

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

September 25, 2014

11:00 a.m. – 12:00 p.m.

Attendees

Kevin Ceurvorst – Senior Portfolio Manager-Investment Grade Credit
Karen Chandler – Director of Enterprise Risk Management / Acting Chief Risk & Compliance Officer
Lisa Collins – Manager of Public Market Compliance
Belinda Dixon – Director of External Investment Manager Oversight
Tom Fernald – Senior Portfolio Manager-External Management
Michael McCauley – Senior Officer-Investment Programs & Governance
Sheilah Smith – Director of Public Market Compliance
Katy Wojciechowski – Senior Investment Officer-Fixed Income

Agenda Topics

1. Follow-up items:

None.

2. Reviewed July 2014 monthly compliance, transaction, and holdings reports.

Conclusions:

- A. No compliance violations were reported on the Federated checklist.
- B. In the verification of high risk parameters, discrepancies were identified on Dollar Weighted Average Maturity (DWAM) and Weighted Average Life (WAL), which exceeded the tolerance limits of 6 and 12 days, respectively. The variance between the calculations generated by the internal Eagle system and those reported by Federated was 22 days for both DWAM and WAL. These discrepancies were due to incorrect reset and/or maturity dates in the Eagle system for the municipal issue New York State Housing Finance Agency; for the Mullenix and Saint Andrew demand notes; for floaters issued by Deutsche Bank New York and the Province of Ontario Canada; for extendible floaters issued by Australia and New Zealand Banking Group, Canadian Imperial Bank of Commerce, PNC Bank, Royal Bank of Canada New York, and Wells Fargo Bank; for a Credit Suisse callable certificate of deposit; and for Fairway Finance interest-bearing commercial paper. After recalculating in Excel, DWAM was within tolerance at 43 days versus 44 days reported by Federated, and WAL matched the Federated result of 85 days.
- C. No extraordinary transactions or holdings were identified in Florida PRIME.
- D. No QIB restrictions were identified on Bloomberg for 144A securities purchased in July 2014.

3. Performed the annual review of the *Florida PRIME Compliance Risk Rankings*, relative to the Investment Policy Statement which became effective on 7/1/14.

Conclusions:

- A. Each IPS parameter is ranked as “High” or “Low” with respect to the level of risk associated with a potential guideline breach. These rankings, along with the frequency for independent verification, are reviewed and approved by the FI-IOG on a minimum annual basis.
- B. 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 maximum range of 90-120 days
 - 7) Minimum 10% invested in Daily Liquid Assets
 - 8) Minimum 30% invested in Weekly Liquid Assets
 - 9) Net Asset Value \geq \$99.75
- C. SBA Compliance staff will continue to perform independent testing of compliance parameters ranked as “High” risk on a monthly basis, with the exception of the Net Asset Value test, which will be verified daily.

Action Items

None.