



**OREGON  
STATE  
TREASURY**

# **State of Oregon**

## **Office of the State Treasurer**

**16290 SW Upper Boones Ferry Road  
Tigard, Oregon 97224**

### **OREGON SHORT TERM FUND**

**October 29, 2024**

#### **Meeting Minutes**

**Members Present:**

Douglas Goe, Michael Kaplan, Deanne Woodring, Brian Nava, Bryan Wolf, Michelle Morrison

**Staff Present:**

Rex Kim, Tan Cao, Will Hampson, Perrin Lim, Alli Gordon, Bryan Cruz González, Cora Parker, Andy Coutu, Scott Robertson, Karl Cheng, Jeremy Knowles, Jamie McCreary, Ericka Langone, Calvin Kincaid, John Lutkehaus, George Naughton, Amy Hsiang-Wei, Jo Recht, Debra Day, Jennifer Kersgaard, Bryson Pate, Michael Makale, David Randall, Ken Tennes

**Other Attendees Present:**

PFM Asset Management: Lauren Brant  
Oregon Secretary of State: Hannah Creighton

The October 29, 2024 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 thanked Board Member Sharon Wojda for her great service to the Board as she moved out of state this month and will no longer be able to serve as the League of Oregon Cities representative on the OSTF Board. LOC has made a recommendation to the Treasurer and that process is in motion. Additionally, Mr. Goe announced that Michelle Morrison and Brian Nava's terms have been extended.

#### **II. Review and Approval of Minutes**

**MOTION:** Mr. Goe asked for a motion to approve the July 30, 2024 OSTF meeting minutes. The Board approved the minutes unanimously.

The board voted to approve the July 30, 2024 OSTF meeting minutes. At 10:02 am Bryan Wolf moved for approval; member Brian Nava seconded the motion, which then passed by a vote of 5/0. (Yes votes: Deputy Treasurer Michael Kaplan, Chairman Douglas Goe, Deanne Woodring, Brian Nava, Bryan Wolf, Michelle Morrison)

#### **III. Vote on 2025 Meeting Dates**

**MOTION:** Mr. Goe asked for a motion to approve next year's Oregon Short Term Fund meeting dates. The Board approved the dates unanimously. The 2025 dates are as follows:

- Tuesday, January 28<sup>th</sup>; Tuesday, April 29<sup>th</sup>; Tuesday, July 22<sup>nd</sup>; Tuesday, October 28<sup>th</sup>



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The board voted to approve next year's Oregon Short Term Fund meeting dates. At 10:04 am Bryan Wolf moved for approval; member Brian Nava seconded the motion, which then passed by a vote of 5/0. (Yes votes: Deputy Treasurer Michael Kaplan, Chairman Douglas Goe, Deanne Woodring, Brian Nava, Bryan Wolf, Michelle Morrison)

#### IV. OLGIF & OSTF Audit Results

##### **PRESENTED BY Hannah Creighton, Senior Auditor with the Oregon Secretary of State.**

Hannah Creighton conducted a high-level review of the OLGIF & OSTF Audit Results. Hannah Creighton is the Senior Auditor in charge of the Oregon Short Term Fund (OSTF), the Oregon Local Government Intermediate Fund (OLGIF) and the Oregon Intermediate Term Pool (OITP) for the fiscal year 2024 statewide audit that the Secretary of State office conducts every year. Ms. Creighton mentioned that her Manager, Kelly Olson was unable to attend, however sends her regards and Ms. Olson welcomes any questions post meeting. Ms. Creighton stated that the reporting results were the same for the OSTF, OLGIF, and OITP which were issued a clean opinion for fiscal year 2024. The audit concluded: an unmodified opinion, financial statements were materially accurate, and no instances of noncompliance and no findings to report. The following presentation topics were reviewed:

- Audit over Oregon State Treasury's Three Investment Pools: Oregon Short Term Fund (OSTF); Oregon Local Government Intermediate Fund (OLGIF); Oregon Intermediate Term Pool (OITP)
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Ms. Creighton expressed appreciation and thanked Treasury staff for their support.

