**Minutes**

**Treasury Investment Council Meeting**

**January 27, 2021 - 9:30 a.m.**

**Attendees**:

***Members Present:*** Katy Wojciechowski, State Board of Administration (*Chair*)

(*via GoToMeeting/* George Barbar, Mesirow Financial

*conference call*) Eric Levin, SEAMLEV Investments

Bob Doyle, Doyle Wealth Management, Inc

PJ Gardner, AGW Capital Advisors

Ray Graziotto, Seven Kings Management, Inc.

***Absent:*** Tanya McCarty, Bureau Chief of Funds Management

***Treasury Staff:*** Tanner Collins, Director of the Treasury

Pedro Morgado, Chief Investment Officer

Ken Gerzina, Administrator of External Investment Program

Bill Gilbert, Portfolio Manager

***Treasury Staff:*** Megan Murphy, Portfolio Manager

(*via GoToMeeting/* Kacy Wilson, Portfolio Management Assistant

*conference call*) David Wofford, Compliance Officer

Joe Scavone, Portfolio Manager

***Guest***: Scott Fennell, Deputy CFO

(*via conference call*)

**Opening** **Remarks**

Kathy Wojciechowski called the meeting to order at 9:30 A.M.

**Approval of minutes**

The May 20, 2020 meeting minutes were presented for approval.

***A motion was made to approve the meeting minutes; there were no changes and it passed unanimously*.**

**Florida Economy Overview** (*see attached presentation*)

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

January and February, unemployment dropped to 2.8% (the lowest recorded by EDR since 1976). With the Coronavirus outbreak, the rate spike to 13.8% in April 2020. As of December, of this year we are around 6.1%.

In Florida, the percentage of those unemployed for less than 5 weeks had grown from 32.3% in February to 44.2% in April, before falling back to 29.5% in November.

Population growth is typically the state’s primary engine of economic growth, fueling both employment and income growth.

* As a result of the pandemic, population growth is expected to slow to 297,851 new residents (1.38%), reflecting both slower net migration and a speed‐up in the expected negative natural increase (more deaths than births). Between 2021 and 2025, growth is forecast to average 1.36%.

Tanner provided the Council with a graph of Florida Treasury’s State Receipts and Disbursements for the six-month period ending September 20, 2020 and detailing the prior periods back to September 30, 2015.

**Treasury Investment Pool Overview** (*see attached presentation*)

Tanner presented an overview of the Treasury Investment Pool. The overview provided information relating to Treasury Investment Pool balances; participant balances; Special Purpose Investment Account (SPIA) participation; distributed income; pool rating.

**Investment Pool Balance** -

Since July 2018, we have seen steady growth. State received $5.8 billion from Cares Act Funding.

**State Operating Accounts** – State Operating Accounts remain greater than 80% of the Total Pool.

**Non-State Operating & Bond Accounts** – Non-State Operating Account is up slightly from the March 31, 2020 period to 15% of the Pool while Bond Accounts hover around 4.5%.

**Investment Pool Distributed Income Rate (net) -** Distributed income has been fairly volatile over the past 12 months but came in over 2% in September.

**Investment Pool Distributed Income -** Treasury has distributed $183 million for the 2020-21 fiscal year-to-date as of September 30th.

**Treasury Initiatives** (*see attached presentation*)

Pedro updated the Council on the progress thus far on the Bloomberg AIM Order Management System:

Our goal was to provide the tools to allow for stronger Treasury functions, such as:

* Investing / Portfolio Management / Trading / Middle - Office
* Compliance
* Accounting

Contract was signed in July, 2020.

Implementation started in mid-July. Completed Internal account integration in early November.

Still Working of finding and fixing breaks with externally managed accounts.

Finalizing coding all compliance rules for both internal and external mandates.

Working with PALM/Bloomberg/BNY Mellon to make sure a successful integration of Bloomberg AIM with a new Investment Accounting System (PALM) can be completed before Florida Palm go live date of July 2021.

**Investment Pool Review** (*see attached presentation*)

Pedro - a very positive performance in the last six months.

**Fixed Income Market Review:** After interest rates plummeted 100 basis points across the yield curve during Q1-2020, the past six months have been less volatile. The 2-year and 5-year areas have seen rates dip 10-11bps while the 10-year has risen only 1-2bps and the 30-year is up over 13bps. Spreads have narrowed 136bps on investment grade credit, by 172bps in ABS and 82bps in CMBS. MBS spreads have been stable over this period.

**Investment Pool Q2 & Q3 2020 Total Return (excl. Time Deposits):** The Externally managed portfolios continue to provide the bulk of investment returns. The Total Pool returned 2.20% with the Intermediate up 3.93% and the Long Duration portfolio up 5.15%.

**Investment Pool Q4 2019 & Q1 2020 Total Return (excl. Time Deposits):** The Total Pool has outperformed its blended benchmark by almost 70bps (2.20% vs 1.51%) o0ver the past six months, again with the bulk of the outperformance in the Intermediate Duration (outperforming its index by 132bps, 3.93% vs. 2.61%) and the Long Duration (up 162bps, 5.15% vs. 3.53%).

**Investment Pool Review – *CONTINUED*** (*see attached presentation*)

Ken Gerzina

**Intermediate Duration Portfolio Net of Fee Performance as of March 31, 2020 and September 30, 2020:** Ken presented the returns for the period ending March 31, 2020 reflecting underperformance for all periods less than 5 years to contrast it with returns as of September 30, 2020. Manager performance recovered tremendously with all managers outperforming the index for all time frames.

**Long Duration Portfolio Net of Fee Performance as of March 21, 2020 and September 30, 2020:** Ken repeated the exercise for the Long Duration managers showing underperformance versus the benchmark out to 7 years at March 31, 2020 only to completely reverse during the period ending September 30, 2020 to outperformance for all measured periods.

Pedro:

**Investment Pool Total Return (excl. Time Deposits):** Total Pool returns have outperformed their benchmarks for 1, 3 and 5-year periods.

**Total Pool Distribution by Mandate:** The Total Pool balance has grown steadily over the past year and now exceeds $30 billion. Treasury has received approximately $5.8 billion in CARES Act money with the majority going into the Liquidity pool.

**Individual Mandate Key Characteristics:** Individual pool durations have remained relatively steady with the Long Duration portfolio edging up about 0.1 year. The Internally managed portfolios remains very high quality with upwards of 94% in US Government securities.

**Total Pool Characteristics:** Over 71% of the Total Pool is invested in US Government securities which is the largest asset allocation. Corporate credit makes up 19% and no other asset sector is greater than 3%. Duration has been reduced to 2.63years and the pool yield has dropped to 0.62%.

**Fair Value Factor:** The factor remains over $1.00.

**Basket Clause:** The basket clause has remained fairly stable at $46.8 million in market value which is only 0.15%

**Pool Rating:** The pool is easily under the AA-f rating from Standard & Poors.

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

**Summary/ Questions / Next Meeting**

Next meeting will be announced for some time in May, 2021.

*Meeting was adjourned at 11:10 A.M.*