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State of Oregon

Office of the State Treasurer

Telephone Only

OREGON SHORT TERM FUND

July 25, 2023

Meeting Minutes

Members Present:	Douglas Goe, Michael Kaplan, Deanne Woodring, Sharon Wojda, Michelle Morrison, Brian Nava, Bryan Wolf
Staff Present:	Perrin Lim, Rex Kim, Sara Bayes, Jeremy Knowles, Alli Gordon, Rupa Raman, Taylor Marks, Will Hampson Cora Parker, Bryan Cruz González, Annie Gregori, Andy Coutu, Scott Robertson, Kristi Jenkins, Josh Jones, Debra Day, Jennifer Kersgaard, Michael Makale, Dave Randall
Other Attendees Present:	PFM Asset Management: Lauren Brant GPA: Whitney Maher, Rashad Masri Morrow County: Jaylene Papineau Tualatin Hills Park & Recreation District: Jared Isaksen

The July 25, 2023 OSTF meeting was called to order at 10:00am by Douglas Goe, OSTF Chair.

I. Opening Remarks

Douglas Goe welcomed all to the Oregon Short Term Fund Board (the "Board") meeting and roll was taken. Chairman Goe introduced the Board's newest board member Bryan Wolf.

II. Review and Approval of Minutes

MOTION: Mr. Goe asked for a motion to approve the April 25, 2023 OSTF meeting minutes. The Board approved the minutes unanimously.

III. LGIP/OSTF Investment Policy Review

Morrow County

PRESENTED BY Jeremy Knowles, Investment Analyst. Jeremy Knowles reviewed the investment policy for Morrow County ("County"). Morrow County ("County") last presented their policy to the OSTF Board in 2017. In May 2023, the County hired Government Portfolio Advisors (GPA) to help them revise their investment policy. The County wishes to adopt a policy similar to the OSTF Board sample policy, except as otherwise noted below. The amount of funds falling within the scope of this policy over the next three years is expected to range $15 and $25 million.

Summary of Key Changes:
Treasury Staff compared the County's proposed policy to the most current OSTF Board sample policy. There were few substantial changes recommended by Treasury Staff to the County so it was deemed fine to

proceed without revisions. The County desires maximum maturities of 5.25 years to take advantage of new issues that often have maturities of slightly beyond 5 years.

Full Treasury Staff Recommendations:
Main Item:
- Recommend utilizing lowest security level rating available instead of highest available: A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from Standard and Poor's, Moody's Investor Services and Fitch Ratings respectively.

Minor Items:
- Recommend reducing maximum % per issuer for US Agency Obligations to 33% from 35%.
- Recommend reducing maximum % holdings for Municipal Debt to 10% from 25%.
- Recommend adding Liquidity Risk definition: Liquidity risk is the risk that an investment may not be easily marketable or redeemable.
- Recommend elaborating on the importance of issuance size: Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporate or municipal debt bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance.
- Recommend defining interest rate risk: Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. Certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the interest rate risk profile of the portfolio differently in different interest rate environments.

COMMENTS FROM THE BOARD
- Chairman Goe inquired for clarification on whether the County would like to stay at 35% for US Agency Obligations and 25% for Municipal Debt. Staff confirmed that to be correct.
- Jaylene Papineau expressed her appreciation to the Board and Treasury staff for reviewing their policy and Mr. Goe thanked the County for bringing forward their policy.

Tualatin Hills Park & Recreation District

PRESENTED BY Jeremy Knowles, Investment Analyst. Jeremy Knowles reviewed the investment policy for Tualatin Hills Park & Recreation District ("District"). Tualatin Hills Park & Recreation District ("District") last presented their policy to the OSTF Board in 2010. In May 2023, the District hired Government Portfolio Advisors (GPA) to help them revise their investment policy. The District wishes to adopt a policy similar to the OSTF Board sample policy, except as otherwise noted below. The amount of funds falling within the scope of this policy over the next three years is expected to range $5 million and $200 million.

Summary of Key Changes:
Treasury Staff compared the District's proposed policy to the most current OSTF Board sample policy. There were few substantial changes recommended by Treasury Staff to the District so it was deemed fine to proceed without revisions. The District desires maximum maturities of 5.25 years to take advantage of new issues that often have maturities of slightly beyond 5 years.

Full Treasury Staff Recommendations:
Main Item:
- Recommend utilizing lowest security level rating available instead of highest available: A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from Standard and Poor's, Moody's Investor Services and Fitch Ratings respectively.

