



Management Committee Meeting, 05-23-12

Report on
Investments: 1Q2012

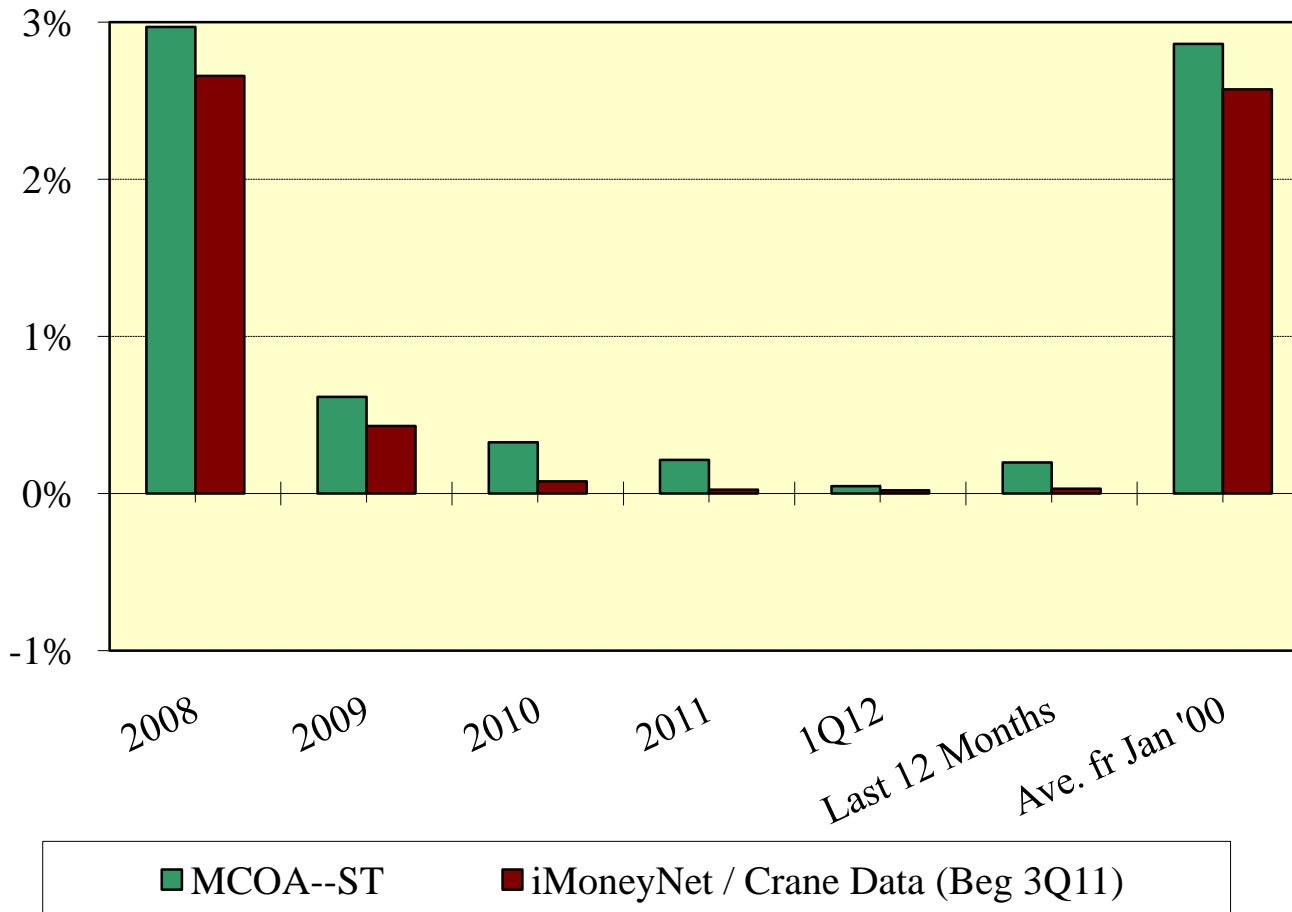
Short Term Yields

Rates	<u>05-04-12</u>	<u>12-31-11</u>
30-Day Commercial Paper	0.31%	0.16%
Federated Prime Fund	0.18%	0.19%
Goldman Sachs Govt Fund	0.04 %	0.01%
US Bank Checking Account	0.0%	0.0%

Source: Metropolitan Council, Goldman Sachs MMF Portal

Total Return, ST Port 1Q12

Total Return (by Periods)



- +3 bps above Index in 1Q12
- +29 bps/year ave. over index for last 13.5 yrs



Expectations: ST Port

- Short rates stay low until FRB reverses course.
- Fed action hinges on reductions in unemployment, an increase in inflation, and a pick-up in productivity.



