

**Minutes (Draft) of the
Cash Management Advisory Board
April 30, 2019
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, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 1:03 p.m.

The minutes of the January 29, 2019 meeting were approved unanimously.

Mr. Terry stated that since the last time the board met, the FOMC has moved from raising interest rates to potentially lowering interest rates. According to Mr. Terry fed funds futures indicate a zero probability of the Fed raising interest rates this year and a sixty-seven percent chance of an interest rate cut by the end of 2019. Mr. Terry added that this rate environment presents a conundrum for the STIF because an inverted yield curve would allow the fund to earn more in overnight securities than it could by purchasing securities with a one-year maturity. The problem is if we shorten WAM and the Fed cuts rates, the fund reprices lower at a faster rate. Mr. Terry is not convinced the fed will cut rates this year. As a result, the fund is purchasing both long and short maturities in an effort to maintain a moderate average life.

Mr. Thompson asked what the shortest weighted average life the fund would be willing to accept. Mr. Terry stated that he does not see any reason to bring the weighted average life below thirty to thirty-five days. Mr. Desautelle stated the treasury yield curve out one year is basically flat and asked if it made sense to ladder out treasuries because of their liquidity. Mr. Terry agreed and added that STIF is working on implementing something similar to Mr. Desautelle's suggestion.

Mr. Thompson stated that if STIF sticks to its policy position of staying above 30 days in weighted average life, the fund should not have anything to worry about and can invest opportunistically. Mr. Terry agreed and stated that he did not want to introduce volatility to the fund by having a shorter weighted average life.

Mr. Coudert stated that the combined asset of STIF and EIP totaled a record high of nearly \$11.2 billion on April 29, 2019. The record assets are a result of tax receipts and bond proceeds as well as other cash inflows. Mr. Coudert stated that for the quarter ending March 31, 2019, STIF earned an average annualized yield of 2.45 percent versus 2.31 percent for the iMoneyNet benchmark. For the one year period ending March 31, 2019, STIF earned 2.14 percent while the benchmark earned 2.01 percent. According to Mr. Coudert, STIF's current yield is 2.43 percent with a weighted average maturity of 35 days and a weighted average life of 62 days.

Mr. Coudert stated that STIF had contributed to the reserve every day since the board last met in January. According to Mr. Coudert, STIF reserves total nearly \$66.8 million with approximately \$5.5 million having been added in the 2019 fiscal year. According to Mr. Coudert, daily liquidity is approximately \$3.6 billion or 37 percent of the fund. In addition, 48 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. Coudert stated that the Extended Investment portfolio has assets of \$1.5 billion earning 2.58 percent with an average life of 48 days. According to Mr. Coudert, the EIP portfolio is comprised of five percent agency securities, 62 percent deposits, and 33 percent commercial paper. Mr. Wilson stated that staff is in the process of increasing the EIP limit from \$1.5 billion to \$2.5 billion so the state can take advantage of the higher yield.

Mr. Wilson stated that the annual Public Finance Outlook Conference which used to be the STIF annual meeting was held on April 5th. According to Mr. Wilson it was held at in Hartford at Dunkin Donuts Park with record attendance of around 220 people.

With no further business, Mr. Wilson adjourned the meeting at 1:28 p.m.