OREGON STATE TREASURY

Minor Items:

- Recommend including investment committee section in case Board of Directors wishes to establish one in the future: The Board of Directors may seek to establish an investment committee to provide guidance to the Investment Officer(s) and monitor investment policy compliance.
- Recommend reducing maximum % per issuer for US Agency Obligations to 33% from 35%.
- Recommend reducing maximum % holdings for Municipal Debt to 10% from 25%.
- Recommend adding Liquidity Risk definition: Liquidity risk is the risk that an investment may not be easily marketable or redeemable.
- Recommend elaborating on the importance of issuance size: Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporate or municipal debt bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance.
- Recommend defining interest rate risk: Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. Certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the interest rate risk profile of the portfolio differently in different interest rate environments.

COMMENTS FROM THE BOARD

- Chairman Goe inquired if Tualatin Hills Park & Recreation District was staying with agency levels and municipal debt levels and Jared Isaksen confirmed that to be accurate. Mr. Isaksen thanked the Board and staff for taking the time to review their policies and making recommendations.
- Brian Nava asked about why issuance size was omitted from their policy.
    - Jeremy Knowles commented that all of the specific points for issuance size and liquidity risk that staff has wanted for the definitions have been addressed in different places throughout their policy, however do not state the specific words.

IV. Review/Discussion of Roles and Responsibilities of Investment Advisors and Broker/Dealers

PRESENTED BY Deanne Woodring, Oregon Short Term Fund Board, Board Member.

Deanne Woodring, Oregon Short Term Fund Board, Board Member Officer provided a presentation about the Roles and Responsibilities of Investment Advisors and Broker/Dealers.

TOPICS

- Investment Advisory Overview
- Comparison of Advisory Fiduciary versus Broker Suitability
- Types of Investment Advisory Services, Differences in Responsibilities & Aspects of Each Approach
    - Discretionary versus Non-Discretionary
- Oversight Investment Advisory Services
- Regulatory Oversight of Investment Advisors
- Broker Dealer Relationship
- Broker Dealer Regulation
- Broker Dealer GFOA Best Practice
- Selection Criteria – GFOA Best Practice – Advisors
- Selection Criteria – GFOA Best Practice – Brokers

- Municipal Advisor Rule Affecting Bond Proceed Investments
- Costs And Fee Structure Advisor
  - Comparison of Advisory Fees versus Broker Dealer Fees

COMMENTS FROM THE BOARD

- Perrin Lim asked if instances ever arise in which a Non-Discretionary client is unreachable and the idea or strategy to be approved is missed and thus the opportunity is gone.
  - Deanne Woodring stated this could be the case on occasion and could be a benefit or negative, as the market could move or not. In some instances, a targeted security will sell, thus requiring them to redo the proposal. Sometimes the Non-Discretionary will be expanded to be the strategy and approved monthly or quarterly before proceeding, but there is still approval from the client that they are within duration and security constraints, for example.
- Chairman Goe asked about the difference between the primary dealers and secondary dealers during the Broker Dealer Regulation portion of the discussion.
  - Ms. Woodring replied that primary dealers are regulated and required by the Federal Reserve to take down bonds and be part of the flow of issuance of the US Treasury debt and the secondary dealers are brokers and not buying and holding primary debt issuance.
- Bryan Wolf referenced Ms. Woodring's statement about the transition to advisory services beginning post 2008 and asked if Ms. Woodring would speak to where we are today with an estimated percentage split between entities that have engaged in advisory services versus broker/dealers within the state?
  - Ms. Woodring estimated that within the state, approximately 20% are using advisors and nationally about 10%. Ms. Woodring noted that advisory services has grown rapidly due to turnover, shrinking staff and market movements.
- Mr. Wolf asked a follow-up question on whether there is or should be an education element conjoined with the sample policy we provide to local governments to help entities understand how they could affect a transition to advisory services or if their situation would be better served with broker/dealers versus advisory services?
  - Ms. Woodring replied that typically the OSTF Board has not taken this on and this would be more of a role for the individual entities. The Board's role is to provide oversight and be a sounding board and not provide advice to the clients.
  - Mr. Goe added that for smaller entities, the Board has commented that they may benefit from having advice from a registered investment advisor. Additionally, the Board has been involved in making presentations on the sample policy and related investment issues at key local government conferences which Mr. Goe opined is a helpful function that the board can serve.
- Brian Nava asked if there was enough information from the presentation to review the broker/dealer pricing model and educate the county treasurers on what they're paying when going through a broker/dealer? Specifically, if the costs they are paying are reasonable.
  - Ms. Woodring expressed that service costs should be evaluated holistically. With the brokers, transaction fees are the only cost, however an advisory fee is ongoing on the client's assets and various factors weigh in such as how active the portfolio is and what the internal resources are which help to determine the value and the cost benefit.
- Mr. Nava referenced an article that noted how Treasury saved the state a lot of money by doing its own active investing and it could be interesting to review this analysis during a future meeting. Also, since the LGIP is limited in the amount in statute, Mr. Nava asked if there was a reason the amount could not be adjusted higher to be more responsive to inflation and the current market environment. When conversing with advisors and brokers about the cost to local governments, they could perhaps eliminate

