



**OREGON
STATE
TREASURY**

State of Oregon

Office of the State Treasurer

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

OREGON SHORT TERM FUND

January 28, 2025

Meeting Minutes

Members Present: Douglas Goe, George Naughton, Brian Nava, Bryan Wolf, Michelle Wareing

Staff Present: Rex Kim, Tan Cao, Perrin Lim, Will Hampson, Alli Gordon, Bryan Cruz González, Cora Parker, Andy Coutu, Scott Robertson, Karl Cheng, Jeremy Knowles, Louise Howard, Jamie McCreary, Amy Hsiang-Wei, Jo Recht, Bryson Pate, Michael Makale, David Randall, Ken Tennies; Roy Jackson, Annie Gregori, Sommer May, Tim Sayre

Other Attendees Present: PFM Asset Management: Lauren Brant
City of West Linn: Caitlin Koach, Lauren Breithaupt
GPA: Whitney Maher
AON: Raneen Jalajel

The January 25, 2025 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 welcomed Deputy Treasurer, George Naughton and Board Member Michelle Wareing. Ms. Wareing introduced herself, she is the Assistant Finance Director for the City of Hillsboro and is the League of Oregon Cities representative on the OSTF Board. Ms. Wareing has been with the City of Hillsboro for over 18 years and prior to that with the City of Tigard. George Naughton also extended a brief bio about himself, as the new Deputy State Treasurer Mr. Naughton comes to Treasury with over 29 years of experience in state government. The majority of Mr. Naughton's career was working as the Chief Financial Officer/Budget Director for the state, working for three governors. Mr. Naughton stated that Treasurer Steiner extends her apologies as she was planning to attend this board meeting and announce Mr. Naughton as the Designee, however she was unable to attend. All new members are excited to be part of Treasury and the Oregon Short Term Fund Board. Mr. Goe expressed his excitement for each new addition and thanked our current Secretary of State Tobias Read and Treasurer Steiner, and Mr. Goe noted that his term has been extended and that this will be his last term, and also stated it has been an honor and pleasure serving on the Board.

II. Review and Approval of Minutes

MOTION: Mr. Goe asked for a motion to approve the October 29, 2024 OSTF meeting minutes. The Board approved the minutes unanimously.



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The board voted to approve the October 29, 2024 OSTF meeting minutes. At 10:05 am member Bryan Wolf moved for approval; Deputy Treasurer George Naughton seconded the motion, which then passed by a vote of 5/0. (Yes votes: Deputy Treasurer George Naughton, Chairman Douglas Goe, Brian Nava, Bryan Wolf, Michelle Wareing)

III. Vote on 2025 Amended Meeting Dates

MOTION: Mr. Goe asked for a motion to update and approve 2025 Oregon Short Term Fund meeting dates. The Board approved the dates unanimously. The 2025 dates are as follows:

- Tuesday, January 28th (previously approved); Tuesday, May 6th; Wednesday, August 13th; Tuesday, November 4th

The board voted to approve 2025 Oregon Short Term Fund meeting dates. At 10:06 am member Bryan Wolf moved for approval; Deputy Treasurer George Naughton seconded the motion, which then passed by a vote of 5/0. (Yes votes: Deputy Treasurer George Naughton, Chairman Douglas Goe, Brian Nava, Bryan Wolf, Michelle Wareing)

IV. Introduce Fixed Income Team

PRESENTED BY Amy Hsiang-Wei, Senior Investment Officer, Fixed Income.

Amy Hsiang-Wei introduced the Fixed Income Team who manages the Oregon Short Term Fund and provided an overview of the Fund's Objective, Strategy, Benchmark and Primary Investors.

COMMENTS FROM THE BOARD

- There were no comments or questions from the Board.

V. LGIP/OSTF Investment Policy Review

- Tan Cao noted the Emerald People's Utility District (District) updated their investment policy last quarter to align with the recently updated sample policy. It was not an agenda item for the meeting as their intention was to align with the new guidance from the recently approved sample policy, which staff has reviewed and confirmed that the District's policy align in all important aspects. Mr. Cao stated that if the Board prefers that changes such as these go through the standard review submission process, staff will relay that preference to the local governments going forward.
 - Board discussed and requested a new item, a consent agenda, be added to the agenda going forward for review of policies which are minimal in nature and not requiring a standard review. A suggested practice would be that staff provides the Board with changes to the policy in advance as part of the packet and a black line version with staff's recommendation that this conforms with the sample policy and no action is needed. However, with the caveat that the Board has the option to remove from the consent agenda. There were no objections to this approach going forward. Mr. Goe requested that Emerald People's Utility District be added to the May 6, 2025 consent agenda for review.

