

New Hampshire Public Deposit Investment Pool

October 14, 2021

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; David Fredette, NH Government Finance Officers Association; Dan Lynch, NH Municipal Association; James Gerry, NH DRA; and Joe Thornton, NH Bankers Association.

Also Present: Gerald Little, Commissioner NH Banking Department; Lauren Warner, NH Banking Department; Beth Galperin, PFM; and Katia Frock, PFM.

Via Remote Call-In: Chiara Dolcino, General Counsel, NH Banking Department; John Molloy, PFM; Kerri Muskin, PFM; Dan Hess, PFM; Ron Kelly, PFM; Matt Spiegle, RSM; Patrick Mulloy, RSM; and Ryan Hale, NH Bankers Association.

Commissioner Little opened the meeting at 9:00 a.m.

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

Commissioner Little stated if anyone on the call-in line required a copy of the agenda packet to email him, and he or Lauren Warner will email it to them.

Tab I: Minutes:

The minutes of the meeting of August 26, 2021, were reviewed. The following edits were proposed:

- Page 1: under “Also Present” change “Christie Merrill” to “Kristy Merrill”
- Page 1: under “Tab I: Minutes” change “QID” to “QIB”
- Page 3: paragraph 6 change “94 million” to “9.4 million”
- Page 3: paragraph 10 change “Christie Merrill” to “Kristy Merrill”
- Page 3: paragraph 10 change “by new law relative how PFM is paid for” to “by new law relative to how the Banking Department recovers expenses.”
- Page 3: paragraph 10 change “NHBD bills PFM they would consider” to “NHBD bills the PDIP, PFM would consider”
- Page 4: paragraph 1 change “PFAM” to “PFMAM”
- Page 5: paragraph 1 change “representative” to “representatives”

Commissioner Little asked for a motion to accept the minutes of August 26, 2021, as edited.

David Fredette moved to accept the minutes, seconded by Jamie Teague. The roll was called and motion passed as follows:

Monica Mezzapelle	Yes
Jamie Teague	Yes
Charles Nickerson	[Not yet present, arrived at 9:24am]
David Fredette	Yes
Dan Lynch	Abstained
James Gerry	Yes
Joe Thornton	Yes

Tab II: Investment Advisor Report, presented by Kerry Muskin:

Pg. 3: Labor market recovery continues, but still remains low as Covid-19 cases continue to keep some Americans from returning to work. Job growth has continued each month, but it is now seeing a loss in positive momentum compared to what the US experienced in the May-June time frame. It has fallen to 4.8% from the previous 5% reported last meeting. The labor market growth has risen 4.6% compared to a year ago.

Pg.4: CPI is trending downward from the peak we experienced earlier this year. Consumer prices up are 5.4%; driven by higher energy, food, and shelter costs; supply chain interruption; material shortages; and rising wages driving up cost for producers who are in some part passing those costs onto consumers.

Pg. 5: Debt ceiling is the total amount of debt the US Treasury is authorized to incur. It's a limit on the ability to pay already incurred debt obligations. There has been ongoing political debate regarding whether to raise the debt ceiling or not. On Tuesday Congress passed a short-term increase to the debt ceiling. The debt ceiling has been raised 78 times by Congress in the past. Historically whether or not to raise the debt ceiling has not been political; however, since early 2000s political debates have occurred over the debt ceiling.

Pg. 6: National GDP was 5.9% in June 2021. Fed projections are that GDP will decline steadily to 2.0% at the end of 2024 and drop below 2% in the longer term.

Pg. 7: Fed's September "Dot Plot" signals rate liftoff in 2022- upward revision to the rate outlook. Paves the way for a real possibility for a rate hike in later 2022. Long run Fed run rate is 2.5%, which appears to be driven by inflation costs.

Pg. 8: Fed tapering was expected to begin later this year but current forecasts are for it to start in early 2022.

Pg. 11: Continuing near-zero interest rates of 2021 spurred the Fed to respond with adjustments to the IOERR and RRP.

Pg.12: We are now seeing lower rates more so than in prior low rates periods for short term rates. Cash flood seen in liquidity market not going away anytime soon, and likely could continue at least for the next 6 months.

Pg.15: NH PDIP Portfolio Snapshot – 30 day SEC gross yield down to 0.13% at 9/30/21. Assets remain stable – roughly \$2M lower. Portfolio composition changes – the biggest elimination is of US Treasuries and US government agencies. The Pool shifted to purchase of repurchase agreements– continued benefit for investors from the Feds technical tweak of the RRP in June 2021. Increase in RRP results in a stronger floor on rates for repurchase agreements. Found more value in commercial paper this quarter as well.

Pg. 16: net asset value continues to be in acceptable range this quarter.

Pg. 17: Credit Quality- some shifts but no adverse changes in overall credit quality. This is due to the Pool's shift to repurchase agreements this quarter.

Pg. 18: Maturity Analysis- weighted average maturity and life declined this quarter due to a shift in 1-3 month distribution. Also a 41.5% increase in the 7 days or less duration – due to the increase in repurchase agreements.

Pg. 19: The Pool continues to perform very favorably – portfolio performance standout – gross yield was 4 basis higher this quarter.

Question by Commissioner Little on page 18 under maturity distribution. Inquired as to the reason for the Pool's/PFM's shift to the shorter 7 days or less maturity distribution. Kerri Muskin responded it is the result of the increase in the number of repurchase agreements that has caused the rise. Repurchase agreements show in the 7 day or less category because of the shortening feature associated with it. The decision is based on relative value amongst sectors.

