

**Fixed Income Investment Oversight Group Meeting – Florida PRIME**  
**Meeting Minutes**  
**October 26, 2023 2:00 p.m.**  
**Emerald Coast Conference Room/Virtual via Teams**

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

**Other Attendees:** Jennifer Barrett – *Senior Compliance Analyst*; Lisa Collins – *Manager, Public Market Compliance*; Cherie Jeffries – *Director, Fixed Income Trading*; Mykel Kenton – *Manager, Public Market Compliance*; Melissa Macilveen – *Manager, Administrative Programs (FHCF)*; 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:** Lisa Collins – *Manager, Public Market Compliance*

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**Agenda Topics**

1. Paige Wilhelm reviewed the stress test results for the quarter ended 09/30/2023.

**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 – 3Q 2023*.

2. Follow-up item from 7/27/22:

It was recommended that the PRIME Investment Policy Statement and the PRIME risk rankings are revisited after the SEC finalizes rules on money market funds.

**Conclusions:**

The rules proposed by the SEC are now finalized and have been published in the Federal Register. Paige Wilhelm stated that these rules do not impact Florida PRIME. However, Federated is still working with GASB to determine if any of these rules will be adopted into GASB 79. This follow-up item is closed.

3. Compliance recap for the quarter ended 09/30/2023:

**Conclusions:**

- A. One new exception was reported. This exception was previously reviewed and approved by the IOG. See attached *Florida PRIME Compliance New Exceptions Report*.

B. No open/ongoing exceptions were reported.

C. No Affected Securities were reported.

4. No other topics.

5. No action items.

**EXHIBIT A**

**Stress Testing Board Summary Report for Florida Local Government Investment Pool A - 3Q2023**

<b>Date of Stress Tests:</b>	31-Jul	31-Aug	29-Sep
<b>Shadow NAV at Time of Tests:</b>	1.00002	1.00009	1.00007

**STRESS TESTING RESULTS DURING THE PERIOD**

Pct of Shares Redeemed	Redemptions Only					
	Stress NAV			Weekly Liquidity		
	Jul	Aug	Sep	Jul	Aug	Sep
0%	1.00002	1.00009	1.00007	41.63%	39.97%	38.57%
10%	1.00002	1.00010	1.00007	35.15%	33.30%	31.74%
20%	1.00002	1.00011	1.00008	30.00%	30.00%	30.00%
30%	1.00003	1.00013	1.00010	30.00%	30.00%	30.00%
40%	1.00003	1.00015	1.00011	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		
	Jul	Aug	Sep	Jul	Aug	Sep	Jul	Aug	Sep	Jul	Aug	Sep	Jul	Aug	Sep	Jul	Aug	Sep
0%	0.99934	0.99943	0.99933	41.63%	39.97%	38.57%	0.99917	0.99930	0.99922	41.63%	39.97%	38.57%	0.99942	0.99957	0.99951	41.63%	39.97%	38.57%
10%	0.99926	0.99936	0.99925	35.15%	33.30%	31.74%	0.99907	0.99923	0.99913	35.15%	33.30%	31.74%	0.99935	0.99952	0.99946	35.15%	33.30%	31.74%
20%	0.99917	0.99928	0.99916	30.00%	30.00%	30.00%	0.99896	0.99913	0.99902	30.00%	30.00%	30.00%	0.99927	0.99946	0.99939	30.00%	30.00%	30.00%
30%	0.99905	0.99918	0.99903	30.00%	30.00%	30.00%	0.99881	0.99901	0.99888	30.00%	30.00%	30.00%	0.99916	0.99938	0.99930	30.00%	30.00%	30.00%
40%	0.99890	0.99904	0.99887	30.00%	30.00%	30.00%	0.99861	0.99884	0.99869	30.00%	30.00%	30.00%	0.99902	0.99928	0.99918	30.00%	30.00%	30.00%

Test	% of Orig. Portfolio Stressed			Pct of Shares Redeemed	Combination					
	Jul	Aug	Sep		Stress NAV			Weekly Liquidity		
	Jul	Aug	Sep		Jul	Aug	Sep	Jul	Aug	Sep
Redemptions Only	0.0%	0.0%	0.0%	0%	0.99789	0.99812	0.99792	41.63%	39.97%	38.57%
Change in Int. Rates	94.3%	93.5%	94.1%	10%	0.99765	0.99791	0.99769	35.15%	33.30%	31.74%
Credit Event	68.7%	70.2%	67.8%	20%	0.99736	0.99765	0.99740	30.00%	30.00%	30.00%
Floater Spread Widening	34.4%	35.2%	33.2%	30%	0.99698	0.99731	0.99703	30.00%	30.00%	30.00%
Combination	94.3%	93.5%	94.1%	40%	0.99647	0.99686	0.99653	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 0.75%.
- 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

# Florida PRIME Compliance New Exceptions Report 3Q 2023 Recap

Date of Exception	Portfolio Name	Policy	Description of Exception	SIO Response								
08/30/23	Florida PRIME	IPS	<p><b>Rule:</b> 10% maximum exposure to any Single Money Market Mutual Fund</p> <p><b>Failure Mode:</b> Dreyfus Government Cash Management Fund at 14.90% on 8/30/23</p> <p>The SBA and Florida PRIME were closed on 08/30/23 due to Hurricane Idalia. On this day, there were over \$3 billion in maturities. Federated notified the SBA on 08/29/23 of the maturities and the plan to sweep the money into the Dreyfus fund.</p> <p>The end of day cash sweep amount caused the exposure to the Dreyfus fund to exceed the 10% limit. Typically, the exposure to the Dreyfus fund is less than 1%, as shown on the days surrounding the exception.</p> <table border="0"> <tr> <td>08/28/23</td> <td>0.00 (0.00%)</td> </tr> <tr> <td>08/30/23</td> <td>3,079,895,637.28 (14.9%)</td> </tr> <tr> <td>09/01/23</td> <td>11,675,697.82 (0.06%)</td> </tr> <tr> <td>09/05/23</td> <td>13,847,079.36 (0.07%)</td> </tr> </table> <p><b>Effect Analysis</b> Depending on the timing of the closure announcement, Federated can modify the time deposits or other pending trades by extending their maturities.</p> <p>In preparation of Hurricane Idalia, the timing of the closure occurred near month end and with the short notice of the closure, modifications were not made. This resulted in Federated sweeping all cash into the Dreyfus fund at 5.22%. Other portfolios</p>	08/28/23	0.00 (0.00%)	08/30/23	3,079,895,637.28 (14.9%)	09/01/23	11,675,697.82 (0.06%)	09/05/23	13,847,079.36 (0.07%)	
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# Florida PRIME Compliance New Exceptions Report Q3 2023 Recap

Date of Exception	Portfolio Name	Policy	Description of Exception	SIO Response
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that were open that day invested in repo at 5.30%, overnight and one-week securities around 5.32% and around a 1% position in 3-month paper at 5.61%. A 'back of the envelope' calculation shows a missed opportunity cost of 1.5 basis points (less than \$9,000) for PRIME.

**Future Action:**

When PRIME closures occur, the SBA and Federated need to ensure or develop modifications so that the exposure to a single Money Market Mutual Fund does not exceed the 10% limit.