

**Minutes (Draft) of the  
Cash Management Advisory Board  
May 23, 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 10:11 a.m.

The minutes of the January 31, 2018 meeting were approved unanimously.

Mr. Terry stated that the economy is growing slowly with modest inflation hitting the two percent rate the Federal Reserve has been targeting. As a result, the Fed will continue to raise interest rates gradually with the futures market predicting a 100 percent chance of an interest rate hike in June. According to Mr. Terry, STIF has been investing with the assumption that the Fed will raise rates in June, September and December of this year. Not much has changed in the way STIF has been dealing with the market. Mr. Terry added that STIF continues to add high quality bank names to the portfolio.

Mr. Desautelle asked if the market priced in a rate increase at the next fed meeting. Mr. Terry replied that the futures market is pricing in rate hikes in June, September and December. Mr. Coudert added that STIF was able to purchase securities at wider breakeven spreads in April and early May but products have become relatively more expensive and STIF is unable to pick up as much yield currently. Mr. Terry added that he believes the Fed will raise rates slowly to prevent the economy from slowing too quickly.

Mr. Desautelle asked if the treasury market issuing a tremendous amount of debt has spilled over into other markets causing rates to go higher. Mr. Terry stated that it had not because of the amount of cash being held as a result of repatriation.

Mr. Desautelle asked about the various banks and their liquidity in the portfolio. Mr. Gagnon stated that the portfolio has deposits with eight or nine banks totaling \$1.5 billion that have daily liquidity.

Mr. Thompson asked for information regarding Libor and whether or not the proposed phasing out will have any impact on the portfolio. Mr. Terry stated that he does not see how they will eliminate Libor because he does not know what they will switch to.

Mr. Desautelle asked if the \$7.8 billion in STIF would remain or decline. Mr. Wilson stated that much of the state's cash was the result of a "speed-up" in tax revenues in December and January as well as repatriation on money from overseas. Bond fund balances are higher as a result of lower capitalized spending along with continued tax payments through April have created very high state balances. Mr. Wilson believes the state balances will decline but not dramatically.

Mr. Coudert stated that for the quarter ending March 31, 2018, STIF earned an average annualized yield of 1.45 percent versus 1.33 percent for the iMoneyNet benchmark. For the one year period ending March 31, 2018, STIF earned 1.15 percent while the benchmark earned 1.05 percent. According to Mr. Coudert, STIF's current yield is 1.78 percent with a weighted average maturity of 37 days and a weighted average life of 94 days.

Mr. Coudert stated that STIF had contributed to the reserve every day since the board last met in January of this year. As such, STIF reserves now total \$60.6 million with nearly \$4.5 million having been added in the 2018 fiscal year. According to Mr. Coudert, daily liquidity is approximately \$2.7 billion or 39 percent of the fund, and 30 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. Wilson stated that although STIF is doing well against its benchmark, it is lagging the T-bill index. According to Mr. Wilson, this is not unexpected in a rapidly rising rate environment because bills adjust immediately versus a portfolio. In addition, T-bills are unmanaged without any expenses.

Mr. Coudert stated the Extended Investment portfolio has assets of more than \$1.0 billion earning 1.78 percent with an average life of seven days and is comprised entirely of commercial paper and certificates of deposit.

Mr. Wilson stated the STIF had its 22<sup>nd</sup> annual meeting on March 28, 2018 with an attendance in excess of 200 people including legislators, bond counsels, and an economist.

With no further business, Mr. Wilson adjourned the meeting at 10:39 a.m.