

NEW HAMPSHIRE PUBLIC DEPOSIT INVESTMENT POOL

Advisory Committee Meeting

December 2, 2014

New Hampshire Banking Department

53 Regional Drive

Concord, NH 03301

[PROPOSED] MINUTES

- 1) Call the meeting to order – NH Banking Department Commissioner, Glenn A. Perlow called the meeting to order at 9:00 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; Michael Jache, City of Concord, NH Government Finance Officers' Association; Sharon Wickens, City of Manchester, NH Government Finance Officers' Association; David Cornell, NH Department of Revenue; Lyn Gelinis, NH Bankers' Association; Glenn Perlow, NH Banking Department Commissioner.

Absent: Theresa Young, Rockingham County; William Dwyer, Commissioner, NH Department of the Treasury.

Also present: Cutwater: Jo Ann Klatskin, NH-Rep.; NHBD; Spencer Culp, Hearings Examiner; NHBD; Doreen Sheppard, Paralegal.

Via Teleconference: Cutwater: Matthew Bodo and Samira Mattin.

- 2) David Cornell of Revenue Administration asked that minutes of Sept. 9 and Oct. 9, 2014, be amended to reflect that Revenue was present removing John Beardmore's name from the absent list.

JoAnn Klatskin asked that the minutes of Sept. 9, 2014 be amended by revising paragraph 3.a to say that the Charitable Trusts Unit is advising Trustees of trust funds to invest for growth.

JoAnn Klatskin also asked that the minutes of Oct. 9, 2014 be amended to correct the spelling of Joe Seveley's name which is misspelled throughout that document.

Motion was made and seconded to adopt the minutes of Sept. 9 and October 9, 2014.
VOTED unanimously.

- 3) Commissioner Perlow requested the agenda be taken out of order:

- d. Online Account Access for Participants: JoAnn Klatskin explained that, after review by hired consultants, it was determined that the Client Connection portal should be replaced

with new system. This is in progress, still in testing phase. An email will go out to users in a couple of weeks. Currently, contact is still telephone based.

a. Cutwater Quarterly Report: Matt Bodo and Samira Mattin via telephone at 9:10 a.m. Matt Bodo: Assets under management balances are declining. Typically are lower this time of year. Participants continue to leave for higher yield. Trustees of Trust Funds continue to invest for growth. \$154 mil. as of yesterday. Christopher MacDonnell asked at what point it no longer makes sense to continue pool. JoAnn Klatskin responded at around \$120 mil. give or take. We will wait and see. Cutwater is keeping expenses down, including the change in auditors. Rates have been flat with no opportunity to pick up yield. Matt Brodo stated if Fed begins raising rates hopefully that will help. Might not be immediate change due to other factors. Fed is expected to hike rates sometime between June and September 2015. WAM around 30. Can to as high as 60. Matt Bodo explained part of current situation is that due to data breach they maintained sufficient liquidity in the event of large withdrawals which did not happen, as well as the time of year; i.e., issuers do not put out as much paper. Cutwater took 11 basis points rather than 13 as is usual.

Samira Mattin: Re: Money Market Reform, GASBY is reviewing money markets re: LChip. Rule 287, not much change. New provisions were adopted last July. GASBY is currently reviewing re: impact on PDIPs. Will be presenting memo to its board with its finding. Proposal is expected next year sometime. Commissioner Perlow asked, given rate increases on the horizon, how is pool now vs. a year ago re: stress test? Samira Mattin answered pool was protected defensively with floaters; i.e., treasury floaters. JoAnn Klatskin stated stress test is just a tool. S&P calls for 200 basis points; Cutwater uses 300 basis points.

Telephone conference ended 9:25 a.m.

Daniel Lynch referred to page 7 of quarterly report re: entity types percentage of participation and asked if 168 towns means they have active accounts in PDIP with money on deposit. JoAnn Klatskin answered, yes.

c. Custodial Banks: JoAnn Klatskin explained that Bank of America has resigned as the pool's custodial bank. Has agreed to stay on through quarter 1 of 2015. Cutwater is speaking with other institutions, including BNY Mellon, although it is not automatic that it be the new custodial bank. Three banks have expressed interest: Sample RFPs have been received from US Bank, Wells Fargo and BNY Mellon. RFP should go out soon. David Cornell asked if this will affect the basis points fee charged; i.e., 11 – 13 points currently charged by Cutwater. JoAnn Klatskin answered it almost certainly will. Lyn Gelinis asked what the term of new contract will be. JoAnn Klatskin answered that is not known yet. They will try to keep it same as New Hampshire's current contract. NH has one more full year on its current contract. Commissioner Perlow asked how much planning time is needed if the pool becomes not worth keeping, adding that it will require a statutory change. JoAnn Klatskin stated there are a few firms still managing investment pools. A lot will depend on what happens with GASBY. Dan Lynch stated there have been changes since inception of the pool. For instance, states provide funds to municipalities. JoAnn Klatskin responded that it goes back to the Trustees of Trust Funds which

used to be the core money in the pool. Michael Jache stated that the pool is important to small towns with part time treasurers.

b. BNY Mellon Acquisition: JoAnn Klatskin stated the acquisition is going smoothly. Will be business as usual through quarter 1 of 2015. Mellon is not looking to make broad changes. There will be some changes; personnel mainly will stay in place. Some service areas will change; i.e., client services, phone numbers, etc. Offices will be moving to Park Avenue. Likely will lose some personnel due to move. BNY has been involved with the changes to customer service online access. Christopher MacDonnell asked whether there will be training with the rollout of the new customer access program. JoAnn Klatskin answered she is not sure but she has been told that it is very user friendly.

- 4) Other Business: None.
- 5) Commissioner Perlow suggested that, due to the number of members not present for this meeting, an email poll be done to solicit best dates/times for the next quarterly meeting.
- 6) Adjournment: Christopher MacDonnell moved to adjourn seconded by Michael Jache and VOTED; unanimously at 9:50 a.m.