

**TEXPOOL INVESTMENT ADVISORY BOARD MEETING**  
**Tuesday, February 16, 2016**  
**Minutes**

The TexPool Investment Advisory Board (the “Board”) met at 10:00 a.m. on Tuesday, February 16, 2016, at the LBJ State Office Building, 111 E. 17<sup>th</sup> Street, Room 114, Austin, Texas.

**Board Members Present**

Jerry Dale, Patrick Krishock, David Landeros, Sharon Mathews, Georgia Sanchez, Michele Tuttle, and Vivian Wood.

**Board Members Absent**

Jose Elizondo, Jr.

**Comptroller of Public Accounts Staff Present**

Comptroller Glenn Hegar; Mike Reissig, Deputy Comptroller and Phillip Ashley, Associate Deputy Comptroller.

**Texas Treasury Safekeeping Trust Company (“Trust Company”) Staff Present**

Paul Ballard, Chief Executive Officer and Deputy Director and Chief Investment Officer; Danny Sachnowitz; Chief Investment Officer; Marianne Dwight, General Counsel; John Wright, Deputy General Counsel; Elizabeth Moreno, Financial Accounting and Reporting Manager and Nora Arredondo, Special Projects Coordinator.

**Additional Participants**

Amy Michaliszyn, Ed Sanchez and Jerry Landrum, Federated Securities Corporation.

**Call to Order**

Comptroller Glenn Hegar declared that a quorum was present and called the meeting to order at 10:04 a.m.

**Approval of Minutes (Tab 1)**

*A motion was made by Mr. Jerry Dale, to accept and approve the minutes from the December 8, 2015 board meeting. The motion was seconded by Mr. Patrick Krishock and unanimously approved by the Board.*

**Economic Update and Discussion of Portfolio Positioning (Tab 2)**

Ms. Amy Michaliszyn substituted for Ms. Deborah Cunningham and reported that TexPool and TexPool Prime portfolios were in compliance with the Texas Public Funds Investment Act (“TPFIA”) and maintained AAAM ratings by Standard and Poor’s. Both portfolios complied with their respective investment policies. Both portfolios maintained a weighted average maturity of less than sixty days and the maximum maturity for any individual security in the portfolios did not exceed twenty-four months. The TexPool portfolio produced a net yield of approximately 0.19%, rising from .09% in the previous quarter. TexPool’s portfolio balance as of December 31, 2015 was approximately \$14.18 billion, an increase from \$11.99 billion in September as tax-collecting season began in late fall. The TexPool Prime portfolio produced a net yield of approximately 0.28%, up from 0.16% from the

previous quarter. TexPool Prime's portfolio balance during the same quarter was approximately \$1.80 billion, up from \$1.05 billion from the previous quarter. In the summer of 2015 the weighted average maturity targets were lowered for both pools. Positions in floating rate instruments were increased in anticipation of the continued slow rise in interest rates. On November 30, 2015, TexPool Prime was able to reinstate European exposure which also benefited TexPool Prime's yield.

Both pools remained competitive. TexPool was ranked number one and TexPool Prime was ranked number seven among their peer groups in yield comparisons. Ms. Michaliszyn also explained the stress test scenario results for both pools which demonstrated the Pools' ability to maintain a constant dollar value in any of the unlikely scenarios in the presentation.

Ms. Michaliszyn reviewed market conditions during the fourth quarter of 2015. She reported that the Federal Reserve (the "Fed") decided to raise interest rates in December with a 25 basis point hike to a target range of 0.25-0.50%, the first increase in seven years. Both pools benefited from this nominal rate hike. The housing market was strong and retail sales grew but it was the performance of the labor market that most influenced the Fed's action. Ms. Michaliszyn stated that although the Fed raised interest rates, Federated believes the Fed will not likely announce another rate hike in their March 2016 meeting. Overall, Federated expects a slow and steady economic growth environment for the remainder of 2016.

### **TexPool and TexPool Prime Portfolio and Performance Review for the 4th Quarter of 2015 and Related Matters (Tab 3)**

Mr. Danny Sachnowitz presented a portfolio review of TexPool and TexPool Prime for the fourth quarter of 2015. He reviewed the participant summary graph which illustrated diversification of the Pools' investor base. He presented an overview of the historical yields for both Pools compared to the Federal Funds rate and other target benchmarks. He explained that the graph on page five depicting historical pool yields, demonstrated the positive effect of the interest rate hike. Mr. Sachnowitz reviewed the asset allocation and maturity charts for both portfolios. Allocation to treasuries in the TexPool portfolio increased from 0.9% to 13.8%. TexPool Prime's largest allocation, commercial paper, also increased, from 41.7% to 54.8%, which yielded two basis points. He explained that the stability of the Net Asset Values (NAV's) of the portfolios demonstrates low price volatility. He reported that TexPool and TexPool Prime quarterly and annual average yields remained competitive with other Texas local government investment pools.

### **Report on Services Provided to TexPool and TexPool Prime Participants and Related Matters (Tab 4)**

Ms. Amy Michaliszyn reviewed the information behind Tab 4 relating to TexPool and TexPool Prime participants. She explained that there was a 17% increase in assets for the fourth quarter of 2015 which was higher than previous inflow seasons. The combined assets of TexPool and TexPool Prime increased by \$2.5 billion from December 31, 2015 to January 31, 2016. Forty percent of this increase came from the top fifty clients. As of December 31, 2015 TexPool had 2,346 participants and TexPool Prime had 196 participants, an increase for both. She reviewed the participant balance analysis report which lists the participants by sector and their balances for the quarter. Ms. Michaliszyn reviewed the summary data relating to TexConnect and the TexPool Academy. She stated that a new three part series relating to the Federal Reserve will be rolled out soon. She explained that TexConnect continues to be the most utilized system for participant communication and the TexPool Academy is the most popular service utilized by the participants. Ms. Michaliszyn reported that Federated experienced some system difficulties over the Presidents' Day holiday, February 15, 2016, but no complaints were reported or filed.

**Discussion of Next Meeting and Agenda Items**

No future agenda items. The next meeting will be in May 2016.

**Public Comments**

No public comment.

**Adjourn**

Meeting was adjourned at 11:01 a.m.