

New Hampshire Public Deposit Investment Pool

August 26, 2021

New Hampshire Banking Department
53 Regional Drive
Concord, NH 03301

MINUTES OF PUBLIC SESSION

Present: Monica Mezzapelle, NH State Treasurer; James Gerry, NH DRA; Joe Thornton, NH Bankers Association; Michele Bogardus, NH GFOA;
Via Remote Call In: Keith Pike, NH Bankers Association; Jamie Teague, NH School Boards Association.

Also Present: Gerald Little, Commissioner NH Banking Department; Chiara Dolcino, General Counsel, NH Banking Department; Lauren Warner, NH Banking Department; and Doreen Sheppard, Paralegal, NH Banking Department; Beth Galperin, PFM; Katia Frock, PFM;
Via Remote Call In: John Molloy, PFM; Jeff Rowe, PFM; Kristy Merrill, NH Bankers Association; Ryan Hale, NH Bankers Association.

Commissioner Little opened the meeting at 9:08 a.m.

Lauren Warner of NH Banking Department read the following statement into the minutes:

Per 91-A:2,III(b), due to an emergency a physical quorum of the Advisory Board could not be physically present, and that immediate action is imperative and requires immediate action of the Advisory Board. Therefore we shall proceed under 91-A:2, III(b) to have a quorum of the Advisory based on those physical present in the room and on the phone. An emergency existed due to a last minute scheduling conflict of one of the Advisory Board members.

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

Commissioner Little introduced Michelle Bogardus, member appointed by the Government Finance Officers Association who was present at the meeting.

Tab I: Minutes:

The minutes of the meeting of May 27, 2021, were reviewed. The following edits were proposed:

Page 2 “64%” be changed to “6.4%.”

Page 2, correct sentence by removing period between “basis” and “points” so sentence reads “basis points.”

Page 2, change “QUID” to “QIB.”

Page 3, “SB 285” be changed to “Section 5” and delete remainder of that sentence to read: “Commissioner Little addressed issues under Tab V- HB2 Section 285.”

Commissioner Little asked for a motion to accept the minutes of May 27, 2021, as edited. Joe Thornton moved to accept the minutes, seconded by James Gerry. The roll was called and motion passed, as follows:

Monica Mezzapelle	Yes
Michele Bogardus	Yes
Joe Thornton	Yes
Keith Pike	Yes
James Gerry	Yes
Jamie Teague	Yes

Tab II: Investment Advisor Report:

Jeff Rowe of PFM discussed info under Tab 2 – Investment Advisory Report.

Emergence of Delta variant and effect on economy pushed back a bit of recovery but has not derailed economy. Stock market continues to improve. GDP registered growth around 6% so far this year. Expected to continue around 5-6% for rest of year. Baffling to economists is the rate of unemployment. Unemployment was at 15% now around 5%, but many people are not looking for jobs at this time.

Labor force participation rate – many of people who left the labor force at start of pandemic have not returned. Economists believe some do not want to engage while the pandemic is ongoing; some taking advantage of expanded unemployment benefits; and there is a skills mismatch between those looking vs. the available job openings. Fed is confident its policies over time will see more significant gains on the unemployment front. The Delta variant may or may not impact that.

Markets – The market is not fearful of inflation. Fed believes inflation will abate – might move sooner than initially indicated. Also, interest rates are low globally. US low rates might still be better than other global rates. Stock investors are not fearful of inflation.

Short term markets - Fed Dot Plot. Fed released expectations on growth, unemployment, interest rates. June meeting increased expectation of where interest rates will be in 2022 and 2023. With significant improvement in growth this year Fed saw potential to raise rates in 2022. Markets adjusted based on this new expectation. Our portfolio did not change much. We have a very short term portfolio – average around 60 days.

Interest rates have been near zero for year – been a downward trend in rates since 4th quarter last year. This year treasuries got close to zero. There was fear that trading would go to negative rates. Fed stepped in there.

Investment Overview – Government money market funds fell. A decline in CDs and an increase in commercial paper. This happens from time to time.

NAV is stable. Not much volatility.

WAM similar to prior period.

Discussed information over next several pages –Compared to other states; different investment policies. Some larger states might be 5-10\$ or more.

Stress test – when is the fund no longer worth \$1? Stressed using variety of scenarios. It would take very significant change to get portfolio to less than \$1.