City of West Linn

PRESENTED BY Tan Cao, Investment Analyst Fixed Income Team and Perrin Lim, Investment Officer, Fixed Income.

Tan Cao summarized the staff review of the City's proposed investment policy. Staff compared the City's submitted policy to the current OSTF Board sample policy and there were a couple of changes recommended to the City:

Main item:

- Recommend adopting the sample policy language on utilizing the lowest security level rating available



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Minor item:

- Consider defining interest rate risk.

COMMENTS FROM THE BOARD

- Lauren Breithaupt thanked the Board and staff for reviewing the City of West Linn's proposed policy and is excited to move forward with it.
 - Mr. Goe asked Ms. Breithaupt to provide insight into the City's preference for using the highest security level rating rather than the lowest?
 - Whitney Maher, Client Service Manager & Associate Advisor with GPA addressed Mr. Goe's question. This is the recommendation that GPA has recommended for all their Oregon public entity clients, which allows them greater flexibility in their allowable investment universe. The City is comfortable staying with this recommendation.
- Mr. Nava asked about the 5 year maximum maturity limit on the sample policy, as GPA has been recommending 5.25 years and asked if the sample policy should be updated to 5.25 years.
 - Mr. Lim stated that in previous meetings staff suggested 5 years as measured from the settlement date, however staff would be agreeable to the 5.25 years maximum maturity, pending the Board's decision.
- Mr. Lim expressed that while reviewing the City's policy, the use of the word "pending" under Broker/Dealers section be revisited due to push back from brokers not being able to provide them.
 - Mr. Goe suggested that staff get recommendations from internal council regarding phrasing of the language to give local government entities a heads up if someone is under investigation to alert them of any potential issues without disclosing details. Mr. Goe suggested revisiting this topic at the next meeting.
 - Mr. Nava mentioned confirmation letters he has worked with at the State of Oregon in the past. Mr. Nava suggested staff review the language in the letter with the financial statement notes that discloses lawsuits or check with the Secretary of State office regarding the bond confirmation letter to help create a template to include material information with likely outcomes for pending investigations.
 - Mr. Goe noted it would be helpful to have a materiality standard in the language to give notice to local governments and flexibility to the broker/dealers as well.

VI. LGIP Participants and Operations Overview

PRESENTED BY Cora Parker, Director of Finance Division. Cora Parker thanked the Board for the opportunity to present today. Ms. Parker addressed the incident that occurred on November 15, 2024 with LGIP processing. PFMAM experienced a file error on the evening of November 14, 2024. All LGIP participants were held harmless with regard to impacted funds that day. Treasury continues to work closely with PFMAM and US Bank in addition to the leadership team at Treasury to learn lessons and improve processes going forward. Ms. Parker thanked the PFMAM team for their ownership of the failures and commitment to learning and improve service to local governments.

Ms. Parker discussed the OSTF Portfolio Overview. Our partner Lauren Brant with PFM Asset Management reviewed the Participant Distribution and Participant Breakdown for School Districts, Special Districts, Counties, Cities and Other and reviewed the historical breakdown by asset values.

TOPICS

- Oregon Short Term Fund Analysis
- Participant Breakdown
- Participant Distribution
- Transaction Activity



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- SLA Report Metrics
- New & Closed Participants

