

**Minutes (Draft) of the  
Cash Management Advisory Board  
October 26, 2016  
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  
Peter Gajowiak, Securities Analyst, STIF

**Minutes:**

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:01 a.m.

The minutes of the July 27, 2016 meeting were approved unanimously.

Mr. Terry stated that the money markets have gone through many changes as a result of the new SEC 2a7 requirements. According to Mr. Terry, Prime funds must use a floating net asset value (“NAV”) although GASB allows STIF to use a fixed NAV. Further, Mr. Terry added that Libor has increased as a result of the regulatory changes.

Mr. Terry stated that the ability to extend beyond seven days in bank deposits has allowed for an increase in the exposure to corporate credit as well as bank deposit instruments. As a result, STIF’s WAM has shortened while its yield has risen. Mr. Terry added that STIF is currently contributing to the reserve at a rate of approximately \$16 thousand a day. Mr. Terry concluded that the market believes the Fed will increase the fed funds rate in December and for that reason STIF has maintained a somewhat shorter average life.

Mr. Desautelle asked if current interest rates were reflecting an anticipated interest rate hike in December. Mr. Terry stated that current rates were more of a reflection of the decline in prime fund buyers as a result of 2a7 requirements.

Mr. Thompson stated that the regulatory arbitrage STIF is doing is brilliant. According to Mr. Thompson, STIF is very fortunate to be positioned in the sweet spot to take advantage of it. Mr. Terry stated that much of the strategy is a result of the recent flexibility given to STIF.

Mr. Coudert gave an overview of STIF's portfolio characteristics and performance. Mr. Coudert stated that for the period ending September 30, 2016, STIF earned an average annualized yield of 45 basis points versus 23 basis points for the iMoneyNet benchmark. For the one year period ending September 30, 2016, STIF earned 37 basis points versus 19 basis points for the benchmark. According to Mr. Coudert, STIF's current yield is 43 basis points with an average life of 31 days, STIF's reserves total \$52 million, and approximately 46 percent of the portfolio is invested in securities with some sort of government support such as government backed repurchase agreements, agency securities, FDIC insured deposits, Federal Home Loan Bank letters of credit, and government money funds.

Mr. Coudert stated that the Extended Investment Portfolio had assets of \$305 million earning 43 basis points and had an average life of less than a week.

Mr. Wilson stated that a recent regulatory change was made to grant the Treasurer the authority to maintain contributions to reserves past the one percent level should she deem it to be in the best interest of the fund. Mr. Wilson added that there is also a more explicitly stated authority to allow for the Treasurer to place a temporary halt on redemptions from the fund to allow for proper calculations of market values and communication with investors.

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