

**Florida PRIME
Fixed Income Investment Oversight Group Meeting**

Minutes

August 27, 2013

11:00 a.m. - 12:00 p.m.

Attendees

Kevin Ceurvorst – Senior Portfolio Manager-Investment Grade Credit
Karen Chandler – Director of Enterprise Risk Management
Lisa Collins – Manager of Public Market Compliance
Bridget Dervish – Senior Risk & Control Analyst III
Belinda Dixon – Director of External Investment Manager Oversight
Tom Fernald – Senior Portfolio Manager-External Management
Mykel Kenton – Manager of Public Market Compliance
Mike McCauley – Senior Officer-Investment Programs & Governance
Eric Nelson – Chief Risk & Compliance Officer
Sheilah Smith – Director of Public Market Compliance
Lamar Taylor – Deputy Executive Director
Katy Wojciechowski – Senior Investment Officer-Fixed Income

Agenda Topics

1. Follow-up items:

None.

2. Reviewed June 2013 monthly compliance, transaction, and holdings reports.

Conclusions:

- A. No compliance violations were reported on the Federated checklist.
- B. Two revised checklists were issued. The first added percentage exposures for individual issuers exceeding 5%. The second corrected the percentage exposure to A-1+ rated entities from 63.22% to 63.51%.
- C. In the verification of high risk parameters, one discrepancy was identified. The variance between the Weighted Average Life (WAL) calculation generated by the internal Eagle system and that reported by Federated exceeded the tolerance limit of 12 days by 96 days. The discrepancy was due to incorrect maturity dates in the Eagle system for the Mullenix and St. Andrew demand notes; for the municipals California Statewide Communities Development Authority, Gibson County Indiana, Illinois Finance Authority, Long Island Power Authority, Putnam County West Virginia County Commission, and State of Texas; and for extendibles issued by Australia New Zealand Banking Group, Canadian Imperial Bank of Commerce, J.P. Morgan Chase Bank N.A., Royal Bank of Canada, State Street Bank and Trust Company, and Wells Fargo Bank N.A. After recalculating in Excel, WAL was within tolerance at 85 days versus the Federated result of 87 days.

- D. No extraordinary transactions or holdings were identified.
 - E. No QIB restrictions were identified on Bloomberg for 144A securities purchased in June 2013.
3. Performed the annual review of the Florida PRIME Compliance Risk Rankings, relative to the Investment Policy Statement which became effective on 7/1/13.

Conclusions:

- A. No changes were recommended, and the current risk rankings were approved by the FI-IOG. The following compliance parameters are ranked as “High” risk:
 - 1) All securities must be U.S. dollar denominated
 - 2) Unregistered securities must be eligible for sale to Accredited Investors or to Qualified Purchasers
 - 3) All securities must be rated First Tier
 - 4) Dollar Weighted Average Maturity \leq 60 days
 - 5) Weighted Average Life \leq 120 days
 - 6) S&P Weighted Average Life within a range of 90-120 days
 - 7) Minimum 10% in Daily Liquid Assets
 - 8) Minimum 30% in Weekly Liquid Assets
 - 9) Net Asset Value \geq \$99.75
- B. Public Market Compliance staff will continue to perform independent testing of compliance parameters ranked as “High” risk on a monthly basis, with the exception of Net Asset Value, which will remain a daily test.

Action Items

None.