

Fixed Income Investment Oversight Group Meeting - Florida PRIME
Meeting Minutes
August 30, 2017 10:00 a.m. Gold Coast Room

Attending Members: Karen Chandler – *Chief Risk & Compliance Officer*; Marcia Main – *Director, Enterprise Risk Management*; Sheilah Smith – *Director, Public Market Compliance*; Katy Wojciechowski – *Senior Investment Officer, Fixed Income*

Members Not Present:

Other Attendees: Kevin Ceurvorst – *Senior Portfolio Manager, Investment Grade Credit*; Lisa Collins – *Manager, Public Market Compliance*; Cherie Jeffries – *Director, Fixed Income Trading*; Mykel Kenton – *Manager, Public Market Compliance*; Mike McCauley – *Senior Officer, Investment Programs & Governance*; Kent Perez – *Deputy Executive Director*; Kimberly Stirner – *Chief Audit Executive*

Minutes: Annette Bullock – *Administrative Assistant*

Agenda Topics

1. Other Topics:

A. A conference call was conducted with Federated Portfolio Manager, Paige Wilhelm, to review stress testing results for the quarter ended 6/30/17.

Conclusions:

The portfolio was tested against specified combinations of hypothetical events including: a) increases in the general level of short-term interest rates, in combination with various levels of increases in shareholder redemptions, b) the downgrade or default of particular portfolio security positions, each representing various portions of the fund's portfolio, in combination with various levels of increases in shareholder redemptions, and c) the widening of spreads, in various sectors, compared to the indexes to which portfolio securities are tied, in combination with various levels of increases in shareholder redemptions. See attached Q2 2017 *Stress Testing Board Summary Report for Florida Local Government Investment Pool A*.

B. Performed the annual review of the *Florida PRIME Risk Rankings*, relative to the Investment Policy Statement (IPS) which became effective 06/14/17. See *Appendix A, Florida PRIME Compliance Risk Rankings*.

Conclusions:

- 1) Each IPS parameter is ranked "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.
- 2) No changes were recommended, and the current risk rankings were approved by the FI-IOG.

3) It was determined that SBA compliance staff will perform independent testing of compliance parameters ranked as “High” risk within 60 days of month end, with the exception of the Net Asset Value, which will be verified daily.

C. It was discussed whether a breach of the Florida PRIME investment guidelines would also constitute a violation of Florida Statutes.

Conclusion:

RMC and IPG will review the Florida PRIME IPS relative to legal requirements to determine if a breach of the investment guidelines would also constitute a violation of “Applicable Florida Law,” defined in the IPS as Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code.

2. Follow-up Items:

None.

3. Compliance Review of July 2017 Data:

Conclusions:

A. No compliance violations were reported on the Federated checklist.

B. No discrepancies were identified in the verification of high risk parameters.

C. No extraordinary transactions or holdings were identified.

4. Action Item:

Carried forward from 8/30/17:

RMC and IPG will review the Florida PRIME IPS relative to legal requirements to determine if a breach of the investment guidelines would also constitute a violation of “Applicable Florida Law.”

EXHIBIT A

Stress Testing Board Summary Report for Florida Local Government Investment Pool A

Date of Stress Tests:	30-Apr	31-May	30-Jun
Shadow NAV at Time of Tests:	1.00022	1.00028	1.00013

STRESS TESTING RESULTS DURING THE PERIOD

Pct of Shares Redeemed	Redemptions Only					
	Stress NAV			Weekly Liquidity		
	Apr	May	Jun	Apr	May	Jun
0%	1.00022	1.00028	1.00013	38.69%	40.00%	38.05%
10%	1.00024	1.00031	1.00015	31.88%	33.33%	31.17%
20%	1.00027	1.00035	1.00017	30.00%	30.00%	30.00%
30%	1.00031	1.00040	1.00019	30.00%	30.00%	30.00%
40%	1.00036	1.00047	1.00022	30.00%	30.00%	30.00%

Pct of Shares Redeemed	Change in Interest Rates						Credit Event						Floater Spread Widening					
	Stress NAV			Weekly Liquidity			Stress NAV			Weekly Liquidity			Stress NAV			Weekly Liquidity		
	Apr	May	Jun	Apr	May	Jun	Apr	May	Jun	Apr	May	Jun	Apr	May	Jun	Apr	May	Jun
0%	0.99948	0.99975	0.99933	38.69%	40.00%	38.05%	1.00011	1.00023	1.00006	38.69%	40.00%	38.05%	0.99995	1.00000	0.99984	38.69%	40.00%	38.05%
10%	0.99943	0.99972	0.99926	31.88%	33.33%	31.17%	1.00012	1.00025	1.00007	31.88%	33.33%	31.17%	0.99994	1.00000	0.99982	31.88%	33.33%	31.17%
20%	0.99935	0.99968	0.99916	30.00%	30.00%	30.00%	1.00013	1.00028	1.00007	30.00%	30.00%	30.00%	0.99993	1.00000	0.99979	30.00%	30.00%	30.00%
30%	0.99926	0.99964	0.99904	30.00%	30.00%	30.00%	1.00015	1.00032	1.00008	30.00%	30.00%	30.00%	0.99992	1.00000	0.99976	30.00%	30.00%	30.00%
40%	0.99914	0.99958	0.99888	30.00%	30.00%	30.00%	1.00018	1.00038	1.00010	30.00%	30.00%	30.00%	0.99991	1.00000	0.99972	30.00%	30.00%	30.00%

