

Fixed Income Investment Oversight Group Meeting – Florida PRIME
Meeting Minutes
July 27, 2022 2:00 p.m.
Emerald Coast Conference Room/Virtual via Teams

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

Other Attendees: Jennifer Barrett – *Senior Compliance Analyst*; Lisa Collins – *Manager, Public Market Compliance*; Cherie Jeffries – *Director of Fixed Income Trading*; Mykel Kenton – *Manager, Public Market Compliance*; Melissa Macilveen – *Senior Financial Analyst (FHCF)*; Joel Meyer – *Manager of Financial Operations (FHCF)*; Raymond Sherlock – *Senior Portfolio Manager, Asset Allocation & Investment Analytics*; Richard Smith – *Senior Portfolio Manager, Short Term*; Paige Wilhelm – *Senior Vice President and Head of Investment Area/Prime Liquidity Team, Senior Portfolio Manager (Federated Hermes)*

Minutes: Esther Widener – *Risk Management and Compliance Specialist*

Agenda Topics

1. The Federated Portfolio Manager, Paige Wilhelm, reviewed the stress test results for the quarter ended 06/30/2022.

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 - 2Q2022*.

2. No follow-up items.
3. Compliance Review of June 2022 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 2022.
 - C. SBA compliance staff will continue to perform independent testing of compliance parameters marked as “High” risk on a daily basis.
 - D. The Senior Officer, Investment Programs & Governance noted that the SEC is coming out with new rules related to money market funds. It was recommended the group (PRIME-IOG) should revisit the rankings and the IPS for any potential adjustments based on the final SEC rules. The rules are expected to be finalized by calendar year end 2022.
5. Action items:
- Revisit the risk rankings and the IPS after the SEC finalizes rules on money market funds.

EXHIBIT A

Stress Testing Board Summary Report for Florida Local Government Investment Pool A Q2-2022

Date of Stress Tests:	29-Apr	31-May	30-Jun
Shadow NAV at Time of Tests:	0.99957	0.99964	0.99939

STRESS TESTING RESULTS DURING THE PERIOD

Pct of Shares Redeemed	Redemptions Only					
	Stress NAV			Weekly Liquidity		
	Apr	May	Jun	Apr	May	Jun
0%	0.99957	0.99964	0.99939	54.04%	39.26%	40.42%
10%	0.99952	0.99960	0.99932	48.93%	32.51%	33.80%
20%	0.99946	0.99955	0.99924	42.55%	30.00%	30.00%
30%	0.99938	0.99949	0.99913	34.35%	30.00%	30.00%
40%	0.99928	0.99940	0.99898	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%	0.99889	0.99877	0.99845	54.04%	39.26%	40.42%	0.99885	0.99887	0.99861	54.04%	39.26%	40.42%	0.99889	0.99900	0.99879	54.04%	39.26%	40.42%
10%	0.99876	0.99863	0.99828	48.93%	32.51%	33.80%	0.99872	0.99874	0.99845	48.93%	32.51%	33.80%	0.99877	0.99888	0.99866	48.93%	32.51%	33.80%
20%	0.99861	0.99846	0.99806	42.55%	30.00%	30.00%	0.99856	0.99858	0.99826	42.55%	30.00%	30.00%	0.99862	0.99875	0.99849	42.55%	30.00%	30.00%
30%	0.99841	0.99824	0.99778	34.35%	30.00%	30.00%	0.99835	0.99838	0.99801	34.35%	30.00%	30.00%	0.99842	0.99857	0.99827	34.35%	30.00%	30.00%
40%	0.99814	0.99795	0.99741	30.00%	30.00%	30.00%	0.99808	0.99811	0.99768	30.00%	30.00%	30.00%	0.99815	0.99833	0.99799	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%	0.99749	0.99735	0.99707	54.04%	39.26%	40.42%
Change in Int. Rates	95.7%	96.4%	96.4%	10%	0.99722	0.99706	0.99675	48.93%	32.51%	33.80%
Credit Event	64.2%	65.7%	68.6%	20%	0.99687	0.99669	0.99634	42.55%	30.00%	30.00%
Floater Spread Widening	24.7%	26.1%	26.1%	30%	0.99642	0.99621	0.99582	34.35%	30.00%	30.00%
Combination	95.7%	96.4%	96.4%	40%	0.99582	0.99558	0.99513	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 1.25%.
- 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 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	
<u>Money Market Mutual Funds</u>			
Low	Invested in any one Money Market Mutual Fund	Maximum	10%
<u>Repurchase Agreements</u>			
Low	Repurchase Agreement Counterparty Rating	Minimum	A-1
Low	Term (2-5 days) Repurchase Agreements with any single dealer - Counterparty Rating A-1+	Maximum	10%
Low	Term (2-5 days) Repurchase Agreements with any single dealer - Counterparty Rating A-1	Maximum	10%
Low	Repurchase Agreements with any single dealer - Counterparty Rating A-1	Maximum	25%
Low	Repurchase Agreement Counterparties must be rated by S&P	Pass/Fail	
Low	Term (more than 5 business days) Repurchase Agreements with any single dealer - Counterparty Rating A-1+	Maximum	5%
Low	Term (more than 5 business days) Repurchase Agreements with any single dealer - Counterparty Rating A-1	Maximum	5%
<u>Concentration</u>			
Low	Industry Concentration, excluding financial services industry	Maximum	25%
Low	Any Single Government Agency	Maximum	33.33%
Low	Illiquid Securities	Maximum	5%
High	Assets invested in securities accessible within 1 business day	Minimum	10%
High	Assets invested in securities accessible within 5 business days	Minimum	30%
High	Net Asset Value	Minimum	99.75%