

Fixed Income Investment Oversight Group Meeting – Florida PRIME
Meeting Minutes
October 28, 2021 11:00 a.m.
Emerald Coast Conference Room and 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*; John Benton – *Senior Investment Policy Officer*; Lisa Collins – *Manager, Public Market Compliance*; Mykel Kenton – *Manager, Public Market Compliance*; Cherie Jeffries – *Director, FI Trading*; Melissa Macilveen – *Senior Financial Analyst (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 09/30/2021.

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 - 3Q2021*.

2. Follow-up Item.

The Federated Portfolio Manager, Paige Wilhelm, will notify the SBA when the updates to compliance processes are finalized regarding the QIB designation change.

Conclusions:

Federated has updated their approved list to include issuers that can sell to QIB's. The QIB certification was completed on 7/21/21, Federated began purchasing QIB eligible securities on 8/23/21.

The "Unregistered securities must be eligible for sale to Accredited Investors or Qualified Purchasers" test was no longer necessary as of 7/21/21 but was not removed from the Federated Compliance Report until 9/30/2021. The 8/31/2021 Compliance Report is being revised to remove this test.

Based on the above and Federated confirming the change to their compliance processes, Public Market Compliance has ceased the manual Accredited Investor/Qualified Purchaser/QIB review as of October 13, 2021.

3. Compliance Review of September 2021 Data:

Conclusions:

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

4. Other Topics:

Change to Public Market Compliance's daily review of the BlackRock Aladdin PRIME report.

Conclusions:

The FI-IOG reviewed suggested thresholds for a daily 10% tolerance for variations between the compliance limit and the Aladdin rule result (see example below). This threshold is for the remaining rules that contain a percentage limit as well as the Dollar Weighted Average Maturity and Weighted Average Life rules (Note: Daily and monthly thresholds were also discussed at the 10/28/20 PRIME IOG). Results exceeding the 10% tolerance will be researched by PMC to determine the reason for the difference and the need to document and escalate findings. After discussing, the members of the IOG affirmed the daily 10% tolerance for variations between the compliance limit and the Aladdin rule result for the applicable rules.

Example: The IPS states the limit for the Dollar Weighted Avg Maturity is 60 days or less. In Aladdin, the rule fails with a DWAM of 62 days. Instead of performing a manual recalculation of the DWAM, PMC will note that the outage of 2 days is within the 10% tolerance (10% of 60 days (IPS limit) = a 6 day tolerance). However, if the Aladdin result for DWAM is 70 days (exceeds the 10% tolerance) a recalculation will be performed. If the recalculated value meets the DWAM limit it is noted on the Aladdin Compliance Report. If the recalculated value exceeds the DWAM limit additional research will be performed (which may include contacting Federated) to determine the reason for the difference and the need to document and escalate the findings.

5. No Action Items.

EXHIBIT A

Stress Testing Board Summary Report for Florida Local Government Investment Pool A - 3Q2021

Date of Stress Tests:	30-Jul	31-Aug	30-Sep
Shadow NAV at Time of Tests:	1.00007	1.00007	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%	1.00007	1.00007	1.00007	41.57%	48.37%	41.06%
10%	1.00007	1.00008	1.00008	35.08%	42.64%	34.55%
20%	1.00008	1.00008	1.00009	30.00%	35.47%	30.00%
30%	1.00009	1.00010	1.00010	30.00%	30.00%	30.00%
40%	1.00011	1.00011	1.00012	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%	0.99897	0.99902	0.99906	41.57%	48.37%	41.06%	0.99948	0.99952	0.99952	41.57%	48.37%	41.06%	0.99984	0.99986	0.99986	41.57%	48.37%	41.06%
10%	0.99886	0.99891	0.99896	35.08%	42.64%	34.55%	0.99942	0.99947	0.99946	35.08%	42.64%	34.55%	0.99982	0.99984	0.99985	35.08%	42.64%	34.55%
20%	0.99871	0.99877	0.99883	30.00%	35.47%	30.00%	0.99934	0.99940	0.99940	30.00%	35.47%	30.00%	0.99980	0.99982	0.99983	30.00%	35.47%	30.00%
30%	0.99853	0.99859	0.99866	30.00%	30.00%	30.00%	0.99925	0.99932	0.99931	30.00%	30.00%	30.00%	0.99977	0.99980	0.99980	30.00%	30.00%	30.00%
40%	0.99828	0.99836	0.99844	30.00%	30.00%	30.00%	0.99913	0.99921	0.99920	30.00%	30.00%	30.00%	0.99973	0.99976	0.99977	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%	0.99816	0.99826	0.99830	41.57%	48.37%	41.06%
Change in Int. Rates	94.1%	92.1%	93.3%	10%	0.99795	0.99807	0.99812	35.08%	42.64%	34.55%
Credit Event	61.2%	60.6%	59.8%	20%	0.99769	0.99783	0.99788	30.00%	35.47%	30.00%
Floater Spread Widening	11.9%	8.9%	9.1%	30%	0.99736	0.99752	0.99758	30.00%	30.00%	30.00%
Combination	94.1%	92.1%	93.3%	40%	0.99693	0.99710	0.99718	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