

**TEXPOOL INVESTMENT ADVISORY BOARD MEETING**  
**Tuesday, November 16, 2021**  
**Meeting Minutes**

The TexPool Investment Advisory Board (the “Board”) met at 2:00 p.m. on Tuesday, November 16, 2021.

**Board Members Present**

Jerry Dale, David Garcia, Patrick Krishock, David Landeros, Valarie Van Vlack and Belinda Weaver.

**Board Member(s) Absent**

Deborah Laudermilk and Sharon Mathews Searcy.

**Comptroller of Public Accounts Staff Present**

Comptroller Glenn Hegar presiding. Tom Currah, Associate Deputy Comptroller and Phillip Ashley, Associate Deputy Comptroller.

**Texas Treasury Safekeeping Trust Company (“Trust Company”) Participants and Facilitators**

Mike Reissig, Chief Executive Officer; Anca Ion, Chief Investment Officer; Leticia Davila, Portfolio Manager; Nora Arredondo, Program Specialist; and Shantel Geeslin, Program Specialist.

**Additional Participants**

Paige Wilhelm, Federated Advisory Companies; and Amy Michaliszyn and Ed Sanchez, Federated Securities Corporation.

**Call to Order**

Comptroller Hegar declared that a quorum was present and called the meeting to order at 2:05 p.m.

**Approval of Minutes (Tab 1)**

*A motion was made by Ms. Belinda Weaver to accept and approve the minutes from the August 25, 2021 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. Paige Wilhelm reviewed Federated’s investment report for TexPool and TexPool Prime for the quarter ending September 30, 2021. She reported that TexPool and TexPool Prime portfolios were in compliance with the Texas Public Funds Investment Act, Governmental Accounting Standards Board Statement No. 79 and their respective investment policies. Both Pools maintained AAAM ratings by Standard and Poor’s and net asset values were never less than \$0.995 or greater

than \$1.005. Both Pools also met specific portfolio composition and maturity limitation guidelines set out in their respective investment policies.

Ms. Wilhelm recapped the market conditions during the third quarter of 2021. She reported that the new Delta variant of the COVID-19 virus was having an impact on economic recovery. In the first half of 2021 Gross Domestic Product (“GDP”) surged to about 6.5% and now with this new Delta variant, economic growth was slowing down. She explained that strong consumer demand and supply chain constraints also had a negative impact on economic conditions and higher inflation. She reported that at the most recent Federal Reserve (the “Fed”) meeting the Fed acknowledged that inflation was high and would probably remain high until supply chain constrains and COVID improve. They remain optimistic that inflation will return to the 2% target range over some time but will be very dependent on the virus situation. The Fed announced the beginning of the tapering process of quantitative easing. If economic recovery continues at the current pace, the Fed expects to complete the quantitative easing process by June or July of 2022. It’s expected that only after the quantitative easing process is completed that the Fed will begin talks of raising short-term interest rates. Federated does not expect rates to move off the 0.0% - 0.25% platform now but they do believe the Fed will begin raising interest rates next year.

Ms. Wilhelm reported that as of September 30, 2021, the value of the TexPool portfolio was approximately \$22 billion, a \$1.7 billion decrease from the previous quarter. Similarly, TexPool Prime’s portfolio experienced a decrease in value and was approximately \$8.9 billion, down \$1.3 billion from the previous quarter. Federated expects seasonal inflows to begin in November. She reported that the average monthly seven-day net yield for the TexPool portfolio was 0.02% which was up since June. The weighted average maturity (“WAM”) in the TexPool portfolio was 37 days, up seven days from June. The TexPool Prime portfolio produced an average monthly seven-day net yield of 0.06% and the portfolio’s WAM ended the quarter at 48 days, a slight decrease from 45 days from the previous quarter.

Ms. Wilhelm reported on the competitive rankings in yield comparisons among their peer groups. TexPool rose significantly in rankings to number 6 from number 17 in the previous quarter. TexPool Prime was also ranked number 6 in competitor yield comparisons, dropping from number 4 in the previous quarter. She noted that among competitors that have a AAAM rating by S&P, TexPool Prime ranks number 3. Ms. Wilhelm explained the various stress test scenarios and results for both Pools which demonstrated the Pools’ ability to maintain a constant dollar value under unlikely extreme or extraordinary scenarios. Federated is comfortable with the stress testing and the way that the portfolio is positioned.

### **TexPool and TexPool Prime Portfolio and Performance Review for the 3rd Quarter of 2021 and Related Matters (Tab 3)**

Ms. Leticia Davila, Portfolio Manager with the Trust Company, presented a portfolio review of TexPool and TexPool Prime for the third quarter of 2021. She reviewed the participant summary graphs that depicted each Pool’s investor base diversification. The combined Pools’ total at the end of the quarter was approximately \$31 billion. The combined value of the Pools was down 8.9% quarter-over-quarter, but slightly higher as the same time last year, even though fiscal stimulus funds flowed into the Pools during 2020. Ms. Davila reviewed the LIBOR and U.S. Treasury bill (“T-bill”) yield curves noting that on a year-over-year basis, LIBOR yields were down approximately four basis points more than T-bills. She reported that the TexPool portfolio was well diversified, has ample liquidity, with 66% of the portfolio maturing in 30 days or less. The TexPool Prime portfolio had approximately 61% allocated to commercial paper and experienced an increase

in allocations to repurchase agreements and governments. There were slight decreases in allocations in money market funds and variable rate instruments. She stated that TexPool and TexPool Prime quarterly and annual average yields remained competitive with other Texas local government investment pools. Both Pools are performing as expected versus their benchmarks.

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

Ms. Amy Michaliszyn reviewed the information behind Tab 4. She reported that year-over-year TexPool and TexPool Prime assets continued to grow despite seasonal outflows and ended the quarter at a new record high for September. Participants continued to demonstrate their confidence in the Pools by continuing to contribute to the Pools and by new participants being added. During the year TexPool has added 26 new participants and TexPool Prime has added 11 new participants.

Mr. Ed Sanchez explained that at the beginning of the year participants were beginning to attend conferences and were excited to do so; however, COVID restrictions are now tightening again and more appointments and conferences are returning to a virtual platform. He also commented that many of the participants throughout the state are experiencing staffing shortages and this seems to be a topic of concern. Participants expressed their appreciation for keeping returns in positive territory during this low interest rate environment.

Ms. Michaliszyn reported that participants continue to register for classes in the TexPool Academy for virtual learning and they continue to utilize TexConnect and TexConnect Mobile for transactions and account information. She reported that as of September 30, 2021, Texas has 2,665 participants and TexPool Prime has 449 participants. She reviewed the participants balance analysis for the quarter and stated that school districts continue to account for the highest balances in both Pools. In the competitive landscape of Pools, TexPool continues to hold more assets than its competitors. Ms. Michaliszyn stated no complaints were reported or filed for the quarter.

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

No future agenda items were discussed. The next meeting will be in February and Nora Arredondo will contact the Board regarding a date.

Comptroller Hegar introduced Tom Currah as the Associate Deputy Comptroller over fiscal matters, which includes the Trust Company.

#### **Public Comments**

Comptroller Hegar asked if there were any public comments. There were none.

#### **Adjourn**

Comptroller Hegar adjourned the meeting at 2:52 p.m.