

Senate Executive Departments and Administration Committee

Kevin Condict 271-7875

HB 469, relative to membership of the public deposit investment pool advisory committee.

Hearing Date: April 16, 2025

Time Opened: 10:32 a.m.

Time Closed: 10:57 a.m.

Members of the Committee Present: Senators Pearl, Gannon, Altschiller and Reardon

Members of the Committee Absent : Senator McGough

Bill Analysis: This bill:

I. Requires the state treasurer and public deposit investment pool advisory committee to evaluate investment advisors by requesting proposals from advisors and reviewing such proposals based on criteria established by the state treasurer and advisory committee.

II. Requires a member of the Municipal Managers Association of New Hampshire to sit on the public deposit investment pool advisory committee.

Sponsors:

Rep. Maggiore

Rep. Grote

Who supports the bill: Rep. Carol McGuire (Merr. 27), Todd Selig (MMANH), Rep. Jim Maggiore (Rock. 23), Sen. Denis Ricciardi (SD 9), Cllr. John Stephen (District 4), Michael Lupo, Danielle Basora, and David Caron (Derry).

Who opposes the bill: Brodie Deshaies (NHMA).

Who is neutral on the bill: Michael McGlaughlin (PFMAM), Kristy Merrill (NHBA), Bill Greiner (Primary Bank), and Charles Nickerson (NHAC).

Summary of testimony presented:

Representative Jim Maggiore, Rockingham 23

- Rep. Maggiore introduced House Bill 469.

- Rep. Maggiore explained that the bill proposes to change the composition of the New Hampshire Public Deposit Investment Pool (PDIP) Advisory Committee. He said the bill would add a member of the Municipal Management Association of New Hampshire (MMANH) and remove a member from the New Hampshire Bankers Association (NHBA).
- Rep. Maggiore said that having a member of the MMANH, who are so close to the fiduciary responsibilities of their towns, on the PDIP would be incredibly valuable.
- Sen. Pearl noted that there is a proposed amendment that would require the contract to go before the Governor and Council. He asked if Rep. Maggiore had any opposition to that amendment.
 - o Rep. Maggiore said he has no opposition to that.
- Sen. Reardon asked who the members of the MMANH are. She asked if it is a New Hampshire association or a nationwide association.
 - o Rep. Maggiore said that it is a New Hampshire association and a national association.

Representative Carol McGuire, Merrimack 27

- Rep. McGuire said this bill went through the House Executive Departments and Administration Committee. She said it was brought to their attention that bankers are essentially vendors to the PDIP. The banks are hoping to provide services for this investment pool.
- Rep. McGuire said bankers have an inherent conflict of interest. She noted that not all banks are big enough to make contracts that the PDIP would be likely to be interested in, but there are plenty who are.
- Rep. McGuire noted that the bankers will still have a seat at the table.
- Rep. McGuire said that the municipal managers presented compelling testimony, and the House committee felt they were a suitable replacement for one of the bankers' seats. She said that municipal managers are on the side of the towns.
- Rep. McGuire said the purpose of the pool is to provide safe and high yielding investments for the towns.

Mike McLaughlin, PFM Asset Management LLC

- Mr. McLaughlin explained that he represents PFM Asset Management, the investment advisor for the PDIP. He said they are neutral on the bill. He explained it was created for smaller cities and towns to get the highest rate of return on investment. He explained that they put their money together to get the best rate of return, and that it has a direct impact on property taxes.
- Mr. McLaughlin explained that in 2022 the State looked at oversight, and they found a direct conflict of interest. He said that during the study committee both the financial institutions and the New Hampshire Banking Department

acknowledged as much. He explained that oversight was transferred to the State Treasurer.

- Mr. McLaughlin stated that the PDIP has a fiduciary duty to provide the most return on investment. He said this bill lessens the conflict of interest that was found and removes some of the divided loyalty on the PDIP.
- Mr. McLaughlin said the MMANH asked to be on the advisory council.
- Mr. McLaughlin said that PDIPs in other states have set asides. He provided the example of Minnesota. There are deposits made in Minnesota banks, but they also invest in banks outside of that state. He said there is no obligation in any of the pools in Minnesota to send money to a specific designated financial institution. He stated that they have the same fiduciary responsibility that New Hampshire's PDIP has: to get the best return for shareholders.
- He stated that the PDIP was set up for one purpose. There are efforts to repurpose the PDIP to benefit the whole state, but it is for towns. He said the driving force behind these efforts is the success of the PDIP. He said that in-state companies offer great deals, but the PDIP must reject these if they are not the best offer.
- Mr. McLaughlin said that if the PDIP starts to take less return on the investment then it could start to affect the credit rating of the PDIP.

