

CASH MANAGEMENT AND INVESTMENT OVERSIGHT COMMISSION
September 21, 2018
Regular Meeting
Minutes

The ninety-ninth meeting of the Cash Management and Investment Oversight Commission (CMIOC), a Regular Meeting, held on September 21, 2018, 10:00 a.m., in the Oasis Conference room located at 5005 N. Lincoln Blvd., Oklahoma City, OK.

Roll Call:

Members Present:

Ms. Lynne Bajema, (Chair) State Comptroller, OMES
Ms. Laura Swingle, Business Manager, Securities Commission
Mr. Thom McGuire, CPA (Ardmore, OK)
Mr. Wayne Arbuthnot, Assistant Deputy Commissioner, Oklahoma Banking Dept.

Members Absent:

None

Others Attending:

Ms. Stephanie Brown, Committee Secretary, OMES
Mr. Charles Hover, OST
Mr. Craig Sanger, OST
Mr. Edward Romero, CLO
Ms. Lisa Murray, OST
Ms. Lyn Martin-Diehl, Assistant Attorney General
Ms. Kiranmaye Nallayahgari, OST
Ms. Susan Nicewander, Deputy Treasurer, OST

Item 1

Chair Bajema called the meeting to order. Ms. Brown confirmed that the agenda was posted and all requirements were met according to statute.

Item 2

Ms. Bajema declared a quorum present. Members Present: Lynne Bajema, Laura Swingle, Thom McGuire and Wayne Arbuthnot.

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Item 3

Ms. Bajema moved to approve the minutes of the March 9, 2018 meeting. There was no June 2018 meeting due to lack of quorum. There were no changes or corrections to the previous meeting's minutes. The minutes were approved without changes.

Item 4

Chair Bajema confirmed that the reports were received from the State Treasurer's office and that a meeting of the Executive Review Committee was not necessary this quarter. No action taken.

Item 5

Susan Nicewander, Deputy Treasurer for OST provided an update from the State Treasurers' Office. Ms. Nicewander re-introduced Charles Hover, the director of portfolio accounting and reporting. This is the area that does all of the investment accounting and reporting for the state portfolio, as well as the Tobacco Settlement and Endowment Trust (TSET), which is over a billion dollars with that trust. He also does the accounting for unclaimed property which is typically around the 20 million dollars in that stock which is held in trust for the owners for when they show up and claim it. The money is held for a year once it has been advertised and after that it can be sold. In addition, Kiran is the Director of Banking and Treasury services for the state of Oklahoma. She oversees the arrangement of all of the depository relationships, the credit card relationships which are used by over 60 state agencies and brings in 280/290 million, the debit cards that are used by the Tax Commission. DOC is looking at using the debit cards which will take cash out of some of their environments. Kiran's group also handles all of the ACH buying for the state. We are JPMorgan Chase's second largest client in the region, the first largest is Texas. Kiran's reach is broad, she came from portfolio and accounting, she is a CPA, and will be replacing Susan Nicewander as she is retiring effective January 1, 2019 after 23 years with the state. Susan said that her time with the state has been really good and she has enjoyed it but is looking forward to her next act. The unclaimed property group set a new record in terms of money distributed to the state, over half of the office is employed in unclaimed property, and they represent more than 50% of the FTE's. They returned \$42.8 million dollars in FY18. Also the division brought in more than \$105 million that was reported and remit just in FY18. The agency is looking to move into telework for the night shift. The banking group is in the midst of a system upgrade. They currently use the *Bottom Line* application to currently process ACH debits, where they go out to process money from tax payers etc., to collect money electronically. The application is also used to print the state's warrants, similar to what is known as a check. Implementation of the new software should be done by early spring 2019. Portfolio accounting and reporting are inundated with reporting, the TSET report is due by September 30, financial statements are due to the auditor by September 30th as well. The financial statements have to be prepared and submitted to the state auditor by September 30, the annual performance report for FY18 has a schedule of expenses that are a part of the financial statements report that are supposed to be audited and OST cannot post the financial statements report until the annual report is completed which is not scheduled to be done until late December. This causes a conflict and the timing will need to be reevaluated so that the required deadlines are met.

