting to Order:  New Hampshire Bank Commissioner, Gerald H. Little, called the meeting to order at 9:08 a.m.  David Fredette, Treasurer of the City of Nashua was introduced as the new member of the Public Deposit Advisory Board (PDIP) appointed by the New Hampshire Government Finance Officers Association.

Minutes

The Advisory Board reviewed the draft Minutes of their public meeting on October 11, 2018, requesting corrections to a variety of typographical and attendance errors.  On a motion made by State Treasurer Dwyer and seconded by Ms. Wickens the Board unanimously voted to accept the proposed edits and approve the Minutes of the public session.

Ryan Hale of the New Hampshire Bankers Association left the room while the Board reviewed the Minutes of their non-public session on October 11, 2018, requesting corrections to a variety of typographical and attendance errors.  On a motion made by Treasurer Dwyer and seconded by Mr. Lynch the Board unanimously voted to accept the proposed edits and approve the Minutes of the non-public session.

Mr. Hale was invited to rejoin the meeting and Treasurer Dwyer made a motion, seconded by Mr. Lynch, to unseal the Minutes of the non-public session of the October 11, 2018 meeting. The Board unanimously voted to unseal the Minutes of the non-public session.

## Pool Performance Update

Mr. John Molloy, Managing Director of PFM, reviewed the performance of the PDIP for the Quarter Ending December 31, 2018, noting steady growth in the program in recent months. He said that average balances are now considerably higher than they were several years ago.

Treasurer Dwyer asked whether the RSM audit fees of $12,337.50 paid on December 21 constituted the entire amount of the audit expense or whether another invoice would be coming. (An identical amount had been disbursed on September 6, with each payment representing 50% of the total cost of the audit.)

Treasurer Dwyer noted that the Managed Account Details pages in Tab II of the meeting materials indicate a shift toward floating rate certificates. Mr. Varano of PFM explained that the increased use of floating rates is a response to growing market uncertainty.

Commissioner Little asked if there was any increased cost to accessing floating rate investment products. Mr. Varano responded that there are no increased costs related to floating rate investments.

## Quarterly Market Update

Mr. Varano reviewed the Quarterly Market Update materials found behind Tab III in the meeting materials book, stating that, while the Federal Open Market Committee increased rates four times in 2018, they are expected to take a slower, more gradual approach in 2019 due to increased concerns over "global growth risks" and moderating inflationary pressures. He added that the most recent FOMC "Dot Plot" suggests there may be up to two rate hikes in 2019.

Mr. Varano also reviewed the recent performance of the PDIP, noting it has returned a higher gross yield when compared to benchmarks like the S&P Rated Government Investment Pool Index.

Finally, Mr. Varano reviewed the monthly stress test reports for the fourth quarter. Mr. Little asked why stress test assumptions had been adjusted and Mr. Varano responded that, beginning in December, 2018 the potential credit spreads were widened (see page 24, Tab III) to "reflect recent market volatility".

## Marketing Update

Beth Galperin, PFM's Program Representative for NHPDIP, reviewed the materials in Tab IV, which included examples of the weekly Current Rate Email and the Quarterly Newsletter. She also announced that she will represent NHPDIP at New England and New Hampshire GFOA conferences in April and May.

Security Enhancements

Mr. Molloy discussed security enhancements to the Easy Online Network (EON) anticipated for launch in either March or April, 2019.  He said other existing security measures include, among other things, a password protected portal, multi-factor authentication, daily confirmation reports and call-back verification of requests to update or change banking instructions.

Mr. Pike asked if PDIP participants can currently log in without an authentication process and whether the proposed changes would make these security steps mandatory.  Mr. Molloy replied that some of the smaller communities find these safeguards hard to work with for a variety of reasons, including unavailability of high speed internet access in some locations and, therefore, use of all security practices is not mandatory to participate in the NHPDIP.

Mr. Dwyer asked if there is an automatic expiration/mandatory change of passwords.  Mr. Molloy stated there had been "spirited debate" of that topic and it was decided not to set expiration dates on passwords.

Mr. Little requested this matter remain on the agenda for further committee discussion.  He also asked Mr. Molloy to prepare to speak at the next PDIP Board meeting regarding which party in a PDIP relationship would be held liable if a participant's account is hacked and public funds are stolen or lost.

Next Meeting

Future NHPDIP Advisory Board meetings are scheduled for May 9, 2019; August 8, 2019; October 10, 2019; and February 20, 2020.

Adjournment

Ms. Wickens motioned to adjourn the meeting.  Mr. Dwyer seconded the motion. The committee voted unanimously to adjourn at 10:35 a.m.