

**Minutes (Draft) of the
Cash Management Advisory Board
January 27, 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
Marc Gagnon, Securities Analyst, STIF
Peter Gajowiak, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:06 a.m. and asked if there were any comments regarding the minutes of the October 2015 Cash Management Advisory Board meeting. The minutes were conditionally approved subject to confirmation by Mr. Thompson (which subsequently was obtained later in the day).

Mr. Desautelle stated that the October 2015 minutes indicated that there would be a review of adding term commercial paper to the portfolio and asked if a review had occurred. Mr. Wilson stated that there has been no discussion outside of the Cash Management division. Mr. Terry stated that one of the changes being contemplated to STIF's strategy would allow for the purchase of commercial beyond one business day and up to 90 days and added that high-quality commercial paper could pick up 25-30 basis points in yield versus securities currently being purchased while shortening STIF's average life. In addition, Mr. Terry stated that STIF would look to purchase both fixed and floating rate corporate notes.

Mr. Thompson asked what corporate names currently are being purchased for one business day. Mr. Terry stated Toyota, ADP and NSCC are examples of names currently approved for purchase. Mr. Terry added that there is a very small universe of names that would be permissible under STIF's policy but enough to increase STIF's yield. Mr. Wilson added that the contemplated changes are to strategy, not policy, and deal with maturity, not credit quality requirements.

Mr. Terry stated that the overnight market had already factored in a rate increase prior to the Fed meeting in December, and that the Fed has indicated that interest rates will end 2016 with overnight interest rates at 1.50 percent. Mr. Terry added that since the Fed met in December, the market has shifted its interest rate expectations lower. As a result of the

lower interest rate expectations, Mr. Terry stated that STIF has moved to purchase more floating rate securities.

Mr. Thompson asked what indexes were used for the floating rate securities purchased by STIF. Mr. Terry stated that Prime and LIBOR floaters were purchased recently.

Mr. Coudert gave an overview of STIF's portfolio characteristics and performance. Mr. Coudert stated that for the period ending December 31, 2015, STIF earned an average annualized yield of 21 basis points versus 8 basis points for the iMoneyNet benchmark, and that for the one year period ending December 31, 2015 STIF earned 17 basis points versus 5 for the benchmark. According to Mr. Coudert, STIF's current yield is 39 basis points with an average life of 40 days, reserves total \$50.8 million, daily liquidity is approximately \$2.9 billion, and approximately 60 percent of the portfolio is invested in securities with some sort of government guarantee such as government-backed repurchase agreements, agency securities, FDIC insured deposits and government money funds.

Mr. Desautelle asked about the zero yields shown for OPIC securities held in the portfolio. Mr. Gagnon stated that the securities' income is accreted in the price, and that from an accounting standpoint, the custodian accrues income and the accretion causes the security to mature at a value greater than the original par amount.

Mr. Coudert stated that the Extended Investment Portfolio was opened on December 30, 2015 with \$200 million, and that the EIP currently has \$245 million in assets earning 37 basis points with an average maturity of one day.

Mr. Desautelle asked if the increase in STIF's balance is from state deposits. Mr. Terry stated that it was a combination of both state and municipal investors. Mr. Wilson added that banks may have been paying municipal depositors above-average rates, but as STIF's rate has increased and banks have not increased their rates, STIF's earnings have become more attractive to the state and municipal investors.

With no further business, Mr. Wilson adjourned the meeting at 10:42 a.m.