**Minutes**

**Treasury Investment Council Meeting**

**November 14, 2019 1:15 P.M.**

**Attendees**:

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

George Barbar, Mesirow Financial

Eric Levin, SEAMLEV Investments

***Absent:*** Peter (PJ) Gardner, AGW Capital Advisors

Bob Doyle, President & Chief Investment Officer,

Doyle Wealth Mgmt. Inc. (*Vice* *Chair)*

Joe Scavone, Portfolio Manager

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, Financial Specialist

Megan Murphy, Portfolio Management Analyst

Kacy Wilson, Financial Examiner Analyst II

David Wofford, Senior Management Analyst II

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

Eileen Neal, Verus Investment Consultant

Tiffany Porter, Florida PALM

Derek Miller, Florida PALM

**Opening** **Remarks**

Kathy Wojciechowski called the meeting to order at 1:15 P.M.

**Approval of minutes**

The May 16, 2018 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.

Florida Economy is growing but beginning to slow.

July unemployment was 3.3% as compared to the US average of 3.7%. Consistent with previous meeting.

Florida’s population growth remained steady. Population growth is expected to remain at or above 1.45%, averaging 1.6% between 2018 and 2022.

Florida housing continues to improve:

* + Documentary Stamp Tax collections saw 5.6% growth in FY 2018-19 over FY 2017-18.
  + Existing home sales volume in the 2014 -18 calendar years exceeded the 2005 peak year. This year (2019) is on course to do the same.

**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 (SPIA) participation; a summary of Investment Pool risks; distributed income; security lending income; fair value factor; pool rating; basket clause items; and time deposit activity.

**Investment Pool Balance** -

Since May 2018, we have seen steady growth. Receipts are greater than disbursements over the past year. The Investment Pool balance has experienced a steady increase. Pool balance today is at $25.1 billion. A very healthy pool balance and growth due to the influx of receipts.

**State Operating Accounts** – Slight dip to below 70%

**Non-State Operating Accounts** – Small uptick of about 3%, still less than 25% of total pool.

**Non-State Operating & Bond Accounts** – Small increase in SPIA State Agency and SBA Bond Accounts.

**Summary of Macro Risks to the Investment Pool** –

* Florida Economy - Unemployment rate continues to be stable. Population continues to grow. Housing continues to improve; risk level is low.
* State Net Receipts – Appears to have rebounded. However, with recent natural disasters, we will continue to monitor closely; low/medium risk level.
* Pool Balance – The total Pool balance has continued to grow in the past six months due to a net influx of State operating funds; low risk level.
* Non-State Agency SPIA – Non-State Agency Operating accounts remain ultimately stable; low risk level.

**Investment Pool Distributed Income Rate (net)** –

**Investment Pool Distributed Income** - Both the average balance and the average return have increased.

**Time Deposits Activity** - Not much recent activity by banks.

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

Tanner updated the Council on the Florida PALM project and how it will impact Florida Treasury.

**Securities Lending Review** (*see attached presentation*)

Pedro gave an overview of the securities lending program as of September 30, 2019.

**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*)

Bill Gilbert presented the Liquidity portfolio, Pedro Morgado presented data on the Ultra Short Duration portfolio and Megan Murphy presented the Short Duration portfolio. The presentations included performance and attribution, portfolio characteristics and current strategy for the three portfolios.

**Intermediate and Long Duration Portfolios** (*see attached presentation*)

Ken presented the Intermediate and Long Duration portfolios which included an update of the Composite portfolios’ performance and characteristics versus the applicable benchmarks. He highlighted the consensus views of the managers’ outlook as follows:

* US growth in the high 1%- low 2% range (downgraded from 2.5-2.75%) & inflation expectations rising slightly
* No recession forecasts, but slower growth, both domestic & global
* Federal Reserve reverses course with 2 easing’s (mid-cycle adjustment) to date, expect one more cut, then could potentially be on hold into 2020
* Credit spreads could grind tighter, fundamentals still positive, managers migrating to the belly of the curve, use Treasuries for duration
* Continued preference for up-in-quality assets (consumer ABS, CMBS & MBS)
* Year-to-date Aggregate Index total return of 8.52%, 10.30% last 12 months, as of September 30, 2019

**Watch List Update**

**Long Duration:**

* Reducing Amundi Pioneer’s assets by a total of $500 million, to occur in November & December 2019
* Reallocating $500 million in funds to Galliard, Manulife, Blackrock & Sterling

**Intermediate Duration:**

* Changed benchmark to Bloomberg Barclay’s Intermediate US Bond Index as of June 1

**Compliance Semi-Annual Review** (*see attached presentation*)

David Wofford reviewed briefly the Compliance Enhancements, Liquidity, Ultra Short Duration, Short Duration, and Securities Lending portfolios, including the following future initiatives.

**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 3:03 PM.*