OREGON STATE TREASURY

costs to some extent and allow local governments to put the money into the LGIP, this being a thought for future consideration. Mr. Nava also asked what would be riskier to local governments: Discretionary or Non-discretionary Advisor Services?

- Ms. Woodring stated that the risk is the same for discretionary versus non-discretionary and it would be best to have an advisor that fits the organization's needs. From a risk perspective, since statute and strategy need to be followed, they are most likely similar. Managing discretionary and making decisions from an advisor perspective has been more efficient. Regarding performance, the portfolio will most likely perform better when utilizing the discretionary model. Comparably, non-discretionary can be advantageous as the client owns it, is well versed, and can explain the transactions and decisions made.

- Mr. Goe circled back to the topics Mr. Nava addressed. In terms of the limits, percentages and participation pertaining to the LGIP, he echoed that those topics would be good for a future discussion.

V. Review Sample Investment Policy: Additional Policy Updates

PRESENTED BY Perrin Lim, Investment Officer, Fixed Income. Perrin Lim, Investment Officer, Investment Division provided a presentation about the Oregon Short Term Fund Board Sample Policy for Local Governments under the various proposed options below. Perrin Lim discussed the second draft of revisions to the Sample Investment Policy from staff's perspective with the assumption that *all* local governments may see and potentially adopt the revisions. Regarding the ESG language revisions sent on March 9, 2023 after the discussion at the January Board meeting, Mr. Lim left "as is," to be further reviewed at the upcoming meeting. The following topics in the matrix were reviewed (Board comments are in red font and Treasury staff comments are in blue font and highlighted in yellow):

- Investment Advisors Maintenance: **Proposed Revision: Yes**
  - Factors to consider would be:
    - A. ~~Pending investigations by securities regulators~~.
    - B. ~~Significant changes in net capital~~.
    - C. Pending customer arbitration cases.
    - D. Regulatory enforcement actions.
    - E. **Significant decline in assets under management.**

  This is not done necessarily as contracts are for 3 years and contracts require the disclosure of this information – A and B were removed as those are broker dealer issues. Suggestions: Contracted investment advisors must include a requirement to disclose if any of the following actions occur:
    - A. Pending customer arbitration cases.
    - B. Regulatory enforcement actions.

  Staff is fine with these suggestions and would also note in many/most cases and with sufficient cause, contracts can be/should be terminated at will.
- US Agency Constraints; Max Exposure: **Proposed Revision: Yes**
  - Revised "(Per Agency) Maximum % Holdings" to 40% from 33%.

  There is no rule on 33% - suggest widening this range and leaving up to client 25% to 40% seems appropriate.

  Staff: This was dictated by the prudent person standard pre-GFC and staff recommends revision to 40%.
- Corporate Debt; Max Exposure: **Proposed Revision: Yes**
  - Revised Corporate Debt "Maximum % Holdings" to 25% from 15%.
  - Revised Corporate Commercial Paper "Maximum % Holdings" to 25% from 15%; Maximum % Holdings Per Issuer to 5% from 2.5%. Minimum Ratings: A1/P1/F1.
  - Revised Corporate Bonds Debt "Maximum % Holdings" to 25% from 10%. Maximum % Holdings Per Issuer to 5% from 2.5%. Minimum Ratings: Aa/AA/AA.

  Legislative changes should be updated to incorporate the new rules that allow public funds to invest in qualified investors and therefore should be allowed to invest in these.

