

**Minutes (Draft) of the  
Cash Management Advisory Board  
October 29, 2019  
Via Telephone Conference Call**

**Attendees:**

William Desautelle, CMAB Member

J. Victor Thompson, CMAB Member

Laurie Martin, Chief Investment Officer - Pension Funds Management

Michael Terry, Principal Investment Officer, STIF

Paul Coudert, Investment Officer, STIF

Marc Gagnon, Securities Analyst, STIF

**Minutes:**

Michael Terry called the meeting to order at 1:03 p.m.

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

Mr. Terry stated that STIF is working on a new trading and reporting platform which should help speed up reporting and reduce the potential for order entry errors.

Mr. Desautelle asked if the management of STIF moving to Pension Funds Management required any regulatory approval. Ms. Martin stated that it did not.

Mr. Terry stated treasury securities have been added to the portfolio because the yields have become attractive versus agency securities. Mr. Terry stated that much of the spike in repo rates had to do with banks leaving cash at the Federal Reserve rather than investing in repo. Mr. Terry added that the problem could become more pronounced at year-end. Mr. Terry discussed a scenario if the Fed does not lower rates at the next policy meeting.

Mr. Terry stated that STIF was purchasing floating rate securities. Mr. Coudert added that STIF was primarily buying SOFR and Prime floating rate securities as well as fixed rate Treasury securities. Mr. Gagnon stated that some of the banks we have deposits with have lost some of their appetite for STIF cash. Mr. Terry stated that STIF's weighted average maturity has fluctuated primarily due to assets moving in and out rather than a meaningful change in investment strategy.

Mr. Coudert stated that for the quarter ending September 30, 2019, STIF earned an average annualized yield of 2.22 percent versus 2.04 percent for the iMoneyNet benchmark. For the one year period ending September 30, 2019, STIF earned 2.36 percent while the benchmark earned 2.20 percent. According to Mr. Coudert, STIF's

current yield is 1.93 percent with a weighted average maturity of 46 days and a weighted average life of 100 days.

According to Mr. Coudert, STIF reserves total \$71.3 million with more than \$3 million having been added during the current fiscal year. According to Mr. Coudert, daily liquidity is approximately \$3.2 billion or 38 percent of the fund. In addition, nearly 47 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. Terry stated that STIF was able to add Mizuho as a third repo counter-party. Mr. Coudert added that the repo capacity with Mizuho should be between \$200 and \$500 million.

Mr. Thompson asked if STIF systems can handle negative interest rates. Mr. Terry stated that there is nothing statutorily preventing STIF from investing in negative rates. Mr. Terry did concede that investing in negative interest rates would be difficult to explain both operationally and politically. Mr. Thompson asked about the possibility of STIF buying Connecticut debt. Mr. Terry stated that the credit rating was not high enough, rates are not equivalent to where STIF can invest and the optics alone would not look very good.

According to Mr. Coudert, EIP has assets of \$2.0 billion earning 2.07 percent with an average life of 73 days. Mr. Coudert added that the EIP holdings consist of bank deposits, treasury securities, commercial paper, and agency securities.

Mr. Terry stated STIF's will be posting for a securities analyst position. Ms. Martin stated that Standard and Poor's recently conducted their annual review of STIF.

With no further business, Mr. Terry adjourned the meeting at 1:45 p.m.