

## NEW HAMPSHIRE PUBLIC DEPOSIT INVESTMENT POOL

### Advisory Committee Meeting

March 2, 2015

New Hampshire Banking Department

53 Regional Drive

Concord, NH 03301

### MINUTES

- 1) Call the meeting to order – NH Banking Department Commissioner, Glenn A. Perlow called the meeting to order at 10:00 a.m.

Attendance & establish a quorum: Attendance sheet was circulated and quorum established by Commissioner Perlow.

Present: Daniel R. Lynch, NH Municipal Association; Christopher MacDonnell, Bank of NH, NHBA; Michael Jache, City of Concord, NHGFOA; Sharon Wickens, City of Manchester, NHGFOA; John Beardmore, Commissioner, NH Department of Revenue; Lyn Gelinas, Citizens Bank, NHBA; William Dwyer, Treasurer, State of NH; Glenn Perlow, Commissioner, NH Banking Department.

Absent: Glen Waring, Rockingham County; Dean Michener, NH School Boards Assoc’.

Also present: Cutwater: Jo Ann Klatskin, NH Rep.; NH Banking Department; Ingrid White, Deputy Commissioner; Doreen Sheppard, Paralegal; Spencer Culp, Dir. Of Trust Supervision; NH Department of Revenue, David Cornell; Assist. Dir. Terry Knowles, NHAG Charitable Trust Unit; Tom Donovan, Director, NHAG Charitable Trust Unit; Rachel Miller, Chief Deputy Treasurer, NH Treasury Dept.; Christiana Thornton, W. John Funk, NHBA; Paul Micali, NHGFOA.

Via Teleconference: Cutwater: Matthew Bodo, Samira Mattin, and Joe Seveley; Barbara Fava, PFM.

- 2) Dan Lynch asked that minutes of Dec. 12, 2014, be amended to correct reference to “GASBY” to “GASB.”.

Lyn Gelinas asked that minutes of Feb. 12, 2015, be amended to correct reference to “Sharon Gelinas” to “Sharon Wickens.”

Motion was made by Chris MacDonnell and seconded by Lyn Gelinas to adopt the minutes of December 2, 2014 and February 2, 2015, with amendments. In favor: 6; Opposed: None; Abstained: William Dwyer (not present for December 5, 2014, meeting). JoAnn Klatskin presented Cutwater’s quarterly report. Not much change from previous reports. Balances show normal ups and downs, staying relatively low.

Matt Brodo explained Weighted Average Maturity (WAM) of portfolio was in the mid-30's now being shortened up to mid-20's for building liquidity.

Glenn Perlow stated he has spoken to Cutwater re: status of custodial bank. Feeling is there will be no disruption over next few months. Further, Cutwater resignation has not seen significant pulling out of funds.

Glenn Perlow described what NH Banking Dept. is doing regarding RFP process for new Program Administrator. General discussion to take place now and more in-depth in Executive Session per RSA 91-A:3.

Ingrid White explained she has met with JoAnn Klatskin and reviewed RFP process from 2010. Developed timeline to complete before completion of current Cutwater services on Aug. 10, 2015. Plan for July 1, to have new manager ready to start. Executive Session today will be to discuss details of RFP. Propose subcommittee of PDIP Advisory Board to review and finalize the RFP in the next 7-10 days.

Proposed timeline:

- Publish RFP 3/13/15
- Question Period 3/27/15
- Response to Questions 4/3/15
- RFP Proposals Received 4/13/15
- PDIP Meeting 4/20/15
- Reference Checks/Interviews 4/27/15
- PDIP Meeting/Tel. Meeting 5/1/15
- Notify Winning Bidder 5/4/15
- Negotiate Final Contract 5/26/15=Notice to Participants

Bill Dwyer questioned need for Executive Council approval and when council meetings are scheduled in relation to this timeline.

Glenn Perlow stated timeline is doable. Will work with Attorney General's office to make sure RFP process is smooth. Requested motion to form the proposed subcommittee.

Motion made by Bill Dwyer, second by Chris MacDonnell and VOTED unanimously.

Chris MacDonnell, Michael Jache and Lyn Gelinas volunteered to serve on subcommittee.

Glenn Perlow requested motion to appoint three volunteers. Motion made by David Connell, second by Sharon Wickens and VOTED unanimously.

Bill Dwyer stated that last RFP was a formal process with scoring, etc. Glenn Perlow responded that it would be similar process this time.

Glenn Perlow invited guests in attendance who wished to speak to come to the table. Further stated, as state agency commissioner on the board where most participants are municipalities, wants to explain statute requires the Bank Commissioner to create the pool. Alternatives to

pool may exist and would require legislative change. Because state is not served as much as non-state agencies, before significant change is proposed, it would be appropriate to obtain more input from the primary end users, such as municipalities, school administrative units, and trustees of town trust funds.

Chris MacDonnell stated that times were different when pool was created. Municipalities had fewer options. Further, notes that Cutwater has taken reduced fees over time and wonders if new manager will want to do the same thing. Questioned whether another subcommittee should be formed to explore that.

Dan Lynch commented issue of security of assets vs. yield. Also ease in managing money for participants. When pool was created it was an opportunity for municipalities to find yield.

Glenn Perlow stated that small towns look at PDIP as “turn-key,” safe, easy.

Rachel Miller, spoke on administration of payments from Treasury to municipalities.

