LOCAL INVESTMENT ADVISORY BOARD 915 Capitol Mall, Room 110 Sacramento, CA 95814

Minutes October 20, 2009

Patricia Wynne, Deputy Treasurer chairing for State Treasurer Bill Lockyer called the Local Investment Advisory Board (LIAB) meeting to order at 1:31 p.m. on Tuesday, October 20, 2009.

AGENDA ITEM 1: Roll Call

Present: Patricia Wynne for State Treasurer Bill Lockyer

Russ Branson, LIAB member Martin Krieger, LIAB member Leslie Wells, LIAB member

Staff: Dan Dowell, Director of Investments

Christine Solich, Assistant Director of Investments

Pam Milliron, LAIF Administrator Marian Yee, Treasury Manager

Diann Theis, Treasury Program Officer

The Chair declared a quorum at 1:32 p.m.

AGENDA ITEM 2.A: Approval of the May 13, 2009, Minutes

The minutes for the May 13, 2009, meeting were approved as submitted with a motion by Mr. Wells and seconded by Mr. Branson. The motion passed unanimously.

AGENDA ITEM NO.3.A: 2009 Annual LAIF Conference

Pam Milliron presented the agenda for the upcoming 2009 Annual LAIF Conference on Wednesday, October 21, 2009.

AGENDA ITEM NO.3.B: LAIF Account Balance Cap

Marian Yee reported that there had not been an increase in the LAIF Account Balance Cap for LAIF regular accounts since 2002 and requested that the cap be raised from \$40

million dollars to \$50 million dollars. Mr. Wells made a motion to recommend to the Treasurer that the LAIF Account Balance Cap be increased to \$50 million dollars, Mr. Branson seconded the motion. The motion passed unanimously. The

recommendation will be made to the Treasurer to raise the LAIF Account Balance Cap.

AGENDA ITEM NO.3.C: LAIF's Administrative Costs

Christine Solich discussed the need for the STO to amend GC 16429.1. Existing law allows the STO to deduct up to "one half of one percent" of LAIF earnings to cover the reasonable costs associated with managing the LAIF program. Turmoil in the market has created a prolonged period of historically low short term interest rates. In this low interest rate environment the reimbursement formula does not allow for the actual costs to administer the fund to be fully recovered. The advisory committee expressed support for revising the cap to allow the ability to recover costs associated with the program.

AGENDA ITEM 4: Overview of LAIF Operations and PMIA Performance

PMIA Performance

Christine Solich reported:

- PMIA was \$62.3 billion dollars
- LAIF was \$22.5 billion dollars
- The daily rate was .64%
- The quarter to date was .66%
- The year to date was .86%
- The average life of the portfolio was 259 days

Ms. Solich reported that the portfolio yield has been moving down. However LAIF deposits have remained strong at over \$22.5 billion dollars. The division invested the proceeds of an \$8 billion dollar Revenue Anticipation Notes (RANS) that the State issued at the end of September. Approximately \$4 billion dollars in Federal Agency Discount Notes were purchased to match the maturity of the RANS which matures in May and June, 2010, with the remainder invested in other high quality short-term approved money-market securities.

Ms. Solich also mentioned that legislation was approved in July, 2009 to include Negotiable Order of Withdrawal (NOW) accounts as an investment option for the pool. NOW accounts are interest bearing accounts with individual financial institutions which can earn up to .50% interest and are fully insured by the FDIC.

LAIF Operations

Pam Milliron reported:

- The quarterly apportionment rate for June 30, 2009, was 1.51% with administrative costs of .30% of earnings.
- The quarterly apportionment rate for September 30, 2009, was .90% with administrative costs of .50% of earnings.

- As of September 30, 2009, there were 2,770 participants in LAIF. This total includes 1,794 Special Districts, 54 Counties, 474 Cities, 272 Trustee accounts and 176 bond accounts.
- LAIF was approximately 40% of the total PMIA with a current balance of \$22,488,817,719.70.

AGENDA ITEM 5: Public Comment

None

AGENDA ITEM 6: Other Business

AGENDA ITEM 7: Adjournment

There being no further business the meeting was adjourned at 2:20 p.m.