

**Minutes (Draft) of the
Cash Management Advisory Board
January 31, 2018
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
Leonora Gjonbalaj, Investment Technician II

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:02 a.m.

The minutes of the October 25, 2017 meeting were approved unanimously.

Mr. Terry stated the market is approximately a month away from another hike in the fed funds rate, and it is expected there will be three rate increases this year. Mr. Terry further stated that there weren't many new developments in the market and participants will be trying to determine the new Fed Chairman's approach to monetary policy. Mr. Terry added that STIF continues to buy corporate securities and take advantage of bank products when it makes sense given future projections for interest rates.

Mr. Wilson stated that tax receipts in December and January were more than a billion dollars higher than expected. The increase was due to a combination of factors but primarily it was companies repatriating money from overseas and taxpayers prepaying their state and local taxes before the end of 2017 while they could still be deducted from federal taxes. Mr. Thompson asked if STIF was continuing to add to its reserve. Mr. Wilson stated that it was. Mr. Terry added that another \$500 million as a result of bond proceeds is expected to be deposited into STIF the next few weeks. As such, STIF will continue to add to its reserve.

Mr. Terry stated the authorized size of the Extended Investment Portfolio had recently been increased to \$1.5 billion from \$900 million.

Mr. Coudert stated that for the quarter ending December 31, 2017, STIF earned an average annualized yield of 1.24 percent versus 1.05 percent for the iMoneyNet benchmark. For the one year period ending December 31, 2017, STIF earned 96 basis

points versus 86 basis points for the benchmark. According to Mr. Coudert, STIF's current yield is 1.38 percent with a weighted average maturity of 34 days and a weighted average life of 85 days.

Mr. Coudert stated that, STIF had not contributed to the reserve since the board last met until January 9th of this year. Since January 9th, STIF has contributed to the reserve every day. As such, STIF reserves now total \$58.3 million with nearly \$2.3 million having been added in the 2018 fiscal year. According to Mr. Coudert, daily liquidity is approximately \$2.3 billion or 35 percent of the fund, and more than 33 percent of the portfolio is invested in securities with some sort of government support such as government backed repurchase agreements, agency securities, FDIC insured deposits, Federal Home Loan Bank letters of credit, and government money funds.

Mr. Desautelle asked if interest rates are expected to rise, would it make sense to keep a shorter average life. Mr. Terry agreed and added that it is a delicate balance as the size of the fund can fluctuate causing the average life to fluctuate as well.

Mr. Coudert stated the Extended Investment portfolio has assets of nearly \$1.4 billion earning 1.46 percent with an average life of four days. Mr. Wilson added that the State of Connecticut is the only investor.

Mr. Wilson stated both the Treasurer's annual report as well as the CAFR have been released. In addition, Mr. Wilson added that Peter Gajowiak has left the STIF team to join the pension fund. Mr. Terry stated that Standard & Poor's reaffirmed STIF's AAAM rating.

With no further business, Mr. Wilson adjourned the meeting at 10:24 a.m.