

Fixed Income Investment Oversight Group Meeting – Florida PRIME
Meeting Minutes
July 28, 2020 10:00 a.m. Conference Call

Attending Members: Karen Chandler – *Director, Enterprise Risk Management*; Sooni Raymaker – *Chief Risk & Compliance Officer*; Katy Wojciechowski – *Senior Investment Officer, Fixed Income*

Members Not Present: Mike McCauley – *Senior Officer, Investment Programs & Governance*

Other Attendees: Jennifer Barrett – *Senior Compliance Analyst*; John Benton – *Senior Investment Policy Officer*; Annette Bullock – *Administrative Assistant (RMC)*; Lisa Collins – *Manager, Public Market Compliance*; Cherie Jeffries – *Director of Fixed Income Trading*; Mykel Kenton – *Manager, Public Market Compliance*; Melissa Macilveen – *Financial Specialist (FHCF)*; Joel Meyer – *Manager, Financial Operations (FHCF)*; Richard Smith – *Senior Portfolio Manager, Short Term*

Minutes: Lisa Collins – *Manager, Public Market Compliance*

Agenda Topics

1. The Federated Portfolio Manager, Paige Wilhelm, reviewed the stress test results for the quarter ended 06/30/2020.

Conclusions:

In combination with various levels of increases in shareholder redemptions, the portfolio was tested against the following hypothetical events: a) an increase in the general level of short-term interest rates, b) a credit event representing various portions of the fund's portfolio, c) the widening of spreads, in various sectors, compared to the indexes to which portfolio securities are tied, and d) a combination of a, b, and c. See attached *Stress Testing Board Summary Report for Florida Local Government Investment Pool A - 2Q2020*.

2. No Follow-up Items.
3. Compliance Review of June 2020 Data:

Conclusions:

- A. No new exceptions were reported.
- B. No open/ongoing exceptions were reported.
- C. No Affected Securities were reported.

4. Other Topics:

Performed the annual review of the Florida PRIME Risk Rankings relative to the Investment Policy Statement (IPS). See *Appendix A, Florida PRIME Compliance Risk Rankings*.

Conclusions:

- A. Each IPS parameter is ranked "High" or "Low" with respect to the level of risk associated with a potential guideline breach. These rankings along with the frequency for independent verification are reviewed and approved by the FI-IOG on a minimum annual basis.
- B. No changes were recommended. The current risk rankings were approved by the FI-IOG and will become effective upon the Trustees approval of the IPS in August 2020.
- C. SBA compliance staff will continue to perform independent testing of compliance parameters marked as "High" risk on a monthly basis, with the exception of the Net Asset Value test, which is verified daily.

5. No Action Items.

EXHIBIT A

Stress Testing Board Summary Report for Florida Local Government Investment Pool A - 2Q2020

Date of Stress Tests:	30-Apr	29-May	30-Jun
Shadow NAV at Time of Tests:	1.00062	1.00083	1.00067

STRESS TESTING RESULTS DURING THE PERIOD

Pct of Shares Redeemed	Redemptions Only					
	Stress NAV			Weekly Liquidity		
	Apr	May	Jun	Apr	May	Jun
0%	1.00062	1.00083	1.00067	39.61%	43.90%	40.75%
10%	1.00069	1.00092	1.00074	32.97%	37.87%	34.26%
20%	1.00077	1.00103	1.00084	30.00%	30.37%	30.00%
30%	1.00088	1.00117	1.00095	30.00%	30.00%	30.00%
40%	1.00102	1.00136	1.00111	30.00%	30.00%	30.00%

Pct of Shares Redeemed	Change in Interest Rates						Credit Event						Floater Spread Widening					
	Stress NAV			Weekly Liquidity			Stress NAV			Weekly Liquidity			Stress NAV			Weekly Liquidity		
	Apr	May	Jun	Apr	May	Jun	Apr	May	Jun	Apr	May	Jun	Apr	May	Jun	Apr	May	Jun
0%	0.99999	1.00013	0.99995	39.61%	43.90%	40.75%	0.99994	1.00017	1.00007	39.61%	43.90%	40.75%	1.00010	1.00037	1.00027	39.61%	43.90%	40.75%
10%	0.99999	1.00015	0.99995	32.97%	37.87%	34.26%	0.99993	1.00019	1.00008	32.97%	37.87%	34.26%	1.00011	1.00041	1.00030	32.97%	37.87%	34.26%
20%	0.99998	1.00016	0.99994	30.00%	30.37%	30.00%	0.99993	1.00022	1.00009	30.00%	30.37%	30.00%	1.00013	1.00046	1.00034	30.00%	30.37%	30.00%
30%	0.99998	1.00019	0.99993	30.00%	30.00%	30.00%	0.99992	1.00025	1.00010	30.00%	30.00%	30.00%	1.00015	1.00052	1.00039	30.00%	30.00%	30.00%
40%	0.99998	1.00022	0.99992	30.00%	30.00%	30.00%	0.99990	1.00029	1.00012	30.00%	30.00%	30.00%	1.00017	1.00060	1.00045	30.00%	30.00%	30.00%

