

**Minutes (Draft) of the
Cash Management Advisory Board
July 30, 2019
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Laurie Martin, Chief Investment Officer - Pension Funds Management
Gail Hallett, Interim-Assistant Treasurer - Cash Management
Michael Terry, Principal Investment Officer, STIF
Paul Coudert, Investment Officer, STIF
Marc Gagnon, Securities Analyst, STIF
Leonora Gjonbalaj, Investment Technician II, STIF

Minutes:

Michael Terry called the meeting to order at 1:02 p.m.

The minutes of the April 30, 2019 meeting were approved unanimously.

Mr. Terry introduced Ms. Laurie Martin and Ms. Gail Hallett to the committee and announced that there are organizational changes affecting the fund.

Ms. Martin stated that management of STIF funds are statutorily under Cash Management but authority was given by Treasurer Wooden to delegate both the management and administration of STIF to the Pension Funds Management division.

Mr. Terry stated that the purpose of the move is to utilize shared resources between the various groups of investment professionals.

Mr. Desautelle asked if STIF investors have been notified. Mr. Terry stated that the investors have not been notified because there is no impact to them. Ms. Martin stated that because she reports directly to the Treasurer, the move elevates the oversight of STIF.

After the organizational changes were discussed, Mr. Terry discussed the current market environment. Mr. Terry stated that it is widely anticipated the Federal Reserve will decrease the fed funds rate by 25 basis points at their next meeting as well as another 25 basis point cut by January 2020. As a result of the anticipated interest rate cuts, STIF has been selectively purchasing securities with one-year maturities. Mr. Terry added that STIF has also been buying floating rate securities with daily resets.

A comment was made about the size of the fund, to which Ms. Hallett stated that the increase in STIF assets is directly attributable to the rainy day fund and how much cash is available rather than bonding. According to Ms. Hallett, the state is currently at a historically high level of liquidity.

Mr. Desautelle asked where the pension fund cash was being invested. Ms. Martin stated that the pension cash is externally managed separately from STIF assets.

Mr. Coudert stated that for the quarter ending June 30, 2019, STIF earned an average annualized yield of 2.43 percent versus 2.25 percent for the iMoneyNet benchmark. For the one year period ending June 30, 2019, STIF earned 2.30 percent while the benchmark earned 2.15 percent. According to Mr. Coudert, STIF's current yield is 2.35 percent with a weighted average maturity of 36 days and a weighted average life of 71 days.

According to Mr. Coudert, STIF reserves total \$69 million with approximately \$7 million having been added in the 2019 fiscal year. According to Mr. Coudert, daily liquidity is approximately \$3.7 billion or 40 percent of the fund. In addition, nearly 38 percent of the portfolio is invested in securities with some sort of government support such as government backed repurchase agreements, agency securities, and deposits backed by Federal Home Loan Bank letters of credit.

Mr. Thompson asked about the smaller New England banks. Mr. Gagnon stated that in addition to daily puts, the deposits and accrued interest of the smaller regional banks are guaranteed by Federal Home Loan Bank letters of credit.

Mr. Coudert stated that the Extended Investment portfolio's size limit was raised from \$1.5 billion to \$2.5 billion in May 2019. According to Mr. Coudert, EIP has assets of \$1.8 billion earning 2.43 percent with an average life of 46 days. According to Mr. Coudert, the EIP portfolio is comprised of one percent agency securities, 55 percent deposits, and 44 percent commercial paper.

Mr. Terry stated that changes to STIF's Investment Policy are being considered.

With no further business, Mr. Terry adjourned the meeting at 1:37 p.m.