

**Fixed Income Investment Oversight Group Meeting – Florida PRIME
Meeting Minutes
February 24, 2017 11:00 a.m., Emerald Coast**

Attending Members: Karen Chandler – *Chief Risk & Compliance Officer*; Sheilah Smith – *Director, Public Market Compliance*; Marcia Main – *Director, Enterprise Risk Management*

Members Not Present: Katy Wojciechowski – *Senior Investment Officer, Fixed Income*

Other Attendees: John Benton – *Senior Investment Policy Officer*; Kevin Ceurvorst – *Senior Portfolio Manager, Investment Grade Credit*; Lisa Collins – *Manager, Public Market Compliance*; Cherie Jeffries – *Director, Fixed Income Trading*; Melissa Macilveen – *Financial Specialist II*; Mike McCauley – *Senior Officer, Investment Programs & Governance*; Janice Yecco – *Senior Portfolio Manager*

Minutes: Annette Bullock – *Administrative Assistant*

Agenda Topics

1. Follow-up Item from 1/30/17:

The Director of Public Market Compliance contacted Federated regarding rating discrepancies noted in comparing the ratings verified on Bloomberg versus those Federated provided to S&P on the weekly surveillance report. Findings will be discussed at the next FI-IOG meeting.

Conclusions:

To retain the AAAm rating from S&P, 50% of Florida PRIME must be invested in A-1+ rated securities. Under this rule, it is permissible to include holdings that are rated A-1 and mature within one week in the A-1+ bucket. In December 2016, Federated began reporting the adjusted A-1+ ratings for securities in this category on the weekly surveillance reports. All of the S&P rating discrepancies on December 2016 and January 2017 data were explained by this change. Federated is currently researching the remaining rating differences identified for Moody's and Fitch ratings, and information concerning these will be provided at the next FI-IOG meeting.

2. Compliance Review of January 2017 Data:

Conclusions:

A. No compliance violations were reported on the Federated Checklist.

B. With the exception of ratings noted above, there were no discrepancies identified in the verification of high risk parameters.

C. No extraordinary transactions or holdings were identified.

3. Other Topics:

Reviewed Fourth Quarter 2016 Stress Test results. *See attached report and written commentary provided by Federated Portfolio Manager, Paige Wilhelm.*

4. Action Item:

Carried forward from 1/30/17:

Federated is currently researching Moody's and Fitch rating discrepancies that were identified on the December 2016 and January 2017 rating reviews. An update will be provided at the next FI-IOG meeting regarding these issues.

EXHIBIT A

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

Date of Stress Tests:	31-Oct	30-Nov	30-Dec
Shadow NAV at Time of Tests:	1.00027	1.00029	1.00011

STRESS TESTING RESULTS DURING THE PERIOD

Pct of Shares Redeemed	Redemptions Only					
	Stress NAV			Weekly Liquidity		
	Oct	Nov	Dec	Oct	Nov	Dec
0%	1.00027	1.00029	1.00011	35.43%	39.65%	41.80%
10%	1.00031	1.00032	1.00012	30.00%	32.95%	35.34%
20%	1.00034	1.00036	1.00013	30.00%	30.00%	30.00%
30%	1.00039	1.00041	1.00015	30.00%	30.00%	30.00%
40%	1.00046	1.00048	1.00018	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		
	Oct	Nov	Dec	Oct	Nov	Dec	Oct	Nov	Dec	Oct	Nov	Dec	Oct	Nov	Dec	Oct	Nov	Dec
0%	0.99963	0.99928	0.99897	35.43%	39.65%	41.80%	1.00019	1.00008	0.99992	35.43%	39.65%	41.80%	1.00008	1.00010	0.99992	35.43%	39.65%	41.80%
10%	0.99959	0.99921	0.99886	30.00%	32.95%	35.34%	1.00022	1.00009	0.99991	30.00%	32.95%	35.34%	1.00009	1.00012	0.99991	30.00%	32.95%	35.34%
20%	0.99954	0.99911	0.99872	30.00%	30.00%	30.00%	1.00024	1.00010	0.99990	30.00%	30.00%	30.00%	1.00010	1.00013	0.99990	30.00%	30.00%	30.00%
30%	0.99948	0.99898	0.99853	30.00%	30.00%	30.00%	1.00028	1.00011	0.99989	30.00%	30.00%	30.00%	1.00011	1.00015	0.99989	30.00%	30.00%	30.00%
40%	0.99939	0.99882	0.99829	30.00%	30.00%	30.00%	1.00032	1.00013	0.99987	30.00%	30.00%	30.00%	1.00013	1.00017	0.99987	30.00%	30.00%	30.00%

Test	% of Orig. Portfolio Stressed			Pct of Shares Redeemed	Combination					
	Oct	Nov	Dec		Stress NAV			Weekly Liquidity		
	Oct	Nov	Dec		Oct	Nov	Dec	Oct	Nov	Dec
Redemptions Only	0.0%	0.0%	0.0%	0%	0.99935	0.99889	0.99860	35.43%	39.65%	41.80%
Change in Int. Rates	88.4%	86.3%	91.3%	10%	0.99928	0.99877	0.99845	30.00%	32.95%	35.34%
Credit Event	17.3%	24.4%	26.5%	20%	0.99919	0.99862	0.99825	30.00%	30.00%	30.00%
Floater Spread Widening	26.8%	21.0%	17.7%	30%	0.99908	0.99842	0.99800	30.00%	30.00%	30.00%
Combination	88.4%	86.3%	91.3%	40%	0.99892	0.99817	0.99767	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 (Oct): Resulting NAV & liquidity levels following a change in rates of 0.50%.
- Change in Interest Rates (Nov, Dec): Resulting NAV & liquidity levels following a change in rates of 0.75%.
- Credit Event: UK and Euro bank spreads widen by 0.50%
- Floater Spread Widening: Resulting NAV & liquidity levels following a widening of floater spreads off of the applicable index of 0.25%
- 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

Subject: RE: February 2017 IOG Meeting

The results of the Florida Prime Stress tests for the fourth quarter of 2016 were satisfactory resulting in no NAV or “break the buck” issues. The month end NAV’s for October, November and December were each greater than \$1.0000 therefore the pool can withstand 100% redemptions and the NAV will not fall to \$0.995. Weekly liquidity is maintained at 30% under the various stress scenarios by selling securities to meet the redemption percentage tests. For example, in the month of December the pool was able to withstand 40% in redemptions, maintain 30% in weekly liquidity and the NAV would be \$1.00018.

Looking at the boxes in pink, we stressed an instantaneous increase in interest rates across the money market curve of 50 bp for the month ended October. For the months of November and December we increased the interest rate shift to 75 bp based on our outlook for a potential faster increase in interest rates from the Fed. At the end of December the NAV was \$0.99829 when interest rate increases were stressed in combination with a 40% redemption rate while maintaining 30% in weekly liquidity.

The green boxes highlight the credit event stress which included a 50 bp widening in credit spreads for all European and UK bank exposure held in the pool. At the end of December the pool owned 26.5% in European and UK banks and the NAV remained \$0.99987.

The blue boxes reflect a 25 bp widening of the floating rate instruments held in the pool which totaled 17.7% at the end of December.

The purple boxes represent all of the stress events taken in combination and show the impact to the NAV at the end of December would be \$0.99767 which is still above \$0.995.

Paige Wilhelm
Senior Portfolio Manager