

**TEXPOOL INVESTMENT ADVISORY BOARD MEETING**  
**Friday, November 13, 2009**  
**Minutes**

The TexPool Investment Advisory Board (the “Board”) met at 10:00 a.m. on Friday, November 13, 2009, at the LBJ State Office Building, 111 E. 17<sup>th</sup> Street, Room 114, Austin, Texas.

**Board Members Present**

R. C. Allen, Pati Buchenau, Jose Elizondo, Jr., John McGrane, Ron Leverett, Clay McPhail, LaVonne Mason, and Vivian Wood.

**Board Members Absent**

None.

**Comptroller of Public Accounts Staff Present**

Martin Hubert, Deputy Comptroller.

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

Paul Ballard, Chief Executive Officer and Chief Investment Officer (“CEO”); Danny Sachnowitz, Deputy Director and Deputy Chief Investment Officer; Frank Zahn, Chief Financial Officer; Marianne S. Dwight, General Counsel; Nora Arredondo, Special Projects Coordinator; Dan McNeil, Compliance Officer and Kathy Bueltel, Program Specialist.

**Additional Participants**

Amy Michaliszyn, Federated Securities Corp. (“Federated”); Jerry Landrum, Federated; Ed Sanchez, Federated; and Sue Hill, Federated.

**Call to Order**

Mr. Hubert declared that a quorum was present and called the meeting to order at 10:05 a.m.

**Approval of Minutes (Tab 1)**

*Motion was made by Mr. John McGrane to accept and approve the minutes from the August 26, 2009 Board meeting. Motion was seconded by Mr. Ron Leverett and unanimously approved by the Board.*

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

Ms. Sue Hill reported that the TexPool and TexPool Prime portfolios were in compliance with the Texas Public Funds Investment Act (“TPFIA”) and the TexPool and TexPool Prime Investment Policies throughout the quarter. She stated that TexPool’s portfolio balance at the end of the third quarter of 2009 was approximately \$16.2 billion and TexPool Prime’s portfolio balance was approximately \$1.64 billion. The decline in assets from the previous quarter reflects the seasonal withdrawal of funds by public entities. Both portfolios maintained a weighted average maturity of less than sixty days.

Ms. Hill reviewed the market conditions for the third quarter of 2009. She stated that Federated believes the unemployment rate is slowly improving and the low interest rate environment is likely to

remain within the current band of zero to 0.25% through the first half of 2010. Federated will continue to monitor and search for securities that will perform best, given this expectation.

Ms. Hill reviewed the graphs behind Tab 2 illustrating the asset allocation evolution of TexPool and TexPool Prime from September 2006 to September 2009. She stated that as of September 30, 2009, 45% of TexPool assets were invested in agency securities and Treasuries and 55% of the assets were invested in repurchase agreements. TexPool Primes's assets were approximately 46% invested in repurchase agreements, 32% in commercial paper, 13% in variable rate securities and 10% in government debt. She compared the yields of both Pools and stated that the Pools remained competitive with their peers, noting that TexPool was ranked number one and TexPool Prime ranked number fourteen, among the other groups in the iMoneyNet universes. She pointed out that most funds in the iMoneyNet universes are managed under investment policies that are less restrictive than the policies for TexPool and TexPool Prime.

Ms. Hill stated that Federated expects the Securities and Exchange Commission (the "SEC") to make a final ruling in December regarding revisions to regulations pertaining to money market funds.

### **TexPool and TexPool Prime Portfolio and Performance Review for the 3<sup>rd</sup> Quarter of 2009 and Related Matters (Tab 3)**

Mr. Danny Sachnowitz presented an overview of the performance for TexPool and TexPool Prime. He reviewed historical yields for both compared to the Federal Funds rate and other target benchmarks. TexPool and TexPool Prime quarterly and annual rates of return remain competitive with other Texas local government investment pools. Yields on TexPool and TexPool Prime have exceeded their benchmarks.

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

Ms. Amy Michaliszyn reviewed the information behind Tab 4 illustrating TexPool and TexPool Prime aggregate assets noting the current phase of the seasonal cycle and that assets have stopped flowing out and are now flowing in. She reported that nine new participants were added to TexPool and three new participants were added to TexPool Prime during the third quarter of 2009. One complaint was received during the quarter and resolved in a timely manner.

Ms. Michaliszyn reviewed all TexPool participant services listed in the packet handout. Ms. Vivian Wood commented on the convenient and informative nature of TexPool Academy that allows participants to earn continuing education credits on line and is cost effective. Ms. Michaliszyn stated more services will be forthcoming.

### **Discussion of Next Meeting and Agenda Items**

The Board will try to meet in February or March of 2010 and will be contacted with possible dates.

### **Public Comments**

None

### **Adjourn**

Meeting was adjourned at 11:30a.m.