



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

LOCATION: City of Cape Coral, Public Works Building
815 Nicholas Parkway East, Cape Coral, Florida 33990

DATE: October 26, 2023

TIME: 1:00 p.m.

RE: FL SAFE Board Meeting Minutes

MEMBERS IN ATTENDANCE

BOARD OF TRUSTEES: Linda Senne, CPA, Chair
Bill Spivey, Secretary
Christine Cajuste, CPA, MBA, Advisory Council Liason
Mark Mason, CPA, Treasurer

OTHER ATTENDEES: Jeff Larson, President, FMAS, FL SAFE Administrator
David Rosen, Esq., Akerman LLP, FL SAFE Counsel
Wes Karsten, PMA, Relationship Manager
Lori Ragus, Esq., PMA Counsel
Michele Wiberg, PMA, Chief Sales and Marketing Officer
Zach Falconer, PMA, Coordinator, Sales and Relationship Mgmt.
Matt Orseske, PMA, VP, Marketing
Brian Hextell, SVP, PMA, FL SAFE Portfolio Manager
Greg Kubitz, PMA, SVP. Operations
Michael Berk, TA Associates

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 October 26, 2023. Jeff Larson called roll. Quorum requirements are met.

2. Participant and Guest Introductions

Linda asked for introductions for those in attendance and joining via Zoom.



3. Public Comments

Linda asked if there were any public comments. No one in attendance spoke up. Jeff Larson stated that there are no public comments online, or via Zoom.

4. Approval of Prior Board Meeting Minutes

Linda asked for a motion to approve the prior Board Meeting Minutes from July 26, 2023. Mark Mason had a comment on page six with minor corrections. Bill Spivey made a motion to approve the Minutes as amended, Mark Mason seconded, passed 4-0.

5. Proposed Budget

Jeff Larson reviewed the proposed budget. He stated that he expects there will be an amended budget proposed at the January Board meeting, based on an updated Average Assets Under Management, but would like to ask for a motion for approval from the Board. Linda asked for a motion, Bill made a motion to approve, Christine seconded. Bill had a question regarding the average asset value. Board approved 4-0.

6. Update on LGIP Comparison, Fee Waivers (Linda/Jeff)

Linda stated that she asked Jeff for this to be put on the Agenda. She presented the current amended fee agreements with FMAS that were set two years prior. She stated that due to the balance increases and the assistance Jeff and his Firm provides, she believes that his fee waivers should be adjusted to the levels proposed in 2021. Mark Mason stated that he thinks the fees should be adjusted to the original fee agreement that was in place for FMAS. Jeff suggested that the Board consider just the additional 1 bp as proposed two and ½ years ago, after we have watched the SNAV be competitive. Bill stated that he is in favor of the change and agrees 1 basis point for now on the SNAV as proposed is fair. Christine stated that she is in favor of the changes as well. Bill Spivey made a motion for FMAS fee to be increased by 1 basis point on the SNAV for assets above \$200 Million, effective November 1st and the VNAV fees will be revisited later. Christine seconded the motion, Board approved 4-0.

7. Overview on PMA Ownership Change, Board Resolution (PMA)

Jeff stated that he had the opportunity to be briefed and updated by PMA and David Rosen with Akerman was also included. He also stated that information and a deck was sent around to the Board regarding the change in ownership with PMA. FMAS is in favor of a positive Board action on this change in ownership. Michelle Wiberg stated that PMA was previously owned by Estancia, and that in October after multiple conversations with a number of firms, TA Associates purchased PMA, with management retaining a minority position still, and



Estancia maintaining a minority ownership position. Michelle stated that TA Associates has been very supportive and understands PMA's business model. Michael Berk from TA Associates introduced himself, and stated that he has been a partner for 20 years at TA and involved with private equity investing. He stated that helped lead the team that invested in PMA. He reviewed the plan that TA has for PMA and FL SAFE. Bill Spivey stated that he looks forward to the new partnership and that he would like to see an additional person added to assist Zach and the Florida team. Christine stated that she looks forward to the partnership and welcomed TA Associates. Linda Senne stated that she read the deck and looks forward to the partnership. David Rosen stated the reviewed the Board Consent and has no further comments. Linda asked for a motion to approve the Consent, Mark Mason made a motion, Bill Spivey seconded, Board Approved 4-0.

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 Fed increased rate projections for year-end 2024 and 2025 by 0.50%. The Fed's economic projections shifted further toward a soft landing. The Market is pricing in lower rates in 2024 and 2025 than Fed's September projections. The third quarter of 2023 ended with a strong stance from the Federal Reserve – rates are expected to remain "higher for longer." Markets capitulated on the message of higher for longer evidenced by the longer end of the Treasury curve with the 10-year note moving up 73 basis points and the 30-year bond moving up 84 basis points between June 30th and September 30th. Higher yields are both an indication of stronger long-term growth expectations and a headwind to those same growth expectations. Overall, consensus economic projections shifted in the direction of a "soft landing" with prior forecasts for a 2023 or early 2024 recession reversing. The Federal Reserve continued their stop-start rate hiking; following the pause in June, they hiked by 0.25% to 5.25%-5.50% during the July meeting then paused again in September. The biggest news from the September Fed meeting was a shift up in Fed members' median economic growth forecasts and median projections for the fed funds rate at year-end 2024 and 2025. Recent commentary from Federal Reserve officials has emphasized how long rates will need to stay high to return inflation to the Fed's 2% target while also indicating the Fed has likely raised the fed funds rate to or near a level which is sufficiently restrictive.