Dan Lynch asked if the amount of funds transmitted to municipalities and school districts through Treasury creates cost savings for state and ease for municipalities.

Rachel Miller responded that payments are disbursed electronically or by check. Where the payment goes is up to the recipient.

Glenn Perlow asked if not all is going to PDIP?

Rachel Miller responded that recipient signs up for electronic payment it is fairly invisible to Treasury.

JoAnn Klatskin noted that initially there was a mandate that state aid went to the pool. That is no longer. Now about 30% of aid goes directly to the pool.

Bill Dwyer stated he anticipates no disruption in funds transmitted from the state.

John Beardmore stated that as long as there remains a critical mass of participants, the fund should be continued.

Tom Donovan stated concern for smaller community accounts, \$100,000, or so. If advisory committee seeks an alternative to the pool, it would need to educate those account holders.

Terry Knowles explained that trust funds are required to file an investment policy with the Charitable Trusts Unit annually. A trustee becomes responsible for \$100,000 or \$200,000 or more of private and/or capital reserve money. Use the PDIP for several reasons, including ease of use. Would need sufficient up front notice to educate trustees if change. Further explained that private, donated funds may be invested anywhere. Capital reserve money is more restrictive, per RSA 35:9.

Glenn Perlow stated that there was once over \$300,000,000 of pool money. PDIP has dropped to nearly \$150,000,000, and now there is \$168,000,000 of public deposits in state chartered financial institutions. PDIP money has gone to competitive products. Would like to ask bankers what is available in private world of investments.

Christiana Thornton, NHBA- explained legislative history of PDIP. 1991, following bank failures, etc. CDARs, ICA = a lot available today that wasn't available then. Legislative intent was to give municipalities opportunity to invest for higher yield.

John Funk, NHBA- stated concerns at the time, many bank failures, financial industry was in jeopardy, not many options open, lack of sophistication of many municipalities. Pool endorsed by the state offered stability/comfort. At that time banks were required to tell municipalities they had option of having funds secured by collateral but not required to offer collateral. Banks are allowed to pledge collateral which is not generally available to other depositors. Many banks have a high degree of interest in deposits from municipalities. State laws are biased toward funds held locally. There is more robust competitive market today. State bankers are agnostic towards pool but banks can put competitive options on the table.

Glenn Perlow asked if anticipated rise in interest rates will make it more interesting for banks to take deposits.

John Funk responded that it is hard to predict. Always possibility of unintended consequences, but, higher interest rates could equal higher interest by the banks.

Chris MacDonnell stated CDARs, certificates of deposit, money market products keep funds fully FDIC insured.

JoAnn Klatskin stated in late 90's there was a bill to allow trust funds to be collateralized.

Paul Macali, NH GFOA – Reminded that in past RFP process had to do rules.

Ingrid White responded that the rules drafted last time are still in effect.

Paul Macali stated the GFOA meeting is in May. Cutwater is usually there. He is available if needed. PDIP was created for security but also because banks were not giving municipalities the interest rates that others were getting.

JoAnn Klatskin asked Matt Bodo, Samira Mattin and Joe Seveley, via telephone, if they had anything further to add. They responded they did not.

Glenn Perlow has talked to Barbara Fava, via telephone, and asked if she had anything further to add.

Barbara Fava stated, regarding question of whether PDIP is still needed, other states are focused on other regulatory changes – money markets may be undoable, LGIP, BASEL III rules, PFM = LGFPs {?} Assets remain fairly constant = good for continued PDIP.

Glenn Perlow asked for a motion to enter executive session per RSA 91-A:3(j).

Ingrid White asked Barbara Fava if she would like to be contacted to rejoin the meeting if it returns to public sessions. Barbara Fava responded that she would.

Chris MacDonnell moved to enter Executive Session, second by Bill Dwyer and VOTED unanimously, by roll call vote. 11:27 a.m.

11:53 a.m. return to public session.

Glenn Perlow asked for a motion to seal the minutes of the executive session and the draft RFP.

Motion made by Chris MacDonnell, seconded by Michael Jache and VOTED unanimously by roll call vote.

- 3) Other Business: Michael Jache asked whether there would be another subcommittee to address continuation of PDIP and/or alternatives.

Glenn Perlow stated that Banking has a large bill in the legislature now that could be a vehicle to attach PDIP changes. If we form a subcommittee must get on it quickly. The whole board would need to meet once a subcommittee has information to share.

Bill Dwyer questioned whether Banking would want to add this onto its bill.

Glenn Perlow responded not suggesting Banking does want to. May not want to take a position at all.

JoAnn Klatskin commented that this might be a slippery slope at this time.

Glenn Perlow asked if board wants this subcommittee.

Bill Dwyer commented that the minutes of this meeting will reflect the discussion of possibility of ending the pool at the same time we are entering into an RFP to continue. Sending mixed message to potential bidders.

Glenn Perlow responded that it is a mixed message. But, the state P-37 makes clear that contract relies upon continuation by legislature.

Dan Lynch commented that it may be premature to form such subcommittee. May be better to have discussions with the Governor and legislative leadership.

Glenn Perlow responded that those discussions are going on

There was general agreement to wait on this at this time.

- 4) Commissioner Perlow stated that the timeline for RFP includes a meeting of the full board in April and suggested waiting until that meeting to set date for next regular meeting.
- 5) Adjournment: Dan Lynch moved to adjourn seconded by Michael Jache and VOTED; unanimously at 12:05 p.m.