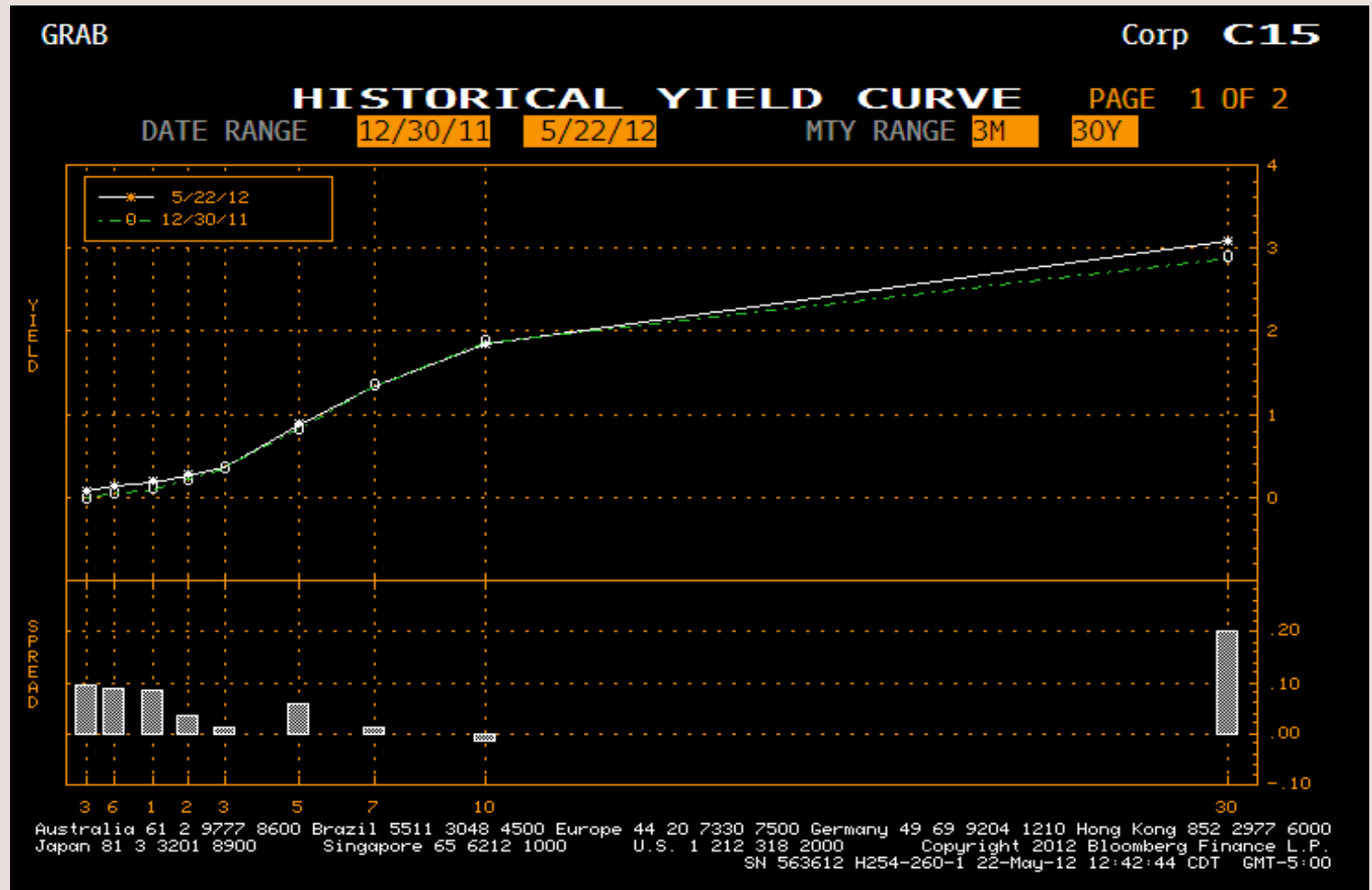
Investment Plans, Short-Term Portfolio

- Maintain our liquid cash holdings in a prime money market fund – currently yielding 18bps.
- Invest in high quality domestic commercial paper issuers.
- Purchase short-term, high quality municipal bonds when available.