##### **COMMENTS FROM THE BOARD**

- Chairman Goe thanked the audit team for their report and excellent work on the audit on behalf of all the funds.
- Brian Nava asked if any challenges arose during the audit?
  - Ms. Creighton replied that there were no independence issues and no concerns pertaining to their broad questionnaires in addition to their investigations and research.
- Michelle Morrison echoed Mr. Goe's sentiments and commended the audit team and staff.
- Bryan Wolf asked if there has been any material change in terms of scope of audit?
  - Ms. Creighton replied that there were no major scope changes, and if there were going to be future changes, it would be related to any auditing standards requiring them to specifically focus on.
- Mr. Goe asked regarding the scope of the audit, if they look at any cyber / IT compliance issues?
  - Ms. Creighton replied that this year's audit included questions regarding general IT controls. The audit team met with IT staff to understand the processes and infrastructure. Going forward the audit team will confirm that if there are process changes, they will review the IT controls and systems for security. Additionally, Ms. Creighton noted that the audit team looked at user access controls to various systems to ensure user access was appropriate for their positions.

#### V. LGIP Participants and Operations Overview

**PRESENTED BY Bryan Cruz González, Deputy Director of Finance Division.** Bryan Cruz González thanked the Board for the opportunity to present today. Mr. González referenced a recent due diligence visit to PFMAM offices in Harrisburg, Pennsylvania. During this visit the Treasury's Finance Division, Information Security team, PFMAM staff and US Bank leadership reviewed the resources supporting the pool, including both systems and people from across US Bank. Also, the organization's risk management and compliance programs were observed. Finally, information security practices and governance within PFMAM and the broader US Bank infrastructure was reviewed.

Mr. Cruz González discussed the OSTF Portfolio Overview. Our partner Lauren Brant with PFM Asset Management reviewed the Participant Distribution and Participant Breakdown for School Districts, Special



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Districts, Counties, Cities and Other and reviewed the historical breakdown by asset values. Additionally, Ms. Brant noted that there was an unplanned outage in the Connect system lasting 77 minutes on October 28, 2024 due to an internal capacity issue and they have taken immediate steps to mitigate and prevent this from happening again. There was no monetary impact on participants.

### TOPICS

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

### COMMENTS FROM THE BOARD

- Chairman Goe asked Mr. González about the takeaways from PFAM's due diligence trip?
  - Mr. González replied the biggest takeaway was gaining a deeper understanding of the connections with PFAM across the US Bank infrastructure.
- Brian Nava asked Ms. Brant about the service outage and what an internal capacity issue means, and the necessary steps needed to prevent it from happening again?
  - Ms. Brant replied that a systems conversion recently took place and the internal capacity issues were related to memory and server capacity. The PFAM systems have been upgraded with significantly more memory and a monitoring system has been established to ensure that this does not happen again. Ms. Brant remarked that there were no related external reports or threats.
- Bryan Wolf inquired as to when the actual transition on the systems occurred and if participants were notified beforehand?
  - Ms. Brant replied she does not have the specific date, however will follow up with Treasury with that information.
  - Mr. González commented on the aspect of timing as the outage was after transaction cutoff for the processing day and would have been beyond the cutoffs for wire or ACH transactions.
- Chairman Goe thanked PFM Asset Management for the informative data and requested if there are any updates that transpire, that they be brought up at the next meeting.

## VI. OSTF Market Overview and Portfolio Update

**PRESENTED BY Will Hampson, Investment Officer, Fixed Income and Amy Hsiang-Wei, Senior Investment Officer, Fixed Income:** Will Hampson and Amy Hsiang-Wei presented the market overview and OSTF Portfolio update:

- Executive Summary
  - Growth forecasts remain within 'normal' levels but are showing signs of cooling.
  - Choppy progress on inflation has continued despite Real Fed Funds in restrictive territory only since July 23'.
  - Unemployment has continued to creep higher and has forced the Fed to respond.
  - The Fed cut rates by 50bps and the market expects ~150bps more before reaching terminal in the Summer of 2026.
  - Credit spreads remain near historically tight levels as a soft landing for earnings is fully priced in -- favoring a defensive portfolio stance.