Rule 144A provides a mechanism for the sale of securities that are privately placed to QIBs that do not—and are not required—to have an SEC registration in place. Instead, securities issuers are only required to provide whatever information is deemed necessary for the purchaser before making an investment.
These constraints are difficult to manage to the statute provides for Corporate Debt at a combination of 35% Commercial Paper and Bonds and 5% issuer limit is consistent with Statute Recommending to either change to statute 35% and 5% combined or we can reduce to 20-25% if OSTF wants to suggest lower risk than statute.
Staff: Based on OST experience, local governments should seek internal or external legal opinion regarding the ability to invest in Rule 144A securities. Staff is comfortable with revising total corporate exposure to 25%.

- Repurchase Agreements: **Proposed Revision: TBD (2024 Session?)**
    - Recommended removal of 3-year maturity collateral constraint but would require revision to ORS 294.035 (3)(i)

  Good - and this may be not used by all local govts and should be optional.
  Staff: Based on previous revisions to OSTF guidelines, staff recommends deleting the 3-year maturity collateral constraint *but would require revision to ORS 294.035 (3)(i)*
- Municipal Debt: **Proposed Revision: Yes**
    - Revised "(Per Agency) Municipal Debt Maximum % Holdings" to 25% from 10%; Municipal Commercial Paper % Holdings" to 25% from 10%; Municipal Bonds % Holdings" to 25% from 10%.

  Yes (OR, CA, ID, WA only) – suggest legislative review of restriction to these states.
  Recommend expanding now that taxable bonds and Muni CP are available.
  Max Holdings: 25%, recommended by advisor and allowable in statute
  Min Ratings: AA-/Aa3
  Per issuer: 5%
  Muni CP – included in max % holdings of Municipals (25%)
  Min Rating: A-1/P1.
  Staff: Agrees. Revise as noted.
- Time Deposits, CD's, Savings Accounts: **Proposed Revision: TBD**
  Certificates of Deposits have maturities and deposits don't so may consider changing into two buckets. Should be stated that must be collateralized under state program.
  Max Holdings Bank: 20%
  Per Issuer: 20%
  Max Holdings CDs: 10%
  Per issuer: 5%
  Staff: Distinguishing between CDs & Deposits makes sense but would also need a revision to the delivery vs payment requirement.
  Bank Time Deposits: Max 20% of Holdings
  Certificates of Deposit: Max 20% of Holdings.
- Private Placement or "144A" Securities: **Proposed Revision: No**
  Still in statute but consider for change.
  Based on OST experience local governments should seek internal or external legal opinion regarding the ability to invest in Rule 144A securities.
  ORS 294.035 currently allows only corporate securities issued under section 3(a)(2) or 3(a)(3) of the SEC Act of 1933.
- Securities Lending & Reverse Repurchase: **Proposed Revision: TBD**
  Affirm in statute
  Staff: The origin of this prohibition was OST downside experience involving OSTF, OPERF, CSF and SAIF, most recently during the GFC. The risks/rewards are higher than many realize unless the SL manager is more aggressive with reinvestment guidelines and/or eligible collateral. Sec lending would be labor intensive for most local governments thus staff recommends no change.

- Determining a Security's Rating: **Proposed Revision: Yes**
  Corporate indebtedness must be rated on the settlement date by at least one of the three nationally statistical rating organizations (NRSROs), i.e., Moody's, S&P or Fitch, respectively, as follows: If short-term commercial paper, P-1, A-1 or F1; if corporate bonds, Aa3, AA- or AA-.
  Consider changing this to at least one rating must be at the AA- equivalent level.
  Must have at least one at rating standard required.
  Staff recommends revisions as noted.
- Liquidity Risk**: Proposed Revision: Yes**
  Liquidity risk is the risk that an investment may not be easily marketable or redeemable**, as well as a shortfall of operating cash resulting in the need to sell securities and, thus, principal risk**.
  Different ways to look at this—liquidity risk is also, not managing to have enough cash on hand. The easily marketable language is moot because the allowable investments constrain all to marketable securities.
- Maturity Buckets: **Proposed Revision: No**
  10% under 30 or 90 days.
  25% under 1 year.
  100% under 3.25 years or 5.25 years.
  Due to project funds, advisor recommends 25% under 1 year.
  Staff recommends no change to current language.
- Issuance Size: **Proposed Revision: No**
  Remove and let investors determine this is not trackable easily and can be managed by procedures.
  Staff disagrees and recommends no change to current language.
- Maximum Callable Exposure: **Proposed Revision: No**
  Good
  Staff believes the maximum percent to callables should continue to be reviewed on a case-by-case basis.
- Maximum Investment Maturity: **Proposed Revision: Yes**
  The maximum stated final maturity of individual securities in the portfolio shall be [three/five] years **from its settlement date**, except as otherwise stated in this policy.
  There is no statute limit on maturities for any securities – best practice is 5 years—however due to new issue markets and maturity structure 5.25 years should be considered.
  Staff recommends maintaining 3/5 years as measured from settlement date as opposed to trade date.

