



FLORIDA SURPLUS ASSET FUND TRUST
10151 University Blvd., #227, Orlando, Florida 32817

LOCATION: Via Zoom
DATE: January 27, 2022
TIME: 1:00 p.m.
RE: FL SAFE Board Meeting Minutes

MEMBERS IN ATTENDANCE

BOARD OF TRUSTEES: Linda Senne, CPA, Chair
Bill Spivey, Vice Chair
Mark Mason, CPA, Treasurer
Christine Josephs Cajuste, CPA, Secretary
Jerry Boop, CPA

ADVISORY COUNCIL: Mark Ryan, City of Indian Harbour Beach
Faye Henry, City of Fort Lauderdale

OTHER ATTENDEES: Jim Davis, CEO, PMA
Rene' O'Day, SVP, Florida, PMA
Brian Hextell, SVP, PMA, FL SAFE Portfolio Manager
Jeff Larson, President, FMAS, FL SAFE Administrator
Nicole Larson Sydney, VP, FMAS, FL SAFE Administrator
Larry Aubrecht, SVP, FMAS, FL SAFE Administrator
David Rosen, Esq., Akerman LLP, FL SAFE Counsel
Fenil Patel, SVP, Marketing, PMA
Lori Ragus, Esq., PMA Counsel

A. BUSINESS ITEMS

1. Call to Order/ Roll Call

Linda Senne called to order the meeting of the Board of Directors for the Florida Surplus Asset Fund Trust for January 27, 2022. Nicole Larson Sydney called roll. Quorum requirements were met.

2. Results of Board Seat Elections

Jeff Larson reviewed the results of the Board Elections. He stated that as of December 10th, 26 ballots were received from all the 69 Participants, and there was a unanimous vote for Mark Mason and Jerry Boop to serve on the Board.

3. Nomination of Board Officers

Jeff Larson asked for a nomination for Board Chair. Mark Mason nominated Linda Senne to remain as Board Chair, Christine Cajuste seconded, 5-0 vote. Jeff asked for nominations for Vice Chair, Bill Spivey nominates Jerry Boop, Mark Masons nominated Bill Spivey for Vice Chair. Christine Cajuste seconded for Bill Spivey. 5-0 vote. Linda nominated Jerry Boop for Treasurer, Jerry Boop declined. Christine Cajuste nominated Mark Mason as Treasurer, Linda Senne seconded. 5-0 vote. Linda Senne nominated Christine Cajuste for Secretary, Jerry Boop seconded. 5-0 vote. Jerry Boop agreed to assist as Board Advisory Council Liaison.

4. Public Comments

Linda asked if there are any public comments. Jeff Larson stated that there were no public comments online, present in person, or via Zoom.

5. Approval Prior Board Meeting Minutes

Linda asked for a motion to approve the prior Board Meeting Minutes with minor corrections and clarifications from October 28, 2021. Linda Senne made a motion, Christine Cajuste seconded. Approved 5-0.

Linda asked a question regarding the participant balances. Jeff Larson stated that PMA used to distribute balance reports to the Board, but currently they are not being distributed. PMA stated that the balances are available to be sent around prior to Board Meetings included in the Board Package. Fenil Patel stated that he will be happy to send Participant balances to the Board quarterly or as often as requested. Fenil Patel confirmed he will be happy to send the balances around monthly.

6. Participant and Guest Introductions

Linda asked for introductions via Zoom.

