

Florida PRIME
Fixed Income Investment Oversight Group Meeting
Minutes
May 1, 2015* 9:00 a.m. – 10:00 a.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
Cherie Jeffries – Director of Fixed Income Trading
Mykel Kenton – Manager of Public Market Compliance
Michael McCauley – Senior Officer-Investment Programs & Governance
Richard Smith – Senior Portfolio Manager-Short Term
Sheilah Smith – Director of Public Market Compliance
Lamar Taylor – Deputy Executive Director

Agenda Topics

1. A conference call was conducted with Florida PRIME Portfolio Manager, Paige Wilhelm, to review Stress Test results for the quarter ending 3/31/15.

Conclusions:

The portfolio was tested on 3/31/15 for the following events: a) a change in short-term interest rates, b) an increase in net shareholder redemptions, c) downgrades and defaults, and d) changes between a benchmark overnight interest rate and the interest rates on securities held in Florida PRIME. At the end of March, the Net Asset Value (NAV) of the fund was at \$1.00. With no redemptions, it would take an estimated 526 basis point shift in short-term interest rates to reduce the NAV to the minimum required \$.9950. If the largest holding, Federated Prime Obligations Fund, was downgraded or defaulted, its price could decline to \$.9463 before the NAV would drop to \$.9950. If the lowest rated entity (Bank of Tokyo Mitsubishi with short-term ratings of P-1/A-1/F1 and long-term ratings of A1/A+/A by Moody's, S&P, and Fitch, respectively) was downgraded or defaulted, a projected recovery value of 90.15% would be necessary to retain a NAV of at least \$.9950. On 3/31/15, with a 17% position in floating rate instruments and with 0% redemptions, spread rates could widen by an estimated 568 basis points, and the fund would maintain a NAV of \$.9950. Federated is comfortable with the Stress Test results and does not regard any of the reported scenarios as reasonably likely to occur during the next year. Further, the manager and is not aware of any other events that it views as reasonably likely to occur in the next year that would cause the NAV of Florida PRIME to fall below \$.9950.

2. Follow-up items:

None.

3. Reviewed February 2015 monthly compliance, transaction, and holdings reports.

Conclusions:

- A. No compliance violations were reported on the Federated checklist.
 - B. No discrepancies were identified on the verification of high risk parameters. Federated issued a revised checklist to correct an error on the “50% in A-1+” test.
 - C. No extraordinary transactions or holdings were identified in Florida PRIME.
 - D. No QIB restrictions were identified on Bloomberg for 144A securities purchased in February 2015.
4. The Director of External Investment Manager Oversight and the Senior Officer-Investment Programs & Governance conducted a due diligence site visit with Federated Investors on 4/22/15. This was held in conjunction with the annual Best Practices Review of Florida PRIME performed by Aon Hewitt Investment Consulting, Inc. A site visit overview will be posted to the SBA intranet and the results of the Best Practices Review will be posted to the Florida PRIME website.

Action Items

None.

*** No meeting conducted in April 2015 due to scheduling conflicts.**