COMMENTS FROM THE BOARD

- Deanne Woodring mentioned that the Government Finance Officers Association (GFOA) has asked for any input regarding ESG language. Ms. Woodring would like to take the work that the Board and Treasury has done and provide GFOA with some of the sampling if that is agreeable with the Board.
- Ms. Woodring commented on the Issuance Size section pertaining to the constraints of 25% per issuer of Municipal Bonds by CUSIP and has a challenge with this, thus she does not include this in their policies. On her Muni security at the CUSIP level she is unable to access the issue size thus deeming that the local governments are most likely unable to monitor and track these rules. If this is in policy it must be reported, however she questions the accessibility of local governments to obtain this information. The issues are that it's too constraining, an inability to report on it and a lack of flexibility within the Muni market. Ms. Woodring would rather see an issuer constraint to that liquidity level. Ms. Woodring clarified that she was addressing the liquidity component.
- Brian Nava asked Treasury staff why they disagree.
  - Perrin Lim replied that he views the definition of liquidity as it applies to the OSTF, and everything has a bid price if needed. The quality of the bid will be enhanced contingent on how large of a deal, and liquidity will be greater versus with a smaller one-off deal. The cost will be greater for selling a smaller deal.

- Perrin Lim mentioned that remaining TBD items should be put forward at the next legislative session. Specifically, regarding Repurchase Agreements and the removal of a three-year maximum for eligible securities in Repo. Currently, statute calls out a three-year maximum. If everyone is in agreement, we could mirror what we've done with the OSTF policy, as the three-year maximum is a hindrance in ORS 294.035.
- Mr. Goe replied that it makes sense to ask the legislature to make that change.
- Ms. Woodring asked Mr. Lim if Private Placement or "144A" Securities will be taken to legislation. Private placement or "144A" securities are not allowed. "144A" securities include commercial paper issued under section 4(2)144A (also known as "4(2)A") of the Securities Act of 1933.
    - Mr. Lim replied, that this will most likely come down to each local government entity and the suitability from their legal standpoint.
- Ms. Woodring commented that the way the statue reads prohibits local government from implementing 144A and she does not see a way for local government to challenge 144A. Ms. Woodring asked if there was a way to open the statute. Ms. Woodring has heard of local governments being considered an institution and allowed to do 144A paper in other states, however Oregon statute specially does not allow 144A and is very restrictive. Ms. Woodring additionally asked if there would be a further discussion on Liquidity Risk. Also, regarding Maximum Maturity, clarified that the board's recommendation is 3 years - 5 years.
- Mr. Goe thanked Treasury staff for their good work on the sample policy.

VI. LGIP Participants and Operations Overview

PRESENTED BY Cora Parker: Cora Parker thanked the Board for the opportunity to present today. Ms. Parker presented a brief portfolio overview, outlining the total dollars invested in Oregon Short Term Fund over time as well as the breakout between the local government and state. Today's balances for the Oregon Short Term Fund are about $34 billion dollars and the local government component represents approximately $9.5 billion dollars of that amount. Ms. Parker noted that they are starting to see some of the ARPA and other remaining pandemic-related funds phase out from balances, both at the state and local government levels. Our partner Lauren Brant with PFM Asset Management discussed the OSTF Portfolio Overview. Ms. Brant reviewed the Participant Distribution and Participant Breakdown for School Districts, Special Districts, Counties, Cities and Other. School Districts, Special Districts and Cities make up 78% of LGIP's overall portfolio assets. The "Other" category is comprised of Council of Governments, Urban Renewal Agency, Housing Authority, Commodity Commission, Semi-Independent State Agency and Tribe. Ms. Brant reviewed the Asset Comparison Year over Year and assets are slightly down. Net Cash Flows had an increase in the number of net outflows year over year. There were six new participants, five Special Districts and one City, and one closed participant for the period which was a Special District.

TOPICS

- Oregon Short Term Fund Analysis
- Participant Breakdown
- Participant Distribution
- Transaction Activity
- SLA Report Metrics
- New & Closed Participants

COMMENTS FROM THE BOARD

- Bryan Wolf asked about the increase in the number of New Participants and what the catalyst was for this surge.
    - Ms. Brant speculates that the positive trend was due to when an entity has a bond issue, they seek out a higher level of return and with the higher yield this has prompted more activity in terms of new accounts in the LGIP. Additionally, the recent rate change to 4.3% made this attractive for local governments.