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- OSTF Portfolio Overview: Liquidity Schedule, Floating Rate Breakdown & OSTF Effective Ratings.
- Sector allocation and duration positioning drive total return performance (over & under).
- Sector Allocation: OSTF continues to allocate to AAA ABS from Treasuries/Gov't Related.
- Top Holdings by Issuer: Continued focus on credit quality at the issuer level.
- Coupon Type Exposures: 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

- Chairman Goe asked what is the supercore inflation index and why it is the preferred metric for Fed Chair Jerome Powell?
  - Will Hampson replied that the supercore index is essentially the core inflation index less housing. The housing component in the CPI index has a very large weight and measuring house price inflation in a comparable CPI component method involves a lot of modeling that can cause a lagging effect and make it less responsive and less satisfying for users trying to get a more current read on inflation. As the core inflation index already excludes food and energy, further stripping away housing leaves what could be considered as core services, which include components like home insurance, auto insurance, medical costs, and airline costs that are more directly measured on a comparable basis and can hopefully give a better signal to the Fed Chair.
- Ms. Woodring inquired about the team's perspective on Toronto Dominion Bank's credit downgrade, given the pretty high percentage allocation within OSTF and their recent substantial fine for fraudulent activity. Specifically, Ms. Woodring asked if staff made any call to action moves with the position in Toronto Dominion?
  - Mr. Hampson replied and noted that since the fund is a book yield oriented fund, a lot of the decision making when there is a credit issue is related to whether or not there is a permanent impairment or likelihood that TD could go out of business due to these activities or weakening. This was very material on the team's mind, especially in March 2023 – during the bank failures – however not necessarily the case with TD at this time but it would be something to consider on a reinvestment basis before changing the issuer allocation.
  - Perrin Lim added that he looked at TD specifically and there was very limited spread movement, which he expected to widen. Mr. Lim remarked he did not sell and certainly did not add on the news.
- Ms. Woodring inquired about the floating rate exposure. Specifically, if there was a way to determine how much yield was pulled down from the Fed rate cut and Staff's perspective on continuing to hold a 55% floating rate exposure in the current environment, given the expectation of a continued downtrend in rates?
  - Mr. Hampson replied that the composition of the floating rate base index reflects a 1-3 month reset responsiveness time period and Staff expects the exposure to respond quickly to the Fed rates coming down, which is why the paid rate was lowered twice in October. Staff is comfortable with the exposure as it keeps the yield in line with market rates and given the very large size of the portfolio it is not conducive to making big duration calls. Mr. Hampson remarked that accepting the market rate has benefitted the Fund because it is paying a higher current yield as the expectation of the future Fed path have become less shallow and continually variable. Staff does not try to outguess the market and the floating rate exposure provides balance to the principal component of the portfolio since it does not have the principal volatility that comes with a fixed rate position.
- Ms. Woodring asked about the paid rate impact with the volume of tax revenue coming in and whether it was preemptively lowered beforehand, as well as the projections on the impact of the rate through the cycle?
  - Mr. Hampson replied that Staff did not preemptively bring the rate down and is keeping it in line with the book yield less expenses, especially now that the allowance fund is full. Additionally, Staff expects to keep the paid rate through the property tax cycle and do not



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anticipate the inflows to be a detriment due to the short term nature of those flows and the shape of the yield curve, where staying shorter with those flows is reinvesting at the highest yield available. However, the overall market environment may still drag the rate down further going forward.

- Michael Kaplan stated that Treasury will be onboarding the new team within the next couple of months and is slated to connect with Staff.

**VII. Closing Remarks/Other Items of Business**

- Mr. Goe stated that no submissions or in person sign up was received for public comment and thanked everyone for an excellent meeting.

Mr. Goe adjourned the meeting at 11:01 AM.

Respectfully submitted,

Alli Gordon  
Executive Support Specialist