Treasury Yields

current vs. 4Q11

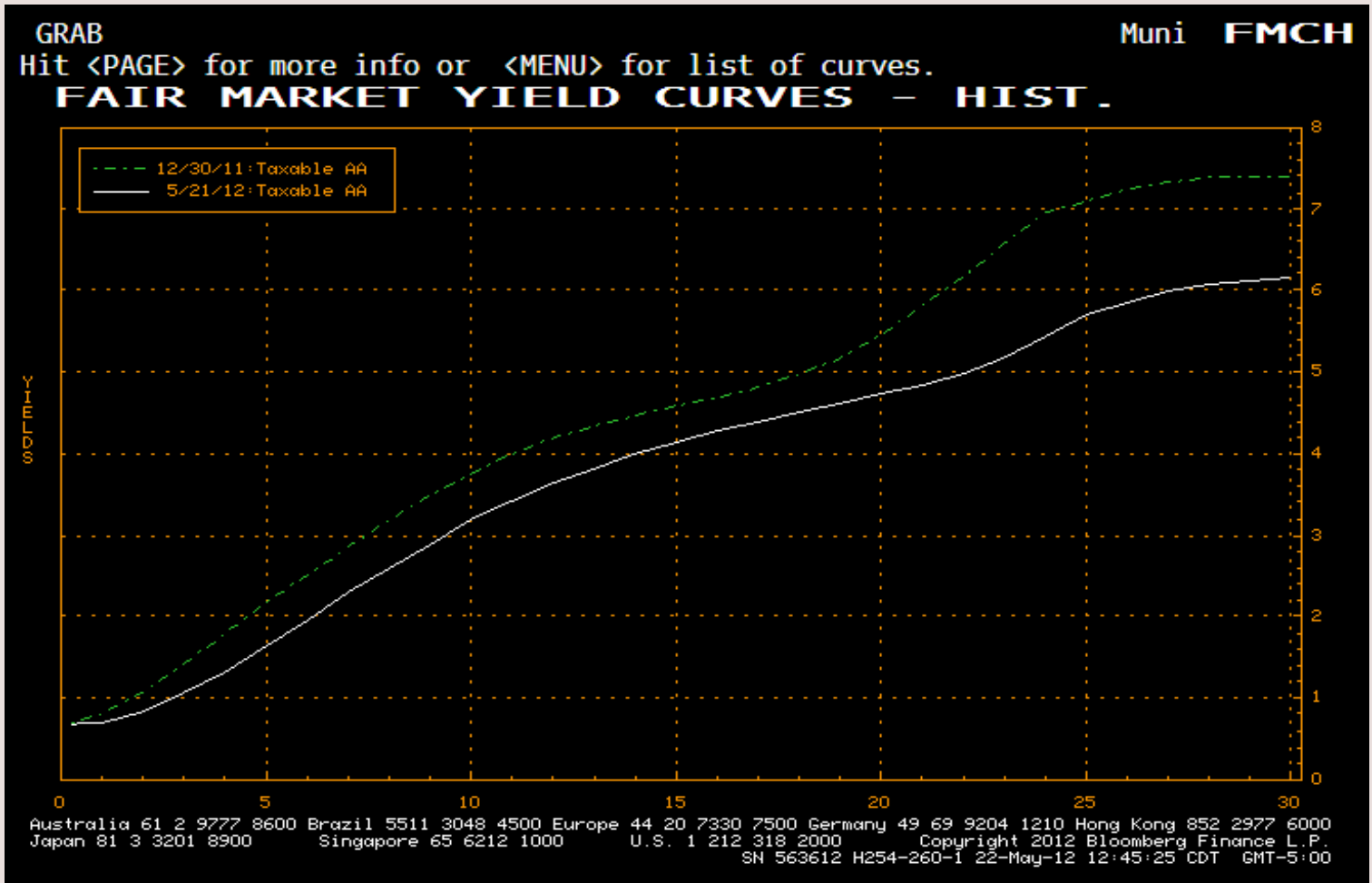


Source: Bloomberg



Taxable AA Muni Yields

current vs. 4Q11

