

**Minutes (Draft) of the
Cash Management Advisory Board
January 29, 2014
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Lawrence Wilson, Assistant Treasurer, Cash Management
Michael Terry, Principal Investment Officer, STIF
Paul Coudert, Investment Officer, STIF
Marc Gagnon, Securities Analyst, STIF
Peter Gajowiak, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:03 a.m., and asked if there were any comments regarding the July and October minutes of the Cash Management Advisory Board. Without any objections, both the July and October minutes were approved.

Mr. Terry stated that since the last CMAB meeting, the Fed decided to begin reducing its purchases of Treasury and Agency securities by \$10 billion a month. According to Mr. Terry, the longer end of the market is expected to be impacted by the reduced purchases while the front-end is anchored to a near-zero percent rate policy which is not expected to change until 2015. Mr. Terry added that there had not been much of a change in STIF's short-term money market securities, although some value has been found in the one-year area. Further, Mr. Terry stated that STIF was able purchase some Treasury securities with maturities around the debt ceiling limit of late February and early March. In summary, Mr. Terry stated that STIF would be positioned to purchase bullets in the 9-12-month area with yields ranging from .17 to .21 percent as well as prime-based floating rate securities. Mr. Terry indicated that STIF has recently ranked in the top five of government investment pools throughout the country as monitored by TRACS Financial.

Mr. Coudert reviewed the performance of STIF. Mr. Coudert stated that for the quarter ending December 31, 2013, STIF earned an average annualized yield of 14 basis points, outperforming our benchmark by 12 basis points. Mr. Coudert continued, saying that for the one year period ending December 31, 2013, STIF returned 12 basis points, outperforming our benchmark by 9 basis points. Mr. Coudert indicated that STIF's current yield was 16 basis points and that its weighted average maturity was 44 days with a weighted average life of 53 days. Mr. Coudert added that due to its \$50.3 million in

reserves, STIF currently is not contributing to the reserves and has not contributed since December 1, 2013.

Mr. Coudert discussed the current composition of STIF, indicating that STIF's one-day liquidity was approximately \$2.4 billion, or 50 percent of STIF assets, and that 63 percent of the portfolio was invested in securities with some type of federal government support, such as U.S. Treasuries, agency securities, FDIC-insured securities, or repurchase agreements backed by such securities. In addition, Mr. Coudert indicated that STIF has deposits of \$450 million that are guaranteed by FHLB letters of credit.

Mr. Desautelle asked about some of the new brokers that have been used recently. Mr. Terry stated that some of the smaller firms can add value by finding specific securities the larger firms are unable or unwilling to pursue. In response to a question from Mr. Desautelle regarding possible risks of using the smaller firms, Mr. Coudert stated that risks are mitigated by the fact that all trades are done on a delivery versus payment method, and that individual firms are reviewed annually, registered by FINRA, and have or clear through a firm with more the \$100 million in assets.

Mr. Coudert stated that the Extended Investment Portfolio (EIP) currently had no assets.

Mr. Coudert reported that STIF Plus's current value is approximately \$2.8 million. Mr. Coudert said that the current NAV was 12.24, up from 11.78 at June 30, 2013. Mr. Coudert added that a loss of \$1.135 in some of the ABS securities was recognized as of June 30, 2013. Mr. Wilson stated that the security market value reductions had been held as unrealized losses since 2007-2008 but were moved to the realized loss category. Mr. Wilson added that by investing in STIF Plus and EIP, rather than just STIF, approximately \$13.1 million in additional income had been earned, well above any potential loss, making EIP and STIF Plus an advantageous investment strategy. Mr. Wilson stated that we would be looking to possibly sell the securities over the next several months.

Mr. Thompson stated that the STIF is using a bar bell strategy with lots of liquidity and buying value on the long end with a floating rate component as well. Mr. Thompson asked what condition might change STIF strategy to not be so focused on maximizing the barbell approach. Mr. Terry stated that the curve in the front end is so flat that you are not getting paid to buy anything in the six month area. Mr. Terry added that at some point it may be possible to see some pressure in the belly of the curve or seven month area at which point it may make sense to buy there.

Mr. Wilson stated that we moved our custody and transfer agency services from State Street to BNY Mellon on December 9, 2013 with very few disruptions. Mr. Terry complimented the STIF team for its effective work with such a large process as it was handled and managed very well with all contingencies being thought of prior to conversion.

Mr. Wilson stated that the Public Finance Outlook Conference is scheduled for April 3, 2014 at Rentschler Field in East Hartford, Connecticut.

With no further business, Mr. Wilson adjourned the meeting at 10:24 a.m.