

Fixed Income Investment Oversight Group Meeting – Florida PRIME
Meeting Minutes
July 30, 2024 3:00 p.m.
Emerald Coast Conference Room/Virtual via Teams

Attending Members: Karen Chandler – *Director, Enterprise Risk Management*; Mike McCauley – *Senior Officer, Investment Programs & Governance*; Todd Ludgate – *Senior Investment Officer, Fixed Income*; Sooni Raymaker – *Chief Risk & Compliance Officer*

Other Attendees: Jennifer Barrett – *Senior Compliance Analyst*; Lisa Collins – *Manager, Public Market Compliance*; Hannah Day – *Investment Compliance Analyst*; Paul Groom – *Deputy Executive Director*; Cherie Jeffries – *Director, Fixed Income Trading*; Mykel Kenton – *Manager, Public Market Compliance*; Richard Smith – *Senior Portfolio Manager, Short Term*; Lamar Taylor – *Chief Investment Officer*

Minutes: Lisa Collins

Agenda Topics

1. Paige Wilhelm provided a written commentary along with stress test results for the quarter ended 06/30/2024.

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 *Exhibit A: Stress Testing Board Summary Report for Florida Local Government Investment Pool A – Q2 2024* and the *Federated Commentary*.

There were no questions or follow-up items from attendees regarding the stress test results.

2. No follow-up items:
3. Compliance recap for the quarter ended 06/30/2024:

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. See *Appendix A, Florida PRIME Compliance Risk Rankings*.

Conclusions:

- A. IPS parameters are 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, and the current risk rankings were approved by the FI-IOG.
 - C. SBA compliance staff will continue to perform independent testing of compliance parameters daily.
5. No action items.

EXHIBIT A

Stress Testing Board Summary Report for Florida Local Government Investment Pool A - Q2 2024

Date of Stress Tests:	30-Apr	31-May	28-Jun
Shadow NAV at Time of Tests:	0.99989	0.99984	0.99991

STRESS TESTING RESULTS DURING THE PERIOD

Pct of Shares Redeemed	Redemptions Only					
	Stress NAV			Weekly Liquidity		
	Apr	May	Jun	Apr	May	Jun
0%	0.99989	0.99984	0.99991	43.04%	41.48%	41.37%
10%	0.99988	0.99982	0.99991	36.77%	34.98%	34.86%
20%	0.99987	0.99980	0.99989	30.00%	30.00%	30.00%
30%	0.99985	0.99977	0.99988	30.00%	30.00%	30.00%
40%	0.99982	0.99973	0.99986	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%	0.99935	0.99921	0.99928	43.04%	41.48%	41.37%	0.99908	0.99899	0.99911	43.04%	41.48%	41.37%	0.99934	0.99932	0.99940	43.04%	41.48%	41.37%
10%	0.99928	0.99912	0.99920	36.77%	34.98%	34.86%	0.99898	0.99888	0.99901	36.77%	34.98%	34.86%	0.99926	0.99924	0.99934	36.77%	34.98%	34.86%
20%	0.99919	0.99901	0.99910	30.00%	30.00%	30.00%	0.99885	0.99874	0.99889	30.00%	30.00%	30.00%	0.99917	0.99914	0.99925	30.00%	30.00%	30.00%
30%	0.99907	0.99887	0.99897	30.00%	30.00%	30.00%	0.99869	0.99855	0.99873	30.00%	30.00%	30.00%	0.99905	0.99902	0.99915	30.00%	30.00%	30.00%
40%	0.99892	0.99868	0.99880	30.00%	30.00%	30.00%	0.99847	0.99831	0.99852	30.00%	30.00%	30.00%	0.99889	0.99886	0.99900	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%	0.99799	0.99784	0.99797	43.04%	41.48%	41.37%
Change in Int. Rates	91.1%	94.3%	92.8%	10%	0.99777	0.99760	0.99774	36.77%	34.98%	34.86%
Credit Event	65.4%	65.8%	62.8%	20%	0.99748	0.99729	0.99746	30.00%	30.00%	30.00%
Floater Spread Widening	23.3%	22.7%	23.8%	30%	0.99712	0.99690	0.99710	30.00%	30.00%	30.00%
Combination	91.1%	94.3%	92.8%	40%	0.99664	0.99638	0.99661	30.00%	30.00%	30.00%

B. Escalation Procedures:

Based on Federated Hermes' procedures, as of 06/30/2024, 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 sufficient liquidity levels, as identified in the board approved procedures, or if the Daily or Weekly Liquid Assets fall below 12.5% or 25%, respectively, and (3) the Adviser, as specified in the board approved procedures, is required to communicate a recommendation regarding a Discretionary Liquidity Fee.

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 widen by 0.50%, and Travel and Leisure spreads widen by 0.25%
- 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(Current, Target Liquidity Level) then based on Final Maturity Date

Federated Commentary:

Attached please find the second quarter 2024 stress testing results for Florida Prime. The resulting data tells us that the portfolio is well positioned to meet participants daily liquidity needs at \$1.00 (par). In the top section of the report we analyze redemption scenarios in 10% increments. At the end of June, a 40% redemption rate by participants causes the NAV which started at \$0.99991 to fall to \$0.99986, while still maintaining 30% in weekly liquidity. For changes in interest rates we are looking at a stress of an instantaneous 50 basis point increase in interest rates across the money market curve. In the pink boxes, for the month of June, a 40% redemption rate combined with a 50 basis point increase in interest rates causes the NAV to fall to \$0.9988. In the green boxes we are stressing for a credit event. We stress the banking industry and widen those spreads by 50 basis points. At the end of June the portfolio held approximately 63% in banking paper. In this stress event with a 40% redemption the NAV falls to \$0.99852 while maintaining the weekly liquidity percentage at 30%. The blue boxes reflect a stress on the floating rate securities that are held in the pool. Florida Prime currently holds approximately 24% in SOFR based floaters. If the floater spreads widen by 50 basis points and we have a 40% decline in assets the NAV falls to \$0.9990. And finally, if the combination of all of these events occur, at the end of June the NAV would have fallen to \$0.99661.

We are comfortable with the positioning of Florida Prime under our current stress scenarios. Please let me know if you have any additional questions

Paige M. Wilhelm
Senior Vice President
Senior Portfolio Manager
Federated Hermes

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 (2-5 days) Repurchase Agreements with any single dealer - Counterparty Rating A-1+	Maximum	10%
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Low	Term (2-5 days) 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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Low	Term (more than 5 business days) Repurchase Agreements with any single dealer - Counterparty Rating A-1+	Maximum	5%
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Low	Term (more than 5 business days) Repurchase Agreements with any single dealer - Counterparty Rating A-1	Maximum	5%
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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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