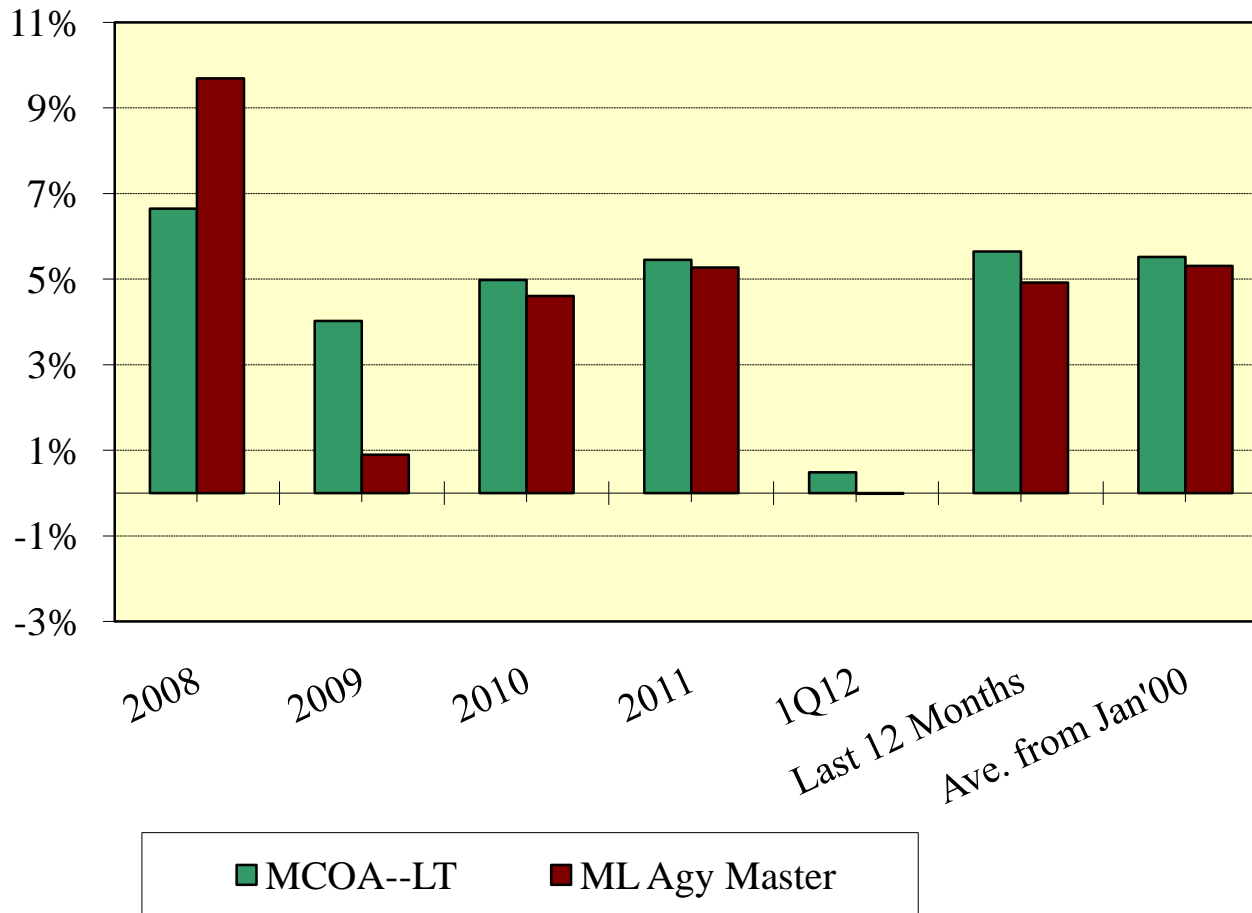


Source: Bloomberg

Total Return, LT Port

1Q12

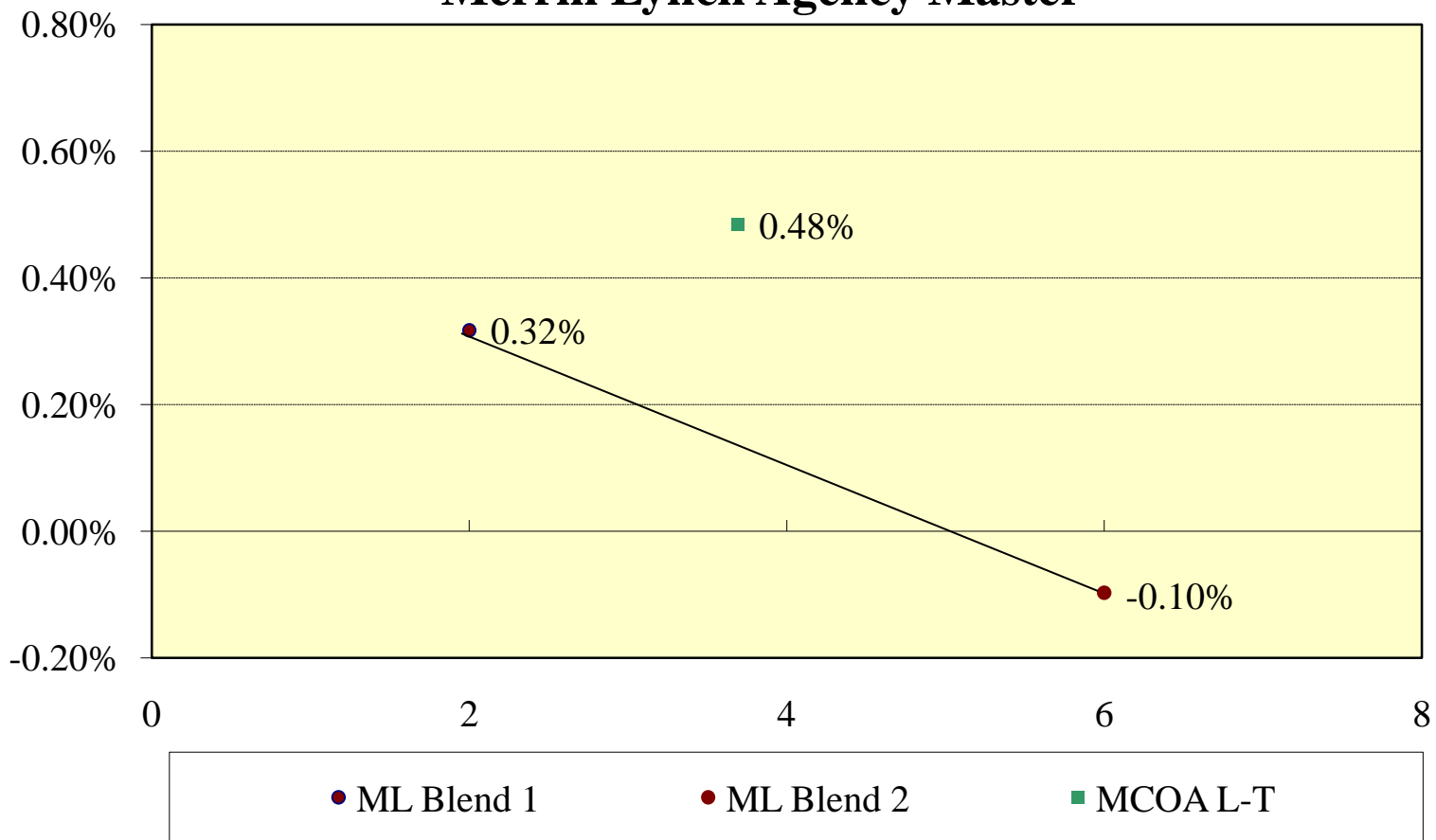
Total Return (by Periods)