Kristy Merrill, New Hampshire Banker's Association

- Ms. Merrill said the NHBA is neutral on this bill, but they have concerns. She said they are not opposed to the bill in its entirety. She said they have no concerns with the addition of a member of the MMANH, but they do oppose the removal of an NHBA member.
- She reminded the Committee of HB 1241, which passed last year. She said that bill required the investment advisor to strive to place PDIP funds in eligible banks in New Hampshire. She said it is more important than ever for representation of bankers on the PDIP advisory committee.
- Ms. Merrill said they have had representation since the creation of the PDIP advisory committee in 1991. She questioned why there is a proposal to remove bankers now. She said that bankers provide expertise in financial management and have decades of specialized experience in risk management, investment strategy, and fiduciary skills that are effective to oversight of the PDIP.
- Ms. Merrill said the NHBA disagrees with the premise that there is a conflict of interest. She said they provide accountability to ensure the spirit of the law is upheld to place a portion of taxpayer PDIP funds in banks in New Hampshire.
- Ms. Merrill said that the NHBA is deeply invested in New Hampshire's economic health. She said keeping the NHBA's representation on the committee helps ensure that the management of public funds remains in step with local interests of communities.
- Ms. Merrill said the NHBA fully supports Sen. Pearl's amendment. The PDIP manages \$750 million, well above the \$10,000 threshold for the Governor and Council.

- Ms. Merrill disagreed with the premise that the PDIP's credit rating could be negatively affected.

Councilor John Stephen, Executive Council District 4

- Cllr. Stephen said the issue for the Executive Council is to make sure that the contract for the advisor goes before the Executive Council like any other state agency with amounts in excess of \$10,000.
- Cllr. Stephen explained that at least four Executive Councilors have written a letter to the State Treasurer asking them to make sure the next contract for the advisor is brought before the Council. He said they have asked to change their procedures as well.
- Cllr. Stephen said this bill is important to make sure there are checks and balances, transparency, and accountability at the Executive Council. He said the Executive Council has reviewed around a hundred and fifteen contacts every other week. He said there are areas of performance requirement and performance management, and there are issues on rates and insurance requirements.
- He said that the current contract of approximately \$1.2 million was not brought before the Executive Council, and the reason for that is unbeknownst to him. He said there was not a clear law requiring it, and the amendment to this bill makes it clear.

Todd Selig, Municipal Managers Association of New Hampshire

- Mr. Selig said the MMANH supports this bill. He explained that he is a member of the MMANH, as well as the Durham Town Administrator.
- Mr. Selig said his role as Durham Town Administrator qualifies him to be a member of the MMANH. He said that to be a member requires employees of municipalities to meet six criteria. Two of those criteria require a person to be in effective control of the overall administrative function of the municipality, and those individuals must exercise significant external control responsibility.
- Mr. Selig said that members of the MMANH are key decision makers for cities and towns across the state. He said they have been following the evolution of the New Hampshire PDIP. The recent change in the oversight of the PDIP from the New Hampshire Banking Department to the State Treasurer has brought the pool in line with similar pools that exist throughout the country.
- Mr. Selig stated that adding a member of the MMANH to the pool would represent another step as part of the pool's evolution.
- Sen. Reardon asked about the difference between the MMANH and the New Hampshire Government Finance Officers Association (GFOA).

- Mr. Selig explained that the GFOA consists of representatives from the finance departments of towns and cities from across the state. The MMANH represents the municipal managers, town managers, town administrators, and even some administrative assistants who exercise significant financial responsibility. The managers deal with the daily affairs of the town, including overseeing the finance department. He said they are in a unique position to understand the needs of towns and cities.

Bill Greiner, Primary Bank

- Mr. Greiner explained that Primary Bank is a community bank. He stated his support for the bill. He said it is important to understand why there would be an interest in banks to have access to some PDIP funds. He said that banking is a simple business: you take in deposits and make out loans.
- Mr. Greiner said there are fewer and fewer community banks in New Hampshire. He explained that many of the community banks have been bought by out-of-state entities. He said if history is any lesson, then many of the resources and deposits will be moved out of state to support their operations. He said that makes it even more critical for community banks to have access to deposits. Without deposits loans cannot be made, and that would hurt small businesses.
- Mr. Greiner said nobody would suggest that banks do not want to provide a rate of return. He guaranteed that one hundred percent of the PDIP's funds are invested out of state and, in some cases, outside of the country.
- Mr. Greiner said that there is no impact to the credit rating of the PDIP should those funds not get an exact rate of return. He said the credit rating is based on the underlying securities.

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Date Hearing Report completed: April 22, 2025