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STATE TREASURER OF OHIO

STAR Ohio & STAR Plus
Local Government Officials Conference
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Office of the State Treasurer of Ohio

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Public Funds Administrators

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Investment Philosophy

- The Investment Department of the State Treasurer invests with three principles:
  - Safety
  - Liquidity
  - Yield

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Market Update

- Market participants have continued to struggle to find attractive yields since the Federal Reserve lowered its key rate to 0.00% – 0.25% in December 2008.
- A painfully slow recovery in the United States, coupled with a tumultuous period for many European economies, has provided a low interest rate ceiling.

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Market Update

- "Flight to Quality"
- U.S. Treasury yields have traded in various ranges, and at very low levels.
- One-year T-bills have barely exceeded 20 basis points (0.20%) since April of 2011 and are currently trading around 13 basis points.

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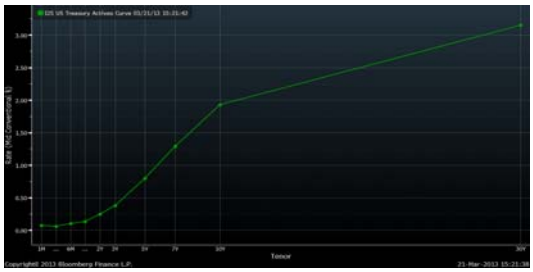
U.S. Treasury Yield Curve



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Market Update

U.S. Economic Recovery

- Economic data continues to improve:
  - Employment Data
  - Home Sales
  - Inflation steady
- The FOMC feels that the recovery is too weak either to tighten or to remove any of its "easy money" policies.
  - The FOMC has gone as far as putting targets on inflation and the unemployment rate, 2.5% and 6.5%, respectively.

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Market Update

European Financial Crisis

- European economies continue to muddle along, many of which are in recession.
- It remains unclear as to how the countries that received bailouts via the Long-Term Refinancing Operation (LTRO) will come out in the long-run.
- Countries like Portugal, Italy, Greece, Spain and Cyprus continue to work through structural and fiscal challenges that may take years to resolve.

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Market Update

European Financial Crisis

- The issues in Europe continue to be major factors in our interest rate environment.
- Recently, the latest market challenge driving rates of quality investments lower is the prospective bailout of the Mediterranean country of Cyprus.
  - Since bank deposits make up the largest capital base in Cyprus, the first proposed response to effecting a bailout was to electronically deduct tiered percentages from bank accounts.
  - This was a symbolic hit to trust, which is the cornerstone of any banking system.

STAR OHIO

Local Government Investment Pool
Managed By The
State Treasurer of Ohio

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- Established in 1985
  - Investment Alternative for Ohio Public Fund Managers
- Approximately $3.6 Billion Pool
- Rated AAAm by Standard & Poor's
  - Since 1995
  - Affirmed in 2012

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Who Can Invest?

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Pooled investments result in efficient buying power, lower expenses, and greater yields.

Allows public fund managers to effectively diversify and maintain confidence with a safe and liquid investment.

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Investor Advantages

- Multiple Accounts Segregation
- No Minimum Investment
- Daily Liquidity
- Check Writing Capabilities
- Online Access
- Online ACH Transactions

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Additional Benefits

- Daily investments and withdrawals without penalty
- Interest on all investments, even if the investment is only for 24 hours
- A consolidated monthly statement that simplifies tracking of multiple short-term investments
- Access to account balance and yield information 24 hours a day through STAR Ohio's automated voice response system and the STAR Ohio website

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Thank You

Thank you for you time today and if you have any questions regarding the presentation, please contact me:

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STAR Plus for Ohio Public Funds Managers

Jason Click
Public Funds Administrators

STAR Plus For Political Subdivisions

STAR Plus Summary:

- Convenience of one account and one statement
- All deposits are demand deposits and are 100% FDIC-insured
- Up to $15 million in deposits per legal entity
- Seamless integration with STAR Ohio account
- Weekly withdrawal and daily deposit capability
- Powered by Federally Insured Cash Account™ (FICA®)
- Daily transparency with 24/7 online access to account information

State Treasurer's Office Endorsed

The State Treasurer of Ohio:

- Endorses STAR Plus as a secure cash management option for public fund managers
- Modeled the program after private-sector programs
- Supported HB 209 passing with bipartisan approval, added ORC 135.145 and 135.354
- Will provide continuous oversight and review of program
- Encourages all Ohio Public Funds Managers to consider STAR Plus as a competitive cash management option
- Encourages all Ohio community banks to participate in STAR Plus

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Eligibility

- STAR Ohio participants
- Ohio Political Subdivision, defined ORC 135.45(F)(2)(a)
  - Cities
  - Counties
  - Libraries
  - Park Districts
  - School Districts
  - Townships
  - Other Government / Public Entities

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How STAR Plus Works

1. **Open one account -** Complete one simple STAR Plus application to open your account.
2. **Deposit funds -** Funds will be transferred from your STAR Ohio account to the custodian. The custodian will then deposit funds into selected FDIC-insured banks participating in the program.
3. **Withdraw funds -** Funds will be transferred from banks participating in the program to the custodian. The custodian will then transfer funds to your STAR Ohio account.

