

New Hampshire Public Deposit Investment Pool

May 19, 2022

New Hampshire Banking Department
53 Regional Drive
Concord, NH 03301

MINUTES OF PUBLIC SESSION

Present: Monica Mezzapelle, NH State Treasurer; Jamie Teague, NH School Board Association; Charles Nickerson, NH Association of Counties; Dan Lynch, NH Municipal Association; Keith Pike, NH Bankers Association; Adam Denoncour, NH DRA; and Michele Bogardus, NH Government Finance Officers Association.

Also Present: Emelia Galdieri, Commissioner, NH Banking Department; Lauren Warner, Deputy General Counsel, NH Banking Department; Beth Galperin, PFMAM; and Katia Frock, PFMAM.

Via Remote Call-In: Kerri Muskin, PFMAM; Betty Bullock, NH Bankers Association; Bob Lamberti, Hearings Examiner, NH Banking Department, and Doreen Sheppard, Paralegal, NH Banking Department.

Commissioner Galdieri opened the meeting at 9:03 a.m.

The roll was called for attendance, and it was established that a quorum of the committee was present via in-person attendance.

Tab I: Minutes:

The minutes of the meeting of February 17, 2022, were reviewed. No edits.

Commissioner Galdieri asked for a motion to accept the minutes of February 17, 2022.

Dan Lynch made the motion to accept, seconded by Charles Nickerson.

Roll Call Vote.

Approved: Jamie Teague, Charles Nickerson, Dan Lynch, Keith Pike, and Michele Bogardus.

Abstained: Monica Mezzapelle, Adam Denoncour, and Joe Thornton.

Motion passes.

Tab II: Pool Board Quarterly Market Update, presented by Kerri Muskin, PFMAM:

Page 2: Job market update.

Pages 6-7: Federal funds rate overview. Projected rate hikes for 2022. Anticipated seven to nine rate hikes this year. Three rate hikes have already occurred. June 15, 2022 is the next projected rate hike.

Page 8: US Treasury yields have risen in response Fed rate hikes, very sharply positive in the less than one-year range. Beyond two-years the curve flattens out. Two-year Treasury has risen 2.64%.

Page 9: Longer maturities in the money market space are pricing in expected Fed rate hikes.

Pages 10-11: We are seeing credit spread widening.

Page 14: Investment overview. Portfolio 30-day SEC gross yield rose to 37 basis points the end of March, due to the Fed rate hike. Yield is expected to increase. Increased credit in the portfolio.

Pg. 15: Net asset value is very tight to one, or slightly below one. PFMAM is targeting a lower duration to help protect the NAV.

Pg. 16: No negative changes in the credit quality in the portfolio. PFMAM increased commercial paper.

Pg. 18: Comparing the portfolio's gross yield to the S&P, the portfolio yield is above the S&P.

Pg. 22: Stress test review. In all three extreme case scenario tests the portfolio did not drop below the net asset value. As an extra precaution, PFMAM has been running weekly stress tests in addition to the monthly stress tests. No negative findings from the weekly stress tests.

Pg. 27: Liquidity test summary review shows 30.5% of daily liquidity on hand is well above the required 10%. Also it is above the weekly required 30%, coming in at 37%.

No questions in the room.

Tab III – Financial Report, Katia Frock, PFMAM:

Page 1: Statement of net position as of 03.31.22 was just over \$237 million.

Page 2: Review of statement in changes in net position for the quarter ending on March 31, 2022. Continue to have a healthy cash flow in the Pool. About 2.4 million net increase, more money coming into the Pool than going out.

Page 3: Review of this quarter's cash disbursements. First bill from NH Banking Department shown this quarter.

Page 3: Total waived fees by PFMAM since November 2020 are roughly \$263,000. PFMAM stopped waving fees on March 7, 2022, due to the rate increase. Currently at 0.74 basis points.

Once the net distribution yield to the pool is above 50 basis points, PFMAM can start recouping fees. PFMAM provided notice to the Pool will likely start to recover fees waived in June, so long as the yield is over 50 basis points pursuant to the Fee Waiver Agreement.

Questions:

Joe Thornton asked PFMAM how do they determine what is a competitive rate?
Katia Frock responded that Beth Galperin reaches out statewide, as well as PFMAM looks at the general rate landscape both on a state and federal level.

Dan Lynch requested a copy of the fee recouping scale. Katia Frock will provide this.

Tab IV – Approval of New Auditor, Katia Frock, PFMAM:

Ernst & Young (“E&Y”) is the proposed new auditor for the Pool due to RSM’s conflict of interest after PFMAM’s merger with U.S. Bank.

Commissioner Galdieri provided a review of the proposed audit engagement letter, highlighting the Banking Department’s proposed changes due to state contracting rules. The draft is currently with E&Y for approval, so the Advisory Board does not have a final copy to review today.

Jamie Teague makes a motion for the Advisory Board to recommend Commissioner Galdieri approve and sign E&Y’s engagement letter subject to it complying with state contracting standards. Joe Thornton seconds the motion.

Roll call vote taken. Motion passed unanimously.

Tab V - Marketing Update, Beth Galperin, PFMAM:

Ms. Galperin has contacted over 90 customers and secured 15 new accounts this quarter. Ms. Galperin provided a review of upcoming events.

Tab VI - Senate Bill 272, Katia Frock, PFMAM:

Ms. Frock provided status of SB 272, highlighting the amendments to the bill, including moving it from the Banking Department to the State Treasury in terms of oversight. Currently the bill is waiting for the Governor’s signature.

Jamie Teague inquired if PFMAM was happy with SB 272. Katia Frock responded that PFMAM hopes everything (referring to PFMAM, the Board, etc.) can be included in the discussions with the study committee.

Commissioner Galdieri stated the Department has no position on the bill.

Study committee report due beginning of November this year.

Brief discussion of out-of-state banks and NH towns'/municipalities' ability to deposit public funds by the Advisory Board.

Katia Frock asked if there was any further discussion on SB 272? None.

Tab VII - Upcoming Meeting Dates, Katia Frock, PFMAM:

Next meeting is August 25, 2022. Review of all future meetings through next May.

Katia Frock inquired if anyone in the room had conflicts with the proposed meeting dates. No conflicts.

Charles Nickerson moved to adjourn the meeting. Seconded by Dan Lynch.
Roll call vote taken. Unanimous (Monica Mezzapelle had previously departed).
Dan seconded

Commissioner Galdieri adjourned the meeting at 10:14AM.