Test	% of Orig. Portfolio Stressed			Pct of Shares Redeemed	Combination					
	Apr	May	Jun		Stress NAV			Weekly Liquidity		
	Apr	May	Jun		Apr	May	Jun	Apr	May	Jun
Redemptions Only	0.0%	0.0%	0.0%	0%	0.99911	0.99941	0.99896	38.69%	40.00%	38.05%
Change in Int. Rates	96.7%	96.6%	98.5%	10%	0.99901	0.99934	0.99884	31.88%	33.33%	31.17%
Credit Event	31.4%	28.5%	27.7%	20%	0.99888	0.99926	0.99870	30.00%	30.00%	30.00%
Floater Spread Widening	25.7%	27.1%	30.6%	30%	0.99873	0.99915	0.99851	30.00%	30.00%	30.00%
Combination	96.7%	96.6%	98.5%	40%	0.99851	0.99901	0.99826	30.00%	30.00%	30.00%

B. Escalation Procedures:

Based on Federated's procedures, as of 6/30/2016, Counsel to the Independent Directors or Trustees will receive notification from the Adviser upon the occurrence of the following events in a Rule 2a-7 money market fund: (1) any deviation between the NAV and the market based NAV in excess of \$0.0040 per share or (2) Weekly Liquid assets drop below 30%.

C. Assessment of Fund's Ability to Withstand Events Reasonably Likely to Occur During the Following Year:

Unless highlighted above for further discussion, the Adviser has determined that each fund is structured in such a way that the occurrence of the events, described more fully above, which the Adviser believes are reasonably likely to occur during the next 12 months would not result in a Fund's Weekly Liquid Assets falling below 10% or a fund failing to minimize principal volatility.

D. Test Descriptions:

- Unusual Redemption Activity: Resulting NAV & liquidity levels following redemptions equal to 40% in 10% increments
- Change in Interest Rates: Resulting NAV & liquidity levels following a change in rates of 0.75%.
- Credit Event: UK and Euro bank spreads widen by 0.50%
- Floater Spread Widening: Resulting NAV & liquidity levels following a widening of floater spreads off of the applicable index of 0.25%
- Combination: Change in Interest Rates, Credit Event, and Floater Spread Widening combined.

E. Redemption Funding Method:

Redemptions - Sell Daily Liquidity down to 0 percent then Weekly Liquidity down to 30 percent then based on Final Maturity Date

Appendix A
Florida PRIME Compliance Risk Rankings

Risk Ranking	Test	Limits	
High	Securities must be USD denominated	Minimum	100%
High	Unregistered securities must be eligible for sale to Accredited Investors or Qualified Purchasers	Minimum	100%
<u>Ratings Requirements</u>			
High	First Tier Securities	Minimum	100%
Low	Long-term securities must have long-term ratings in the three highest categories	Pass/Fail	
Low	Commercial Paper must have short-term ratings from at least one NRSRO	Minimum	100%
Low	Securities in Highest Rating Category (A-1+ or equivalent)	Minimum	50%
<u>Maturity</u>			
Low	Individual Security	Maximum	397 days
Low	Government floating rate notes/variable rate notes	Maximum	762 days
High	Dollar Weighted Average Maturity	Maximum	60 days
High	Weighted Average Life	Maximum	120 days
High	S&P Weighted Average Life	Maximum	90-120 days
<u>Issuer Diversification</u>			
Low	First Tier issuer (limit does not apply to cash, cash items, U.S. Government securities and repo collateralized by these securities)	Maximum	5%
<u>Demand Feature and Guarantor Diversification</u>			
Low	First Tier securities issued by or subject to demand features and guarantees of a non-controlled person	Maximum	10%/75%
Low	First Tier securities issued by or subject to demand features and guarantees of a controlled person	Maximum	10%/100%

Risk Ranking	Test	Limits
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Money Market Mutual Funds

Low	Invested in any one Money Market Mutual Fund	Maximum	10%
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Repurchase Agreements

Low	Repurchase Agreement Counterparty Rating	Minimum	A-1
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Low	Term Repurchase Agreements with any single dealer - Counterparty Rating A-1+	Maximum	25%
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Low	Term Repurchase Agreements with any single dealer - Counterparty Rating A-1	Maximum	10%
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Low	Repurchase Agreements with any single dealer - Counterparty Rating A-1	Maximum	25%
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Low	Repurchase Agreement Counterparties must be rated by S&P	Pass/Fail	
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Concentration

Low	Industry Concentration, excluding financial services industry	Maximum	25%
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Low	Any Single Government Agency	Maximum	33.33%
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Low	Illiquid Securities	Maximum	5%
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High	Assets invested in securities accessible within 1 business day	Minimum	10%
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High	Assets invested in securities accessible within 5 business days	Minimum	30%
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High	Net Asset Value	Minimum	99.75%
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Risk Rankings Approved by the FI-IOG on 08/30/17.