Minutes of the
Cash Management Advisory Board
January 25, 2012
Via Telephone Conference Call

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Lawrence Wilson, Assistant Treasurer, Cash Management
Paul Coudert, Investment Officer, STIF
Marc Gagnon, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:05 a.m., thanked the members for their time, and asked the board members if there were any comments regarding the November 10, 2011 Cash Management Advisory Board minutes. With no comments, the minutes were adopted.

Mr. Coudert reviewed the performance of the Short-Term Investment Fund (STIF). Mr. Coudert stated that for the quarter-year ending December 31, 2011, STIF earned an average annualized yield of 22 basis points, outperforming its benchmark by 17 basis points, and for the one year period ending December 31, 2011, STIF returned 21 basis points, outperforming its benchmark by 16 basis points.

Mr. Coudert discussed the current composition of STIF. Mr. Coudert indicated that STIF's daily liquidity was approximately $2.9 billion, or 62 percent of fund assets. Mr. Coudert continued by saying that 66 percent of the portfolio was invested in securities with some type of government guarantee, such as agency collateralized repurchase agreements, agency securities, or FDIC-insured securities. Mr. Coudert stated that the remainder of the portfolio was in certificates of deposit, all with daily put options.

Mr. Coudert updated the board regarding the Gryphon Funding note. Mr. Coudert reported that Gryphon's current exposure was $22.4 million, taking into account the $24 million reserve adjustment. Mr. Coudert mentioned that the market value of the underlying assets as of December 31, 2011, were approximately $23.2 million as provided by the Bank of New York. In addition, Mr. Coudert commented that we received $500,000 for our January 2012 monthly payment. Mr. Thompson asked if the payment included both principal and interest. Mr. Coudert responding by saying that most was principal. Mr. Thompson asked if the dollar amount of these monthly payments were in line with our expectations. Mr. Coudert stated that although the payments vary on a month-to-month basis, the overall trend is in line with what we have expected.

Mr. Coudert stated that the Extended Investment Portfolio's (EIP) current size was down to $6 million and that it was earning approximately 21 basis points. Mr. Coudert continued, saying that because of State finances, he did not expecting EIP assets to increase any time soon.

Mr. Coudert reported that STIF Plus had an asset size of $20 million, with $15 million, or 73 percent of assets, in corporate notes and $5.5 million, or 27 percent, in asset-backed securities. Mr. Desautelle asked if both EIP and STIF Plus were in run-off mode. Mr. Wilson stated that current cash forecasts were not as robust as just three months prior and the fiscal year's expected revenues had declined. Mr. Wilson continued by saying that the Treasury on occasion had to temporarily transfer monies from the bond funds to the common cash pool, and thus, would not be making any long-term investments in EIP. Mr. Wilson said that we are not making new investments in STIF Plus.

Mr. Coudert commented on the reasons for STIF's recent rate decline. Mr. Coudert said the first reason was due to the overall short-term investment environment in which rates continue to be at historic lows. Secondly, Mr. Coudert mentioned that STIF's asset size was such that we continue to contribute to the designated surplus reserve, reducing the STIF daily rate by approximately 10 basis points. Lastly, Mr. Coudert explained that a recent downgrade of some banks led STIF to decrease some of its bank holdings, placing much of those monies into overnight repurchase agreements with significantly lower investment rates.

Mr. Desautelle asked why Connecticut's debt rating was downgraded by Moody's. Mr. Wilson responded, indicating that Moody's cited Connecticut's long-term debt commitments and Connecticut's pension funding levels. Mr. Wilson said that we were disappointed in Moody's decision and that it did not reflect some positive financial management steps taken by the administration over the last year.

With no further business, Mr. Wilson adjourned the meeting at 10:29 p.m.