COMMENTS FROM THE BOARD

- Chairman Goe thanked Ms. Parker for the transparency and expressed he is glad to hear that the service providers stepped up and took care of any associated costs, so that no loss to the state or local governments occurred. Mr. Goe asked in terms of the agreements between US Bank, PFMAM and the State, did any part of the agreements need to be adjusted contractually to address potential future issues?
 - Ms. Parker has been in conversations with PFMAM regarding expanding service level agreement metrics. Ms. Parker expressed this was also a good opportunity review all the communication components included within the contract in addition to routine daily activities.
- Brian Nava thanked Ms. Parker for reaching out quickly and directly to him to discuss the issue. Also, Mr. Nava expressed appreciation for having the letter pertaining to the transactions being delayed be disseminated.
- Bryan Wolf inquired if this issue was specific to Treasury or did it impact other PFMAM customers or entities? Additionally, Mr. Wolf asked when would a debrief be provided in terms of all that transpired including the remediation that has occurred and how to ensure this is addressed going forward?
 - Cora Parker replied that this issue was specific to Treasury. Treasury has been working closely with PFMAM and US Bank to understand the details and ensure that the mitigating activities are in place.
- Michelle Wareing shared the experience on her end with the City of Hillsboro. Ms. Wareing asked about a timeline and who made the discovery and recommended a more immediate response.
 - Ms. Parker replied that this was due to communication failures. They saw impacts inside Treasury, OSTF and a variety of places and worked on various pathways to understand what those impacts were coming from. Once the Finance team was aware of the issue and understood the impact, they communicated what to expect in the local government accounts but acknowledged it was not timely.
- Mr. Wolf asked about the percentage split between the buckets in the Oregon Short Term Fund Analysis chart and if there was a reason for the state government weight falling below 60%?
 - Ms. Parker replied that for this time period, there was an influx of federal dollars from the downturn associated with the pandemic at the state and local government levels but predominately at the state level, including funds that ultimately flowed through to locals but still hit OSTF from a state perspective. Property tax collection will also influence the level. It may be useful to look at this analysis over a broader time period, however the change is not a significant concern at this time.
- Michelle Wareing asked Lauren Brant about the comment regarding assets having more than doubled since 2017 and if that was due to an increase in LGIP participants.
 - Ms. Brant replied in 2024, 31 participants were added to the program and it has been a steady increase over the past years. Also, during and post pandemic, temporary funds were added into the program which is another contributing factor to the asset growth.
- Mr. Goe asked about Boardman Fire and Rescue District in the Closed Participants section.
 - Ms. Brant noted that this was a true closed participant.
- Chairman Goe thanked PFM Asset Management for the information and requested if there are any updates that transpire, that they be brought up at the next meeting.

VII. OSTF Market Overview and Portfolio Update

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



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- 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 rate has continued to creep higher and has forced the Fed to respond yet weekly initial jobless claims show firm labor markets.
 - The Fed has cut rates by 100 bps and the market now expects an additional ~50 bps of cuts before reaching terminal in March 2026.
 - Credit spreads remain near historically tight levels as a soft landing for earnings is fully priced in -- favoring a defensive portfolio stance
- OSTF Portfolio Overview: As of 11/30/2024 NAV \$37,105,851,950 with paid rate of 4.85%
- Provided an update on Western Asset Management as OSTF is invested via OLGIF

COMMENTS FROM THE BOARD

- Bryan Wolf asked about the percentage uptick in the single A ratings in the OSTF Effective Ratings section and if there was any interpretation from that observation.
 - Perrin Lim replied that it is related to the corporates exposure, specifically commercial paper. Corporates is near the maximum limit and a lot of that exposure is in very short term commercial paper. Due to the compliance driven ratings methodology, commercial paper takes more of an onerous hit and are mostly rated at single A.
- Mr. Wolf asked about the liquidation timing and process related to OSTF's investment with Western Asset.
 - Amy Hsiang-Wei remarked if staff needs to pull money, Treasury is ready to absorb the assets and manage it in-house.
 - Perrin Lim noted it would be a simple process such as an official legal letter to Western Asset stating that all trading ceases, and the custodian cuts off any transactions that happen after that letter, and staff would make the determination whether to manage it in-house or hire another manager.
- Chairman Goe followed up and asked about the risks of illiquidity and loss to the fund.
 - Perrin Lim replied the illiquidity risk is low since they hug the benchmark fairly closely and does not believe there is anything illiquid in the fund.
- Michelle Wareing asked why Treasury contracts with an external manager to manage the funds if it could be done internally?
 - Perrin Lim explained it was the choice made more than 10 years ago by decision makers at the time that believed it was not appropriate to have it managed internally.

VIII. 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 11:32 AM.

Respectfully submitted,

Alli Gordon
Executive Support Specialist