Katia Frock of PFM discussed the information under Tab III – Financial Report June 30 ended with almost \$220 million in assets. Reviewed statement of changes in net position. PFM did waive fees for the quarter as yield was very low over quarter. Decrease in pool about 9.4 million; partially due to seasonality, also due to 2 basis point yield on the fund.

Overall fee waiver picture - Began waiving fees in November of 2020. Cumulative waiver – about \$97+ thousand. All recoverable as there is about 3 years to recover. Pool needs to be above 50 basis points in order for PFM to recover any waived fees.

Commissioner Little asked if fee waivers are recovered is there notice to pool?

Ms. Frock answered the pool would be notified before PFM started to recover. It would be over period of time, not a lump sum.

Jamie Teague asked what the position was at end of last fiscal year.

Commissioner Little responded it was about 250.

Kristy Merrill of the NH Bankers Association asked how fee waivers would be affected by new law relative how the Banking Department recovers expenses.

Commissioner Little explained that HB 2 now allows NHBD to recover its administrative costs relative to PDIP activity. Expect it would not have a direct effect but, as NHBD bills the PDIP, PFM would consider what to waive or how much to waive in order to balance the pool to not break the buck.

Ms. Galperin reviewed the Marketing Update. 196 clients were contacted over the quarter.

Continue to increase number of accounts – encouraging even with low interest rates. Quarterly newsletter reaching new members as well as current members. Client services group has done a great job staying in front of clients. KP with BG on panel with trustees of trust funds. Reviewed upcoming conferences

Commissioner Little opened discussion relative to Tab V – Acquisition of PFAM by US Bank explaining that the advisory committee will vote on this resolution.

John Molly of PFM explained that securities regulations require that PFM cannot hand over the contract with the pool to the new owner. The pool must consent. There is no change to the pool's contract with PFM. What is changing is behind the scenes ownership of PFMAM. Assuming pool consents to change, it would see no change in services provided or how the services are provided. If consent is not given, once ownership changes, PFM would not be able to be the pool's adviser any more.

After the change of ownership transaction PFM becomes wholly owned by USBAM. PFM believes this can better meet needs of clients. US Bank is a strong partner – share a closely aligned culture, ability to invest in technology, personnel, etc.

USBank is one of the largest commercial banks in US via assets. Does not have much presence in eastern US but will find them in the rest of the country.

There will be some changes in leadership roles at PFM post acquisition.

With board's consent PFM will remain investment adviser with no change in terms or fees. It is worth noting US Bank is currently the custodian of the pool. That can remain or change at preference of the advisory committee.

RSM has indicated a conflict with USBank and will not be able to stay on as auditor. They can complete the current audit and report to the committee at October 2021 meeting, but will need to step down after that.

PFM will continue to provide the same level of service. No plans to change approach to managing the pool.

Ms. Mezzapelle asked if the contract relative to the custodian is with the pool or with PFM.

Lauren Warner answered that PDIP has a contract with PFM, under that PFM has ability to hire a custodian. The contract with US Bank is between PDIP and US Bank. PDIP approved the agreement to extend the US Bank contract to match timeline with PDIP.

Ms. Frock stated, if the PDIP board does not approve the change of control, the pool would have to look for new asset manager.

Commissioner asked for any more questions on this matter and requested a motion to recommend that the Commissioner approve the resolution at page 81 of meeting materials:

Ms. Mezzapelle so moved; seconded by Mr. Gerry and the roll was called:

Monica Mezzapelle:	Yes
Michele Bogardus:	Yes
Joe Thornton:	Yes
Jamie Teague:	Yes
James Gerry:	Yes
Keith Pike:	Abstain

5 in favor 1 abstain = resolution is recommended to the Commissioner.

Mr. Molly thanked the board and offered to be available to any further questions or issues.

Commissioner Little confirmed upcoming meeting dates: Oct. 14, 2021; Feb.17 and May 26 of 2022.

Mr. Molloy informed the board that at the October 2021 meeting representatives from RSM will be present to report the results of 6/2021 audit.

Commissioner Little stated that a significant Covid spike is anticipated around October of this year. If anything changes regarding public meetings we will let board know.

Commissioner Little asked if there was any other business to be brought before the committee. There being none, the meeting was adjourned at 10:35 a.m.