B. Staff Reports

1. Investment Advisor/Operations Manager Update - PMA

a. Economic and Market Update

Brian Hextell presented the Economic and Market Update. He stated that despite the massive human and economic toll of the COVID-19 pandemic, the U.S economy and markets have recovered remarkably well. Performance among risk assets exceeded expectations in 2021, supported by highly accommodative fiscal and monetary policy, along with strong corporate earnings. The S&P 500 index, a proxy for the broad U.S. equity market, returned 28.7% for the year ended December 31st. Bond markets experienced negative returns for the first time since 2013. The Bloomberg US Aggregate bond index returned -1.5% for the same time period. Looking ahead, PMA sees risks around higher inflation, shrinking labor pool, rising political and geopolitical tensions and changes to Fed policy as potential catalysts for increased volatility. The nation's Gross Domestic Product (GDP) has been strong and is forecasted to come in at around 5.6% for the year. Indicators of economic activity and labor markets continued to strengthen. Monthly job gains averaged 378K during the quarter. Overall employment growth has been strong as the unemployment rate dropped to 4.2% in November from 5.2% in August. Supply and demand imbalances related to the reopening of the economy continued to contribute to elevated levels of inflation. In November, the Consumer Price Index (CPI) rose 6.8% and CPI excluding food and energy rose 4.9% year-over-year. The Fed's

preferred inflation gauge, the PCE Core Deflator Index rose 4.7% year-over-year, the highest increase since 1982. The Fed's recent assessment classified inflation as persistent, not permanent. At their December 15th meeting, the Federal Open Market Committee (FOMC) decided to double its monthly reductions of asset purchases from \$15 billion to \$30 billion beginning in January. The increase in monthly reductions shifts the end date of asset purchases to sometime in March which gives the Fed an earlier window to begin tightening policy. Following the meeting, Chairman Powell stated, "we are phasing out our purchases more rapidly because with elevated inflation pressures and a rapidly strengthening labor market, the economy no longer needs increasing amounts of policy support." The updated median dot plot now suggests three rate hikes in both 2022 and 2023 and two hikes in 2024. The U.S. Treasury yield curve flattened during the quarter ended December 31st as short-term yields rose and longer-term rates fell. Treasuries ended the quarter with 1-, 3- and 12-month bills at 0.02%, 0.03% and 0.38%, respectively. Yield on the 30-year Treasury bond fell from 2.05% to 1.90%. Longer-term Treasury yields fell because the Fed's effort to fight inflation are likely to also slow U.S. economic growth over the long term. The PMA outlook calls for higher interest rates overall in the year ahead.

b. FL SAFE LGIP Portfolio Update

Brian Hextell reviewed the Portfolio Update for the SNAV and VNAV Funds. He stated that during the quarter ended December 31, 2021, the FL SAFE Stable NAV Fund's gross yield declined slightly from 15 basis points (0.15%) in September to 14 basis points (0.14%) in December. With support from fee waivers, the net yield remained steady at 6 basis points (0.06%) for the period. As short-term rates rise, we will selectively add exposure out the curve to take advantage of the increase in yields. Overall, the FL SAFE Stable NAV Fund remained invested in high quality securities and is well-diversified with sufficient liquidity.

For the FL SAFE Variable NAV Fund, the Net Market Yield increased to 40 basis points (0.40%) at end of December 2021 from 11 basis points (0.11%) at end of September 2021. The 30-Day Net Yield of 0.41% as of December 31, 2021, is an income-based measure of yield and is slightly higher than Net Market Yield due to higher yielding, previously purchased investments. Over time, total return is the best measure of performance, and the FL SAFE Variable NAV Fund generated a total net return of -0.31% for the year ending December 31, 2021. Given our outlook for higher interest rates overall and periods of higher volatility, PMA's strategy continues to focus on income generation via high quality investments that provide safety of principal and strong liquidity while generating competitive returns. In summary, Brian stated that there is a tighter monetary policy in 2022, stronger economic growth and persistent inflation, corporate credit and earnings remain strong, political and geopolitical risks are rising, there is a wider range of potential returns in 2022 for stocks and bonds, and high-quality portfolios are expected to Outperform in 2022.