- 50 bps above index in 1Q12
- +21 bps/yr ave over index for last 13.5 yrs

Total Return – LT Port vs. Benchmark

**Total Return: Met Council vs.
Merrill Lynch Agency Master**

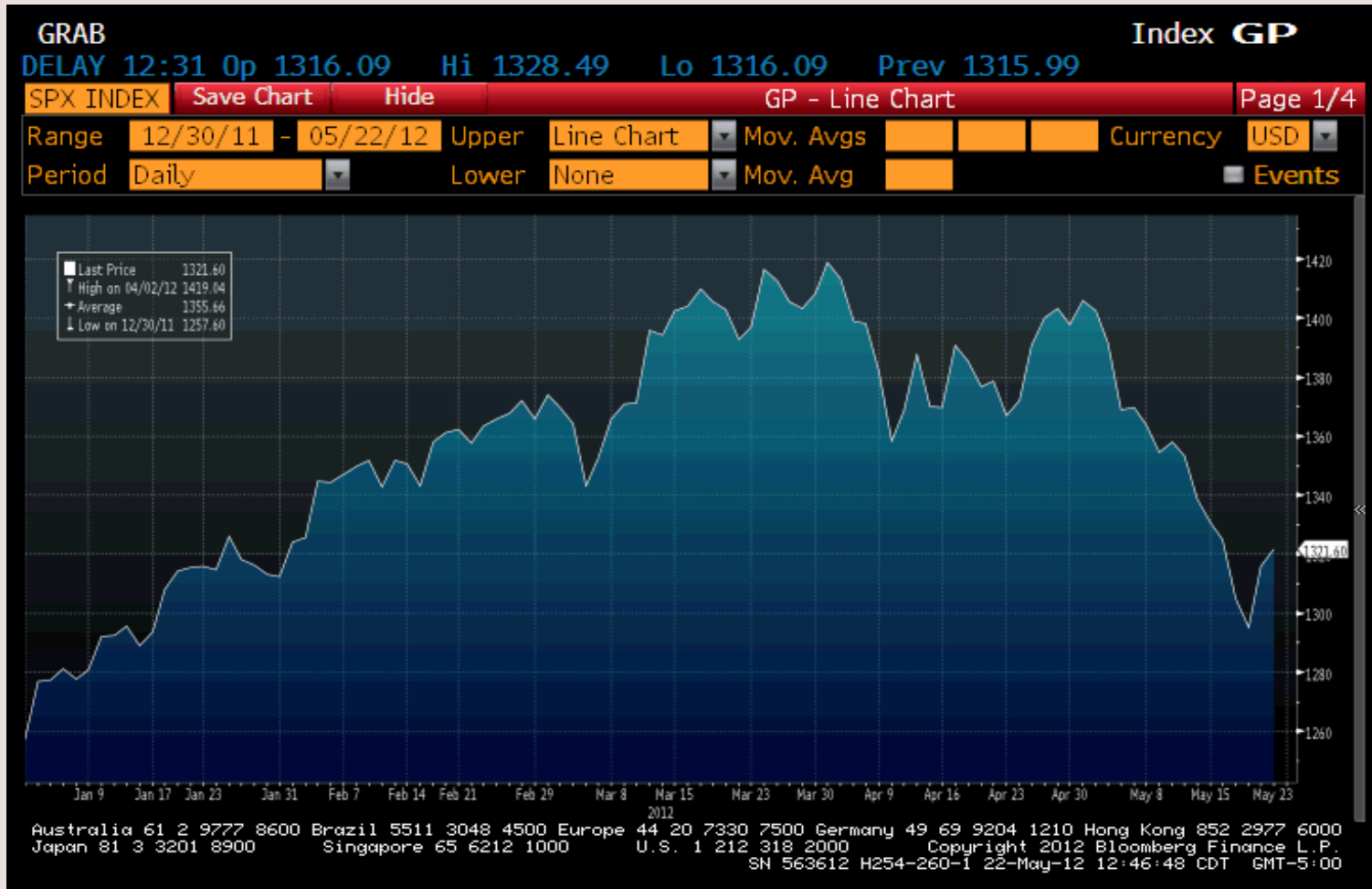




Investment Plans, Long-Term Portfolio

- LT rates won't move significantly higher until we see inflation and a pick-up in general economic activity.
- Inflation?: Watch capacity utilization increases, unemployment reductions, growth in average hourly wages, influences of international markets; and, commodity inflation.

S & P 500 Stock Index



Source: Bloomberg

OPEB 1Q12 Port Results

- S&P 500 @ 12.6% vs. OPEB @ 13.0%
- 1Q12 unrealized gain is \$13.3MM
- Value:

12-31-11:	\$ 106.2MM
03-31-12:	\$ 120.46MM
05-18-12:	\$ 113.03MM
- 100% allocation to equities