Question by Monica Mezzapelle regarding the graph on page 19 graph. Inquired why PDIP was shown to consistently outperform the benchmark. Specifically, what is the difference between the current investments in the Pool versus the benchmark? Kerri Muskin responded the benchmark's portfolio composition could be different, or they could not be actively trading funds to the extent PFM is. The benchmark may not have access to the repurchase agreements that PFM does for the Pool.

Pg. 23: The Pool's monthly stress test takes portfolio net asset value and stresses it under multiple potential scenarios, trying to identify scenarios that would cause the net asset value to move out of the acceptable range. The test showed that even under extreme case scenarios the portfolio would drop below acceptable range. She can confidently conclude portfolio is structured in such a way to withstand any event that could occur in the near term.

Pg. 28- Liquidity Test Summary- snap shot in time as of Sept. 16, 2021 – liquidity snapshot shows the Pool is well over the 10% required liquidity, coming in at 30%.

Kerri Muskin states overall things look good with the Pool, and she has no concerns going into next quarter and beyond.

Commissioner Little asks if there are any questions in the room or on the phone. No questions.

Tab III – Financial Report, Katia Frock, PFM:

Pg. 1: Statement of net position at end the quarter is around \$218M in the fund as reported end of September.

Pg. 2: Total investment income for the quarter is around \$76K. PFM fees would have been around \$129K, but PFM waived fees of around \$64K. Typically in this quarter we do generally see a net gain due to tax revenues; however, we did not see that this year. This in part could be due to getting better rates at the banks than the Pool can give right now. Balance of fund was around \$227M as of yesterday.

Question by Joe Thornton inquiring if there is a cap on the total amount of fees PFM can waive? Katia Frock responded that there is no cap on the total number of fees PFM may waive. The point of waiving fees is to ensure the Pool remains viable and stays above the buck. Commissioner Little states there is no limit in the PFM Fee Waiver Agreement. The ability to waive fees is a business decision made by PFM internally.

Question by Jamie Teague inquiring if the Pool was at \$227M yesterday, what caused the increase in funds from the \$217M as on the balance sheet? Could it be tax revenue? Beth Galperin of PFM stated she believes its school money, as PFM added new accounts post the \$217M reported.

Pg. 4: Schedule relates to PFM fee waiver picture depicting total amount of waived fees so far this year. PFM would give notification to the Pool before PFM attempted to recoup any waived fees, and any recoup would not occur until the yield on the Pool is above 50 basis points.

Tab III – Annual Report, Dan Hess, PFM:

Dan Hess presented a review of the draft annual report for the year.

Pg. 14: Review of management discussion analysis, market conditions, portfolio strategy.

Pg. 15: Balance sheet snapshot with a comparative analysis for 2 year trend. Change in net position is down slightly for 2021 compared to 2020.

Pg. 16: Financial highlights – the Pool sees returns dropping each year. Return has been supported by PFM waiving some of its fees (4 basis points of waivers).

Pg. 21: Management fees section. This section shows PFM's fee waivers for the year and when they could potentially be available to recoup such per the Fee Waiver Agreement. The section also includes a summary of the Fee Waiver Agreement. It also makes note of Bancorp Asset

Management's Agreement to purchase PFAM. The transaction is expected to complete in the fourth quarter of 2021.

Commissioner Little asks if there are any questions regarding the draft annual report. There were no questions.

Commissioner Little notes once the audit review is completed, the Board will vote on whether or not to accept the annual report and audit.

Tab III – Audit Results, by Pat Mulloy and Matt Spiegle of RSM:

Pat Mulloy reviewed required communications in the packet to the Board (Pgs. 27-29).

Matt Spiegle provided review of investment audit, noting there were no adverse findings.

Commissioner Little asks if there are any questions. There were no questions.

Katia Frock states next step is for the Board to make motion to accept auditor's report and motion to accept annual report. Commissioner Little asks if this can be done as one vote? Lauren Warner stated unless there are any questions/concerns by the Board with one of the items, the Board can vote on both items in one vote. None of the Board members had any questions or concerns on the two items. James Gerry recommends the Board vote on the two items in one vote.

James Gerry moved to accept the annual report and auditor's report, seconded by Monica Mezzapelle. The roll was called and motion passed as follows:

Monica Mezzapelle	Yes
Jamie Teague	Yes
Charles Nickerson	Yes
David Fredette	Yes
Dan Lynch	Yes
James Gerry	Yes
Joe Thornton	Yes

Commissioner Little Jerry thanks RSM and PFM for their presentations.

Tab IV - Marketing Update, Beth Galperin, PFM:

Since the August 2021 PDIP meeting she has reached out to almost 50 clients and prospects. There have been 11 new accounts, and the Pool has gone up about \$10M in the last few weeks. She provided a review of upcoming conferences (see Pg. 2 of Tab IV).

Commissioner Little inquired if Beth Galperin's sense in fluctuation the Pool has seen in recent quarters is a result of outside external factors as opposed to internal issues that the Board needs to review? Beth Galperin responded, no, it is not due to any internal factors.

Commissioner Little asked if there were any questions. There were no questions.

Tab V - Upcoming Meeting Dates, Commissioner Little:

Commissioner Little stated the meeting location will continue to be at the New Hampshire Banking Department in person quorum required of the Board. The next three upcoming meetings are: Feb. 17, May 26, and August 25 of 2022.

David Fredette noted he is retiring his position on January 3, 2022. He and Beth Galperin think they have a member to fill his spot. Commissioner Little and others congratulated him.

Commissioner Little adjourned at 10:10AM.