Bill Spivey asked for assets under management to be included in the Group Yield Comparison chart if the information is available. Jerry Boop agreed that would help the Board have a better understanding of size versus yields. Brian Hextell stated that he would be happy to include the column if the information is available. Bill Spivey asked how the stress test is calculated in regard to participant redemptions. Brian reviewed and explained the calculations and selection for stress tests and states that PMA positions the Portfolio based on communication with the Participants to make sure the Portfolio is correctly positioned. Jeff Larson asked how PMA is

approaching duration with the steep yield curve. Brian stated that PMA continues to act conservatively while pursuing beneficial earnings for Participants.

c. Operations Manager Report

Fenil Patel reviewed the Operations Manager's Report. He stated that for the period ending under December 31st, total assets came in at \$772 Million. Fenil states that there was a Term Series as well as some Fixed Investment offerings over the last quarter. He reviews the Fund holdings for both the SNAV and VNAV Funds. Linda asked why one Participant removed a large amount of money. Fenil explains that it is due to their annual cycles. Jeff Larson stated that there were a couple of other participants that reduced balances as well. Fenil reviewed the Budget Analysis and states that Custodial Fees were higher due to higher balances. Bill Spivey asked a question that was on the FL SAFE Summary on page 39 on the Report. He would like the Assets and Programs to be separated to reflect the Funds and the Programs. He does not believe FIIP should be reflected as an Asset. David Rosen states that he agrees that FIIP is not an asset of the Trust itself, it is a sponsored program through FL SAFE. Brian Hextell proposed that Term Series would be separated and there would be FL SAFE Programs and the SNAV and VNAV Fund Balances. Jerry Boop agreed with Bill Spivey's request and asks what FMAS' role is in the FIIP Program. Jeff Larson stated that FMAS reviews the FIIP and Term Series transactions and the details on the spreads, he is not involved in the portfolio decisions. Jerry Boop stated that he just wants to make sure that the Royalty Agreement is being honored and continues to benefit the participants. Brian Hextell reviews the Fund Financial Statements to clarify.

d. Board Ratification of Term Series

Fenil reviewed the Term Series for the previous quarter. He stated that it was a 6 Month Series and was for \$3.5 million. Linda asked if the Term Series represents one participant. Rene confirmed it does include one participant. Linda asked for a motion to approve the Term Series, Jerry Boop made a motion, Bill Spivey seconded. Passes 5-0.

e. Marketing Update

Rene O'Day reviewed the Marketing Update. She reviewed the client prospect activity from the last quarter. There were 10 new participants for the past year. She reviewed client activity and stated that the Fund hit an all-time high point on December 12th of \$998 million. Rene stated that banks are continuing to hold off on QPD funds as they are still flush from stimulus and the low-rate environment. She has been making continued efforts to reach out to current and new bank partners to find opportunities wherever possible.

Brian stated that he would like the Board to review a small change to the Information Statement regarding the term "business day" as it falls on a holiday sometimes. He would like to distinguish and create a holiday schedule for the Information Statement that would be posted to the FL SAFE website for Participant review. Jeff suggested the Board accept the proposed changed from PMA. The Board agreed.

f. PMA Comments

PMA had no further comments.

2. Administrator Update-FMAS

a. Presentations, General Comments, FIIP Overview 4th Quarter

Jeff Larson reviewed upcoming presentations and conferences. He mentioned upcoming webinars. Jeff reviewed FIIP as requested by the Board. He reviewed the last quarter's trades and fees. David Rosen stated that the Royalty Agreement made the relationship between the Trust and FIIP clear and suggested there be some updates to minimize the risk to the Trustees and their liability even with the Board's Insurance. The Board agreed to review updated language.

b. FMAS Comments

Jeff Larson stated there are no additional comments.

C. Other Items

1. FL SAFE Counsel's Comments

David Rosen had no comments.

2. Participants Comments

No comments.

3. Advisory Council Member Comments

No comments.

4. Board Member's Comments

No comments.

D. Set Next Meeting Date/Adjournment

Setting the future dates for the next FL SAFE Board Meetings. Normal meeting date will be in person in Venice on April 28th. Meeting is adjourned.

Signature Page

APPROVED THIS 28th DAY OF April 2022.

FLORIDA SURPLUS ASSET FUND TRUST



FL SAFE Chair

ATTEST:



Jeffrey T. Larson
FL SAFE Administrator