

MINUTES
TREASURY INVESTMENT COUNCIL MEETING
November 15, 2018 1:04 P.M.

Attendees:

Members Present: Katy Wojciechowski, State Board of Administration (*Chair*)
George Barbar, Mesirow Financial
Eric Levin, ***Via Skype***

Absent: Peter (PJ) Gardner, AGW Capital Advisors (*via conference call*)
Bob Doyle, President & Chief Investment Officer,
Doyle Wealth Mgmt. Inc. (*Vice Chair*) ***Via Skype***

Treasury Staff: Tanner Collins, Director of the Treasury
Tanya McCarty, Bureau Chief
Pedro Morgado, Chief Investment Officer
Ken Gerzina, Administrator of External Investment Program
Megan Murphy, Portfolio Management Analyst
Joe Scavone, Portfolio Manager
David Wofford, Sr. Management Analyst II

Guest: Bill Gilbert, Government Analyst, II

OPENING REMARKS

Kathy Wojciechowski called the meeting to order at 1:04 P.M.

APPROVAL OF MINUTES

The May 9, 2018 meeting minutes were presented for approval.
A Motion was made to approve the meeting minutes no changes and passed unanimously.

FLORIDA ECONOMY OVERVIEW (*see attached presentation*)

Tanner Collins presented information from the Office of Economic and Demographic Research relating to the Florida economy.

Florida's economic recovery continues at a slow and steady pace.

September unemployment was 3.5% as compared to the US average of 3.7%.

Florida near term population growth projection is 1.7% annually between 2017 and 2021.

Florida housing continues to improve. Existing home sales for 2018 through Q3 is 2.8% higher than 2017. Florida's median home price in December was \$255,000, 7.6% higher than 2017.

TREASURY INVESTMENT POOL OVERVIEW (*see attached presentation*)

Tanner presented an overview of the Treasury Investment Pool. The overview provided information relating to the Treasury Investment Pool balances; participant balances; Special Purpose Investment Account participation; distributed income; security lending income; fair value factor; Pool rating; basket clause items; and certificate of deposit activity.

The Investment Pool balance had a steady increase, with the September ending at \$23.5 billion dollars.

State Operating Accounts – steadily increasing.

We are currently at about \$4.3 billion in non-state operating. Currently under 20% for the non-state SPIA accounts.

Distributed income totaled \$418 million 2017/2018 fiscal year. Fiscal year-to-date distributed income stands at \$121 million.

Miscellaneous Updates (see attached presentation)

Tanner commented briefly on several changes since the prior meeting, including

- New Investment Consultant – VERUS Contract signed on September 26th, 2018
- Global Custody and Securities Lending Contract renewal is with BNY Mellon for final signature.
- Staff update:
 - Todd Artwell resignation and efforts to fill position
 - New Compliance Officer – David Wofford (replaced Catherine Shock)
 - Final interviews for the new Assistant Portfolio Management Analyst

SECURITIES LENDING REVIEW (see attached presentation)

Pedro gave an overview of the securities lending program.

INVESTMENT POOL REVIEW (see attached presentation)

Pedro recapped the prior six-month period's economic conditions and recent developments.

LIQUIDITY, ULTRA-SHORT AND SHORT DURATION PORTFOLIOS (see attached presentation)

Megan presented on the Liquidity and Ultra Short Duration portfolios while Todd presented data on the Short Duration portfolio. The presentation included performance commentary, performance, portfolio characteristics and current strategy for the two portfolios.

INTERMEDIATE AND LONG DURATION PORTFOLIOS (see attached presentation)

Ken presented on the Intermediate and Long Duration portfolios which included an update on the portfolio performance and characteristics versus the applicable benchmarks.

US growth to revert to 2.5-3% range as tax cut benefits recede.

Federal Reserve expected to hike in Dec for the 4th time in 2018, Investors don't agree with Fed outlook of 3 or more hikes in 2019.

Europe and Emerging Markets growth to cool as higher US rates, trade tensions and geo-politics impact negatively.

10-year Treasury yields to remain above 3%, curve flatter as short rates rise.

Only Agency MBS underperforming Treasuries, High Yield credit best performer.

Absolute returns continue to be negative, but higher yields have boosted income.

Managers continue to focus on belly of the curve.

Watch List Update

Removed Nuveen from Watch List status.

Extended Smith Graham's Watch List period by 6 months.

Reallocated \$200 million from Macquarie to better performing managers

The Committee members had no questions or comments relating to the managers.

Summary/ Questions / Next Meeting

Next meeting will be announced at a future date.

Meeting was adjourned at 2:38 PM.