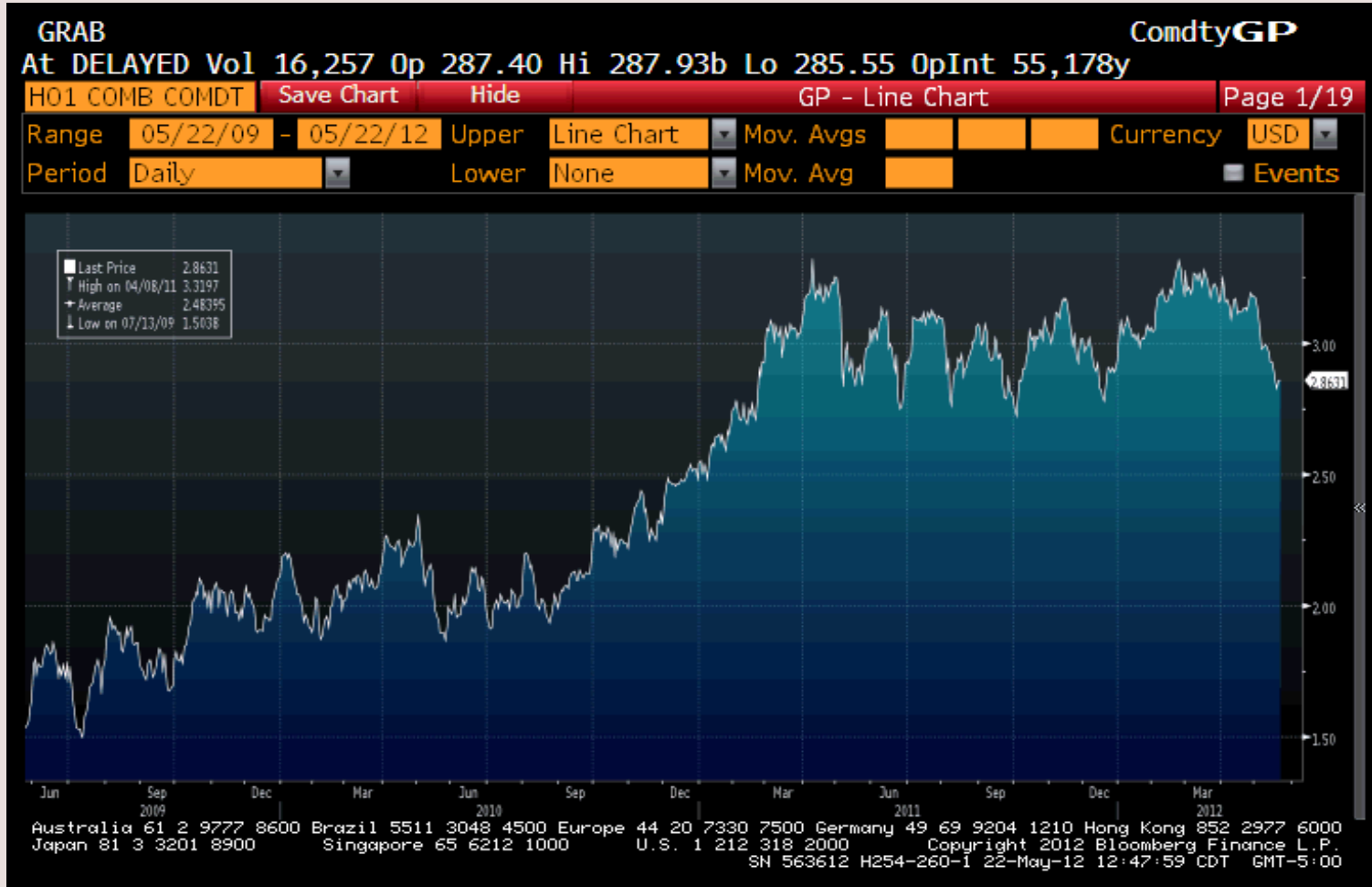
Expectations: OPEB

- Stock market performed better during 1Q12 vs. 4Q11.
- Earnings have been strong and corporations have adequate cash for capital expenditures.