OREGON STATE TREASURY

- Ms. Parker added that the ORS 190 entity was interested in participating, relative to some of the expected dollars coming in, after some of the homeless funds were approved by the legislative body, thus creating an additional interest.
- Michelle Morrison expressed her appreciation for the functionality of the online system and the security features keeping our resources safe.
- Chairman Goe thanked PFM Asset Management and staff for the excellent overview.

VII. OSTF Market Overview and Portfolio Update

PRESENTED BY Perrin Lim: Perrin Lim presented the OSTF Portfolio update.

- Inflation: Consumer Price Indices, Personal Consumption Expenditure Core Index, Fed Funds.
- Real Federal Funds Rate: 2005 – Present.
- Snapshot of the Short-Term Fixed Income Markets + OSTF
- OSTF Portfolio Overview: Liquidity Schedule, Floating Rate Breakdown & OSTF Effective Ratings.
- Sector allocation and duration positioning drive total return performance (over & under).
- On a YTD basis, the OSTF has increased allocations to Treasuries and ABS from Corporates.
- Continued focus on credit quality at the issuer level.
- Floating rate securities have been a core position for 15+ years and will continue to be a focus, especially in the current environment.

COMMENTS FROM THE BOARD

- Deanne Woodring commented that the state pool is different from many of the other pools in the country. Oregon, California, and Utah have historically been the highest returning pools in the country, but right now it's not, and it's normal because it's a longer duration portfolio and it doesn't reset as fast with the Fed funds rate. From an oversight perspective, where we currently are is normal. Ms. Woodring referenced the OSTF Portfolio Overview slide and noted that Oregon has a set fee with current Book Yield at 4.42% and the Rate Paid to Participants at 4.05%, whereas others have a fee relative to the pool. Ms. Woodring inquired about the spread and where it goes.
    - Perrin Lim stated the Book Yield is a snapshot as of May 31, 2023. In general, what we receive in dollars drives what is distributed and it evens out. The difference goes into what is known as the allowance fund, and the allowance target is a percentage of the overall OSTF and LGIP as of fiscal year-end and the percent is based on the trailing five-year AA credit default rate (which is relatively low). Thus, as of May 31st that difference should go into that allowance fund. We are close to the target and should we get to the target balance, that spread should collapse.
- Ms. Woodring referenced the 6-7 basis points issue brought forward to increase the fee and asked if this nets out at year-end and additionally, if the fee charged to participants is tied to the 6-7 basis points? Ms. Woodring suggested looking at the fees (or) this fee structure more closely in the future.
    - Mr. Kaplan clarified there was not a fee increase, just authority to be able to increase the fee.
- Mr. Nava added two potential future topics to discuss and/or have a presentation on, in addition to a link to information on fees:
- 1. Basis for LGIP Cap outlined in ORS 294.810.
    - Some potential questions for presenter/group:
    - Why did it originally get set at $30mm?
        i. Should limit be higher or lower (why or why not)?
    - Should/Could legislation be implemented to allow for immediate increases, as determined necessary and appropriate by the Investment Officer, for unusual type events, such as ARPA funds, CARES funds, ARRA funds, Homeless funds, etc.?
- 2. Fee savings
    - https://www.oregon.gov/treasury/public-financial-services/Documents/Webinar/2020-LGIP-Investor-Webinar-Session-2A.pdf

OREGON STATE TREASURY

  - Slide 12
  - This is from 2020 so there might be updated information available but might be nice to get a presentation (or something similar) on the methodology to come up with these figures so that it might be replicated by local governments.
- 3. Regarding the following link, Note 4, has some information on fee: https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/Documents/oregon-short-term-fund-osft/OSTF-Annual-Financial-Statement-June-30-2022.pdf
- Mr. Goe asked Mr. Lim to provide any updates to the approach and fees related to the Oregon Short Term Fund in the future. Also, as the Board's role is to help local governments, he would like to give them more flexibility in terms of access to the Oregon Short Term Fund as a future topic. Mr. Goe welcomed Bryan Wolf to the Board and Rupa Raman to Treasury.

VIII. Closing Remarks/Other Items of Business

- Mr. Goe thanked everyone for a good meeting.

Mr. Goe adjourned the meeting at 11:43 AM.

Respectfully submitted,

Alli Gordon
Executive Support Specialist