

TEXPOOL INVESTMENT ADVISORY BOARD MEETING
Wednesday, August 25, 2010
Minutes

The TexPool Investment Advisory Board (the “Board”) met at 10:00 a.m. on Wednesday, August 25, 2010, at the LBJ State Office Building, 111 E. 17th Street, Room 114, Austin, Texas.

Board Members Present

Pati Buchenau, Jose Elizondo, Jr., Ron Leverett, LaVonne Mason, and Vivian Wood.

Board Members Absent

R.C. Allen, Clay McPhail, and John McGrane.

Comptroller of Public Accounts Staff Present

Comptroller Susan Combs and Martin Hubert.

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

Paul Ballard, Chief Executive Officer and Chief Investment Officer (“CEO”); Danny Sachnowitz, Deputy Director and Deputy Chief Investment Officer; Marianne S. Dwight, General Counsel; Nora Arredondo, Special Projects Coordinator; John Wright, Deputy General Counsel; Gena Minjares, Director of General Ledger Accounting and Audit Liaison; Victor Scott, Financial Reporting Manager, and Michael Anderson, Compliance Officer.

Additional Participants

Sue Hill, Federated Advisory Companies. (“Federated”); Ed Sanchez and Jerry Landrum, Federated Securities Corporation (“Federated”).

Call to Order

Comptroller Susan Combs declared that a quorum was present and called the meeting to order at 10:00 a.m.

Approval of Minutes (Tab 1)

Motion was made by Ms. Pati Buchenau to accept and approve the minutes from the May 27, 2010 board meeting. The motion was seconded by Ms. LaVonne Mason and unanimously approved by the Board.

Annual Review & Recommended Revisions to TexPool and TexPool Prime Investment Policies (Tab 2)

Motion was made by Ms. Vivian Wood to recommend to the Comptroller the non-substantive revisions to the TexPool and TexPool Prime Investment Policies as presented in the board book behind Tab 2. The motion was seconded by Mr. Ron Leverett and unanimously approved by the Board.

Economic Update and Discussion of Portfolio Positioning (Tab 3)

Ms. Sue Hill presented an economic update for the second quarter of 2010. She reported that economic growth continued to be slow and lagging economic indicators such as housing and unemployment had shown minimal improvement. Federated expects a low growth economic environment, but does not believe the economy will go into a double dip recession. Federated expects some improvement in the housing market by mid 2011.

Ms. Hill reported that TexPool and TexPool Prime portfolios were in compliance with the Texas Public funds Investment Act (“TPFIA”) and with their investment policies during the quarter. She stated that the balance in TexPool was approximately \$15.9 billion as of June 30, 2010. TexPool’s average net yield rose by 3.5 basis points to 0.13% during the quarter. The balance in TexPool Prime was approximately \$1.5 billion for the same quarter. TexPool Prime’s average net yield rose by 12.6 basis points to 0.26%. The decline in assets under management represents the normal seasonal withdrawal patterns for the portfolios. Ms. Hill reviewed portfolio allocations and maturity schedules for both pools. Both pools remained competitive with their peers as TexPool was ranked number one and TexPool Prime was ranked number nine among their competitors. Stress test scenarios and results were incorporated into Federated’s presentation and reviewed by Ms. Hill. Stress testing is now required of 2a-7 funds, it is not required by the PFIA; nonetheless, Federated has chosen to implement stress testing for both pools.

TexPool and TexPool Prime Portfolio and Performance Review for the 2nd Quarter of 2010 and Related Matters (Tab 4)

Mr. Danny Sachnowitz reviewed the performance of TexPool and TexPool Prime during the second quarter of 2010. He reviewed historical yields for both compared to the Federal Funds rate and other target benchmarks. Mr. Sachnowitz stated that yields have risen slightly for the second quarter as illustrated by the graphs behind Tab 3. Average maturities were slightly lower than the previous quarter as illustrated by the positioning of the portfolios. As of June 30, 2010, TexPool’s weighted average maturity was 36 days and the average monthly yield was 0.21%. TexPool Prime’s weighted average maturity was 52 days and the average monthly yield was 0.28%. TexPool and TexPool Prime quarterly and annual average yields remained competitive with other Texas local government investment pools. For the quarter, yields on TexPool and TexPool Prime were consistent with their benchmarks. Mr. Sachnowitz reported that they have historically outperformed their benchmarks.

Report on Services Provided to TexPool and TexPool Prime Participants and Related Matters (Tab 5)

Mr. Ed Sanchez presented an overview of the information behind Tab 5 illustrating TexPool and TexPool Prime aggregate assets. He explained the graph that illustrates the seasonal cash flow from the pools.

Mr. Sanchez also reviewed participant information. He reported that fourteen new participants were added to TexPool and five new participants were added TexPool Prime for the quarter. Any participants that leave TexPool and TexPool Prime will be reflected in future reports. He reported that TexConnect continues to be the most popular system used to communicate instructions from participants and almost 300 participants have taken advantage of TexPool Academy for investment officer training.

Discussion of Next Meeting and Agenda Items

The Board will schedule its next meeting in August or September.

Public Comments

No public comment.

Adjourn

Meeting was adjourned at 11:12 a.m.