Minutes (Draft) of the
Cash Management Advisory Board
July 29, 2015
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
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 minutes of the April 2015 Cash Management Advisory Board meeting. Without any objections, the minutes were approved.

Mr. Terry stated that is widely believed that the Federal Reserve will begin raising interest rates in September, and that, as a result, interest rates have been climbing modestly. Mr. Terry indicated that STIF has been modeling break-even calculations for potential rate increases in September, January, and February to determine what an appropriate investment rate should be. Mr. Terry added that we have kept STIF's weighted average maturity at 42 days, although with the proceeds of a planned bond sale the WAM should be even lower, thus allowing the fund to build cash in anticipation of investing at higher rates in September.

Mr. Desautelle asked how much liquidity would be invested at higher rates. Mr. Terry replied that STIF may sporadically move up to an additional four percent of total assets into term security purchases. Mr. Terry added that much of the liquidity is in deposit instruments with daily puts, thereby allowing longer term rates for next day money. In addition, Mr. Terry stated that the agreement STIF has with many of the banks is that the rates on the deposits will rise as the fed raises rates. Mr. Wilson stated that the understanding STIF has with the banks is that the puts would not be exercised for market timing purposes but rather for credit or liquidity purposes.

Mr. Terry stated that STIF had begun to reposition the floating rate securities portion of the portfolio from prime-based to LIBOR-based floaters. LIBOR, according to Mr. Terry, moves based on expected changes rather than actual changes in interest rates.

Mr. Desautelle asked about the relationship between the fed funds and LIBOR rates. Mr. Terry stated the LIBOR is a historical funding rate for AA banks. Mr. Terry added that the funds do not move in lock step, rather they move in the same direction, and that LIBOR will creep up in anticipation of a move in fed funds.

Mr. Gagnon reviewed the performance of STIF. Mr. Gagnon stated that for the quarter ending June 30, 2015, STIF earned an average annualized yield of 14 basis points, while our benchmark averaged 4 basis points, and that for the fiscal year ending June 30, 2015, STIF earned 15 basis points outperforming our benchmark by 12 basis points. Mr. Gagnon indicated that STIF's current yield was 17 basis points and that its weighted average maturity was 42 days. Mr. Gagnon stated that STIF had contributed to its reserves on ten occasions during the last quarter of the fiscal year bringing STIF's reserves to $50.5 million.

Mr. Gagnon stated that STIF assets total $4.8 billion with one-day liquidity of approximately $3.0 billion, or 64 percent of STIF assets. Mr. Gagnon added that 65 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, repurchase agreements backed by such securities, and government money funds.

Mr. Gagnon stated that there currently are no assets in STIF-Plus or the Extended Investment Portfolio (EIP).

Mr. Desautelle asked if the AID-Egypt was a new position. Mr. Terry stated that it is new and that it is aid to the named country with repayment guaranteed by full faith and credit of the United States.

Mr. Thompson stated that he believes STIF management has done a very thoughtful job in positioning the portfolio for future interest rate increases.

With no further business, Mr. Wilson adjourned the meeting at 10:25 a.m.