- We expect moderate appreciation in equities for the balance of 2012. Bonds are low yielding and have price risk.
- Stay invested in equities in 2012.



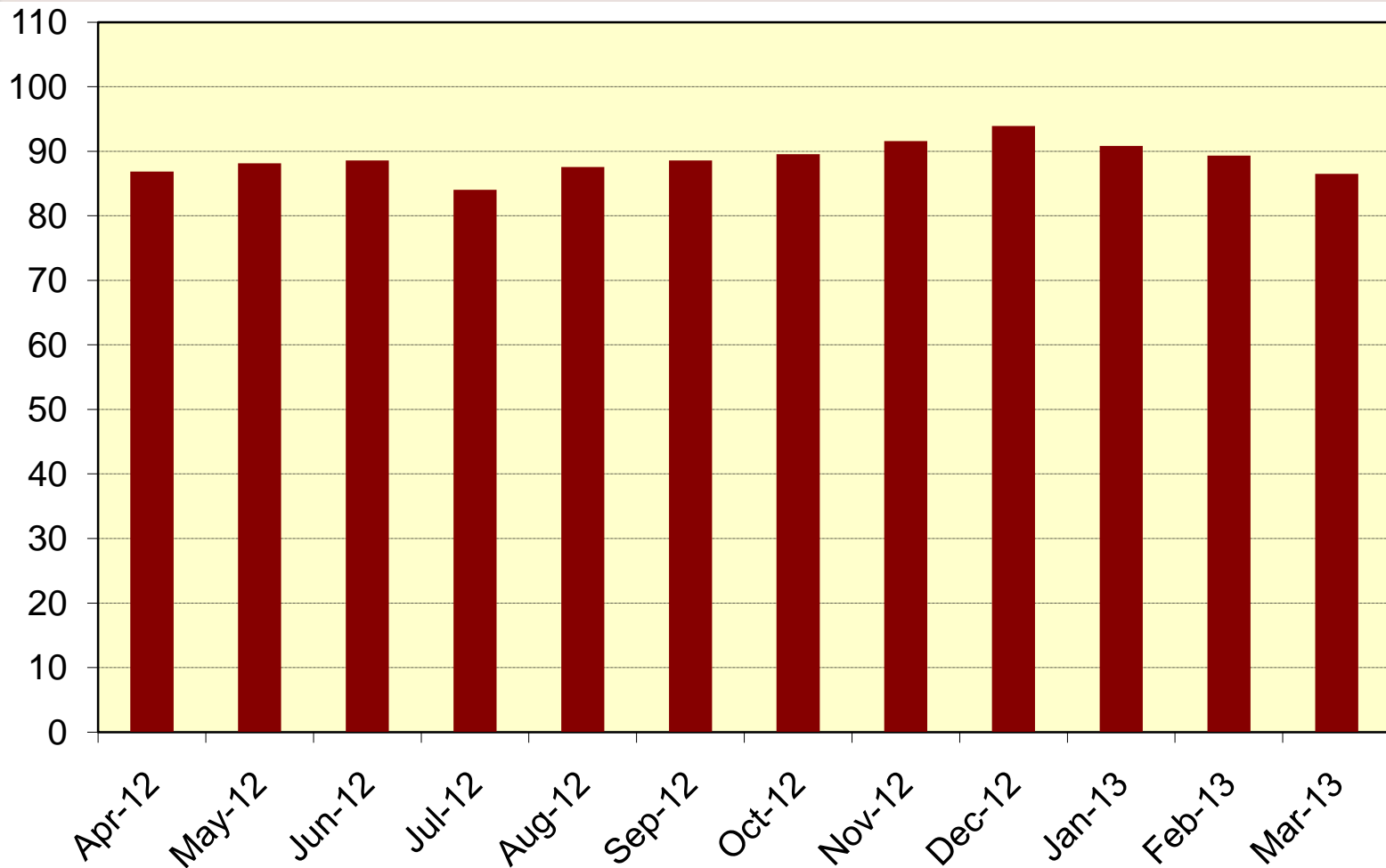
Hedging

Price of Heating Oil (3 Years)