Inflation remains in focus for the Federal Reserve with a focus on Core CPI. Core CPI excludes food and energy as these elements have a history of relatively higher volatility that may not be representative of overall trend of price stability. Unlike headline CPI which rose in August due in part to higher oil prices, Core CPI continued to edge downwards with the August print coming in at 4.3% year-over-year, down from 4.7% the month prior. Annualized month-over-month numbers have also been outpacing the target.

Despite stronger evidence of a soft landing and recent steepening from the long end of the curve, the Treasury curve remains inverted as we near the end of this rate hiking cycle. Valuations look increasingly attractive as entry points for extending duration. As always, we encourage being invested and aligning assets with liabilities as the best strategy.

The short end of the U.S. Treasury curve moved slightly higher during the third quarter in response to an additional 25 basis point rate increase. Treasuries ended the period with 3-, 6-, and 12-month T-bills at 5.45%, 5.54%, and 5.46% respectively. Although longer-maturity moved higher, yields are still lower than the front end in an inverted yield curve as the market anticipates rate cuts in the future. Yields on the 10- and 30-year bonds ending September at 4.57% and 4.70%, respectively.

PMA's Market outlook is that the Federal Reserve will keep rates higher for longer. The Economic outlook is improving with persistent inflation. Higher real rates slow inflation and create growth headwinds. Domestic and International Geopolitical risks are in focus. Market volatility continues on Economic and Policy uncertainty. Expected returns improve for Cash, Bonds and Equities in 2023. Linda stated that the cost of rent of living has been hard on the next generation.

b. FLSAFE LGIP Portfolio Update

During the quarter ended September 30, 2023, the FL SAFE Stable NAV Fund's gross yield increased 28 basis points to 5.66% in September from 5.38% in June. The net yield increased to 5.49% in September from 5.21% in June. The portfolio's Weighted Average Maturity (WAM) was near steady for the quarter. Our team of portfolio managers was active in analyzing investment opportunities across sectors and increased the allocation to CD's as we reduced the allocation to corporates.

For the FL SAFE Variable NAV Fund, the Net Market Yield increased 21 basis points to 5.19% at the end of September. The 30-Day Net Yield of 3.95% as of September 30 is an income-based measure of yield. This measure lags changes in market yield, but rose 78 basis points for the period as funds were reinvested at higher yields. FL SAFE VNAV generated



strong gross returns of 1.14% in the third quarter and 3.93% for the 12 months ending September 30, 2023. The gross return exceeded the benchmark by 6 basis points over the past year.

Given PMA's outlook for higher rates pressuring growth and markets, the PMA team remains focused on building well-diversified portfolios of high-quality securities with a priority on safety of principal and meeting the Fund's liquidity needs.

c. Operations Manager Report

Greg Kubitz reviewed the Report. He reviewed the Summary of Account Balances and Financial Statements for the SNAV and VNAV Funds. Greg stated that assets were just over \$1 Billion at quarter end. He stated that assets are up and interest rates continue to increase. Greg stated that the VNAV Fund assets have been stable around \$67 Million. He reviews the VNAV and SNAV Portfolios. Greg stated that the Budget for 2024 was adjusted to reflect higher custodial fees due to the increase in balances and activity in the Funds.

Brian and Greg reviewed the WAM for the VNAV from the last quarter.

d. PMA Update on Term Series

Greg Kubitz reviewed the four Term Series that occurred during the quarter. Linda asked for a motion to approve, Mark Mason made a motion to approve the four Term Series, Bill seconded, Board Approved 4-0.

e. Sales Update

Zach presented his recent client and prospect activity. He mentioned he met with several FL SAFE Participants and prospects. He reviewed actual results for some of the goals.

Bill Spivey mentioned that he would like for FL SAFE to host an eight-hour Investment Seminar. Linda agreed. Mark Mason stated he prefers two-hour sessions.

f. PMA Comments

PMA had no further comments. Michael from TA Associates thanked everyone for their warm welcome and they look forward to the future with FL SAFE.



2. Administrator Update-FMAS

a. Marketing Update, Presentations, 2023 FGFOA School, Chapters, 2024 Annual Conference

Jeff reviewed his recent presentations, and upcoming activities.

b. Board Elections Update – Effective January 2024

Jeff reviewed the Election update for the ballot process with Participants and responses for the three seats for Linda Senne, Christine Cajuste, and Heather Abrams.. He stated that Heather from Cape Coral will be taking over for Mark's place on the Board as he rotates off. Jeff stated that all votes were unanimous for the three Board Spots.

c. FMAS Comments

Jeff has no further 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

Christine had no comments. Bill stated that Mark Mason would be missed but he looks forward to having Heather on the Board. Mark Mason stated that he has enjoyed his time serving on the FL SAFE Board and believes Heather will be an excellent Board Member. Linda stated that she will miss Mark being on the Board and has enjoyed his insight, wisdom, and leadership.

D. Set Next Meeting Date/Adjournment

Setting the future dates for the next FL SAFE Board Meeting. Next meeting date will be in Orlando at the PMA Offices on January 25, 2024. Meeting is adjourned.



Signature Page

APPROVED THIS 25th DAY OF January 2024.

FLORIDA SURPLUS ASSET FUND TRUST



FL SAFE Chair

ATTEST:



Jeffrey T. Larson

FL SAFE Administrator