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Safety

"No insured depositor has ever lost a penny of FDIC insured deposits - and none ever will."

- Former FDIC Chairman Sheila C. Blair in FDIC Booklet
No Safer Place in the World for Your Money
(FDIC Consumer News, Fall 2009)

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Liquidity

- Daily Deposits
  - 9:00 am cutoff
- Weekly Withdrawals
  - Processed on first business day of each week
  - 9:00 am cutoff

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Yield

0.22%[1]

Interest paid monthly

INVESTMENT	YIELD
STAR Plus Current Net Yield[1]	0.22%
STAR Ohio Current Net Yield*	0.07%
3-Month Treasury Yield[2]	0.10%
4-Week Treasury Yield[2]	0.09%
Treasury Money Market Funds Yield[2]	0.01%

* Current STAR Ohio Yield shown as of February 2013. Please click here for current STAR Ohio yield

[1] Current yield and maximum FDIC insurance coverage is indicative for STAR Plus and may change without notice due to changes in market or business conditions. Current yield is the net yield to client based on APYE as of 2/28/13. For current yield call 1(800) 648-STAR (7827).

[2] All comparative yield information current as of 2/28/13. Source Bloomberg and iMoneyNet.com.

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How to Open a STAR Plus Account

- Must be a STAR Ohio participant to participate in STAR Plus
- STAR Plus is fully integrated with STAR Ohio
- Coordinated administration for both STAR Plus and STAR Ohio
- All deposits to and withdrawals from STAR Plus flow through your STAR Ohio account

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How to Open a STAR Plus Account continued…

- If not already established, open a STAR Ohio account
- Complete a STAR Plus application
- Complete and return documents as instructed on the application. If assistance is needed, please call Client Services
- Once all required documents are received, an account will be opened usually within 2 – 3 business days
- Online access will be provided for your account immediately upon initial funding

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Bank Exclusion

- Available online
- Participants have the flexibility to add or remove excluded banks at any time
- Banks remain on exclusion list until removed by participant
- Assistance available from your financial advisor or a STAR Plus associate

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Online Access

- www.starohioplus.com
- Informational booklet
- Application
- Fact sheet
- Current program yield
- Current and historical statements

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STAR Plus Benefits Public Funds Managers

Within approximately the first 9 months, STAR Plus, the State Treasurer of Ohio endorsed cash management program for local government subdivisions, has benefited over 225 government subdivisions such as schools, cities, counties, townships, libraries, and other public entities.

These subdivisions are receiving 100% FDIC insurance and 22 basis points[1] in yield on the combined $830 million already deposited in the program.

$830 million
Local Government Deposits

yielding 22
Basis Points[1]

100%
FDIC-Insured Deposits

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STAR Plus Benefits Public Funds Managers

Finneytown Schools
"Our school district continually works hard to find the best way to take our tax dollars and make the most out of what our community has given us. STAR Plus gives us the peace of mind knowing our money is safe and accessible, yet we are still able to earn a competitive yield. Programs like this directly impact the quality of education we are able to give our students."

—Superintendent Deborah Semenick

City of Powell
"The City of Powell is excited to participate in STAR Plus, because it is a safe investment alternative that can help us to generate additional interest we can use to fund our local priorities. STAR Plus is a great investment program for us because there is no risk on the investment, it adds diversification and it provides weekly liquidity while earning a very high investment yield."

—Finance Director Debra Miller

Greene County
"STAR Plus provides Greene County with an investment alternative in this historically low interest rate environment that will allow us to reap higher returns for taxpayers. This is exactly the kind of program we have been looking for. The fact that this program will allow us to generate better yield with the safety of FDIC insurance shoots STAR Plus to the top of attractive investment options for our county."

—Greene County Treasurer Dick Gould, CPA

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STAR Ohio vs. STAR Plus

	STAR Ohio	STAR Plus
Type:	Pooled Investment Account	Demand Deposit Account
Participants:	Ohio Political Subdivisions	Ohio Political Subdivisions
Withdrawals:	Daily	Weekly
Deposits:	Daily	Daily
Minimum Initial Deposit:	None	$500,000
Maximum Deposit:	None	$15,000,000
Interest Frequency:	Accrued Daily / Posted Monthly	Accrued Daily / Posted Monthly
Safety:	AAAm Rated	FDIC-Insured – Full Faith and credit of the U.S. Government
Investments:	Federal Government agency securities, eligible commercial paper, money market funds and collateralized bank deposits	**Only bank deposits, with goal of placing with qualified Ohio community banks**

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Disclosures

All information contained in this document is for informational purposes only and should not be construed as investment advice.

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FICA® satisfies the FDIC's requirements for agency pass-though deposit insurance coverage.

If you have cash at any depository institution that is in the FICA network then you may not receive full FDIC insurance coverage on your deposits at those institutions. Funds may be submitted for deposit only after a depositor enters into a FICA agreement. The agreement contains important information and conditions regarding the depositing of funds.

Access to funds is limited to once a week on Mondays. Please read the FICA program Terms and Conditions, available at www.starohioplus.com, for withdrawal and settlement details.

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Thank You

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