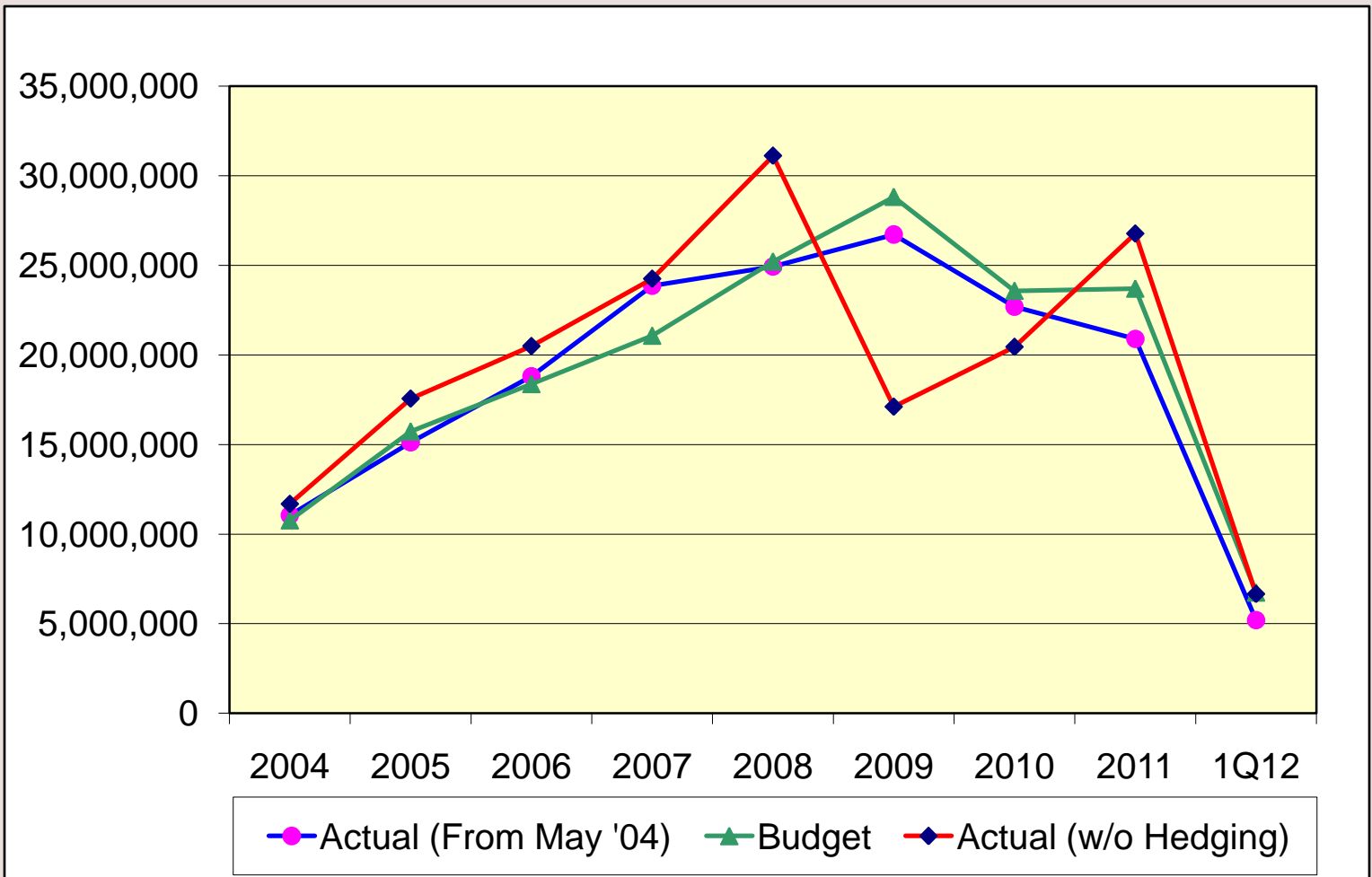
Source: Bloomberg

Monthly Hedged Ratios, Heating Oil Fut. Contracts





Diesel Hedging-- Budget vs. Actual



Expectations for HO Prices (Diesel)

- (+) In the short-run, prices have fallen due to slowing international economies. Iranian situation could push prices higher.
- (-) Limited availability of contracts has reduced 2013 price certainty for Metro Transit.



QUESTIONS?