Test	% of Orig. Portfolio Stressed			Pct of Shares Redeemed	Combination					
	Apr	May	Jun		Stress NAV			Weekly Liquidity		
	Apr	May	Jun		Apr	May	Jun	Apr	May	Jun
Redemptions Only	0.0%	0.0%	0.0%	0%	0.99880	0.99902	0.99896	39.61%	43.90%	40.75%
Change in Int. Rates	88.6%	83.6%	89.0%	10%	0.99866	0.99891	0.99884	32.97%	37.87%	34.26%
Credit Event	52.6%	41.3%	46.4%	20%	0.99850	0.99878	0.99870	30.00%	30.37%	30.00%
Floater Spread Widening	27.5%	24.3%	23.5%	30%	0.99829	0.99861	0.99852	30.00%	30.00%	30.00%
Combination	88.6%	83.6%	89.0%	40%	0.99801	0.99839	0.99827	30.00%	30.00%	30.00%

B. Escalation Procedures:

Based on Federated's procedures, as of 6/30/2016, Counsel to the Independent Directors or Trustees will receive notification from the Adviser upon the occurrence of the following events in a Rule 2a-7 money market fund: (1) any deviation between the NAV and the market based NAV in excess of \$0.0040 per share or (2) Weekly Liquid assets drop below 30%.

C. Assessment of Fund's Ability to Withstand Events Reasonably Likely to Occur During the Following Year:

Unless highlighted above for further discussion, the Adviser has determined that each fund is structured in such a way that the occurrence of the events, described more fully above, which the Adviser believes are reasonably likely to occur during the next 12 months would not result in a Fund's Weekly Liquid Assets falling below 10% or a fund failing to minimize principal volatility.

D. Test Descriptions:

- Unusual Redemption Activity: Resulting NAV & liquidity levels following redemptions equal to 40% in 10% increments
- Change in Interest Rates: Resulting NAV & liquidity levels following a change in rates of 0.50%.
- Credit Event: Banks, Oil companies, Travel and Leisure spreads all widen by 0.50%
- Floater Spread Widening: Resulting NAV & liquidity levels following a widening of floater spreads off of the applicable index of 0.50%
- Combination: Change in Interest Rates, Credit Event, and Floater Spread Widening combined.

E. Redemption Funding Method:

Redemptions - Sell Daily Liquidity down to 0 percent then Weekly Liquidity down to 30 percent then based on Final Maturity Date

Appendix A
Florida PRIME Compliance Risk Rankings

Risk Ranking	Test	Limits	
High	Securities must be USD denominated	Minimum	100%
High	Unregistered securities must be eligible for sale to Accredited Investors or Qualified Purchasers	Minimum	100%
	<u>Ratings Requirements</u>		
High	First Tier Securities	Minimum	100%
Low	Long-term securities must have long-term ratings in the three highest categories	Pass/Fail	
Low	Commercial Paper must have short-term ratings from at least one NRSRO	Minimum	100%
Low	Securities in Highest Rating Category (A-1+ or equivalent)	Minimum	50%
	<u>Maturity</u>		
Low	Individual Security	Maximum	397 days
Low	Government floating rate notes/variable rate notes	Maximum	762 days
High	Dollar Weighted Average Maturity	Maximum	60 days
High	Weighted Average Life	Maximum	120 days
High	S&P Weighted Average Life	Maximum	90-120 days
	<u>Issuer Diversification</u>		
Low	First Tier issuer (limit does not apply to cash, cash items, U.S. Government securities and repo collateralized by these securities)	Maximum	5%
	<u>Demand Feature and Guarantor Diversification</u>		
Low	First Tier securities issued by or subject to demand features and guarantees of a non-controlled person	Maximum	10%/75%
Low	First Tier securities issued by or subject to demand features and guarantees of a controlled person	Maximum	10%/100%

Risk Ranking	Test	Limits	
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Money Market Mutual Funds

Low	Invested in any one Money Market Mutual Fund	Maximum	10%
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Repurchase Agreements

Low	Repurchase Agreement Counterparty Rating	Minimum	A-1
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Low	Term Repurchase Agreements with any single dealer - Counterparty Rating A-1+	Maximum	25%
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Low	Term Repurchase Agreements with any single dealer - Counterparty Rating A-1	Maximum	10%
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Low	Repurchase Agreements with any single dealer - Counterparty Rating A-1	Maximum	25%
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Low	Repurchase Agreement Counterparties must be rated by S&P	Pass/Fail	
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Concentration

Low	Industry Concentration, excluding financial services industry	Maximum	25%
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Low	Any Single Government Agency	Maximum	33.33%
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Low	Illiquid Securities	Maximum	5%
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High	Assets invested in securities accessible within 1 business day	Minimum	10%
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High	Assets invested in securities accessible within 5 business days	Minimum	30%
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High	Net Asset Value	Minimum	99.75%
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