The group has been very involved in successfully transitioning from an outdated application called ResIQ to Tracker which is a much more capable application. Tracker is now helping produce reports with the aid of spreadsheets. There was an error made in the spreadsheets and the CMIOC members were notified that there were no accounting entry errors but that the error was made in reporting. OST holds over \$5.9 billion dollars because they hold the General Revenue Funds portion plus funds attributable to state agencies. Mr. McGuire asked, "How was the error discovered?" Ms. Nicewander responded that Mr. Hover has added controls to the document and in one of the reviews of comparing reports to the actual they noticed that something did not quite look as close as it should and investigated the difference. Mr. Sanger is OST's internal audit and compliance officer and was immediately asked to review the controls over the process of reporting and no material errors were found once the review was complete. Ms. Nicewander continued stating that the agency had used the prior software and the prior configuration of spreadsheets for as long as she had been with the agency, 20 years. The agency migrated to the new platform and one proposed cosmetic change will make the same information look slightly different. OST would like to come back to the December meeting with the updated report that will reflect the entire portfolio instead of just the General Revenue portion. It will tie to \$5.9 billion dollars total which includes the OK Invest, which is also pooled money because it includes all of the funds. Statute requires both the Commission and the State Auditor to approve any change to the reporting formats, OST would like for the Commission and the State Auditor's office to schedule a meeting that would be able to approve the proposed new reporting format. Chair Bajema asked for 1 or 2 volunteers from the Commission to attend the meeting with the State Auditor's office and OST and come back to the CMIOC December meeting and make a recommendation. Ms. Swingle volunteered to attend the meeting. Lyn Martin-Diehl also requested to attend the meeting, if she is available. Mr. Arbuthnot asked to be notified of the dates of the meeting and would let OST know of his availability. Chair Bajema stated that she would prefer Mr. Arbuthnot or Mr. Hawkins to attend as she would prefer someone from the Banking Department to be in attendance.

Lisa Murray with the Treasurer's office reported that the FY18 comparison of actual to estimated earnings reflected that the Treasurer's portfolio earned \$56.2 million, outperforming projected earnings by \$5.2 million. There were 70 agency securities, 21 mortgage-backed securities and 1 Israel bond purchased during FY18, totaling \$2.27 billion in investments. The trend of increasing number of brokers competing for trades continued during the fiscal year. The total yields at purchase for the portfolio as of June 30 was 2.12% in comparison to 1.70% from twelve months before, and the investable base was \$5.9 billion. The average overnight liquidity for June came in at \$394 million. The face amount of bonds purchased during June, July and August was \$358 million, with an average yield at cost of 2.87%. The gross receipts for August were \$995 million and were up 13% from August 2017.

Item 6

The committee discussed the quarterly financial reports ending September 2018 for the Commissioners of the Land Office. Chair Bajema had a question regarding what type of funds the Harvest Fund Advisors and the Tortoise Fund Advisor are. Mr. Romero stated that they are energy sector funds. Mr. McGuire asked in regards to the fixed income section, if the Mortgage Backed Securities in comparison to the return on cash that OST has doing better than JP Morgan MBS? Mr. Romero answered yes. Mr. Romero will check on why the cash at the Treasurer's

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office is doing better than the JP Morgan MBS and will report back to the committee during the December meeting with a response.

Item 7

Ms. Bajema stated that during the December meeting the 2019 officers will be selected. The 2019 committee meeting schedule will also be selected during the December meeting.

Item 8

No new business at this time.

Item 9

Mr. McGuire moved to adjourn the meeting with Ms. Swingle seconding the motion. The meeting was adjourned.

Chair