



MEEDER
INVESTMENT MANAGEMENT

Hot Topics in Investments

County Treasurers Association of Ohio
November 14, 2017

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AGENDA

- Cash vs. Core Portfolio
- Bank Fees vs. Balances
- Step-up Bonds
- Changes to Ohio Revised Code
- Pending Legislation
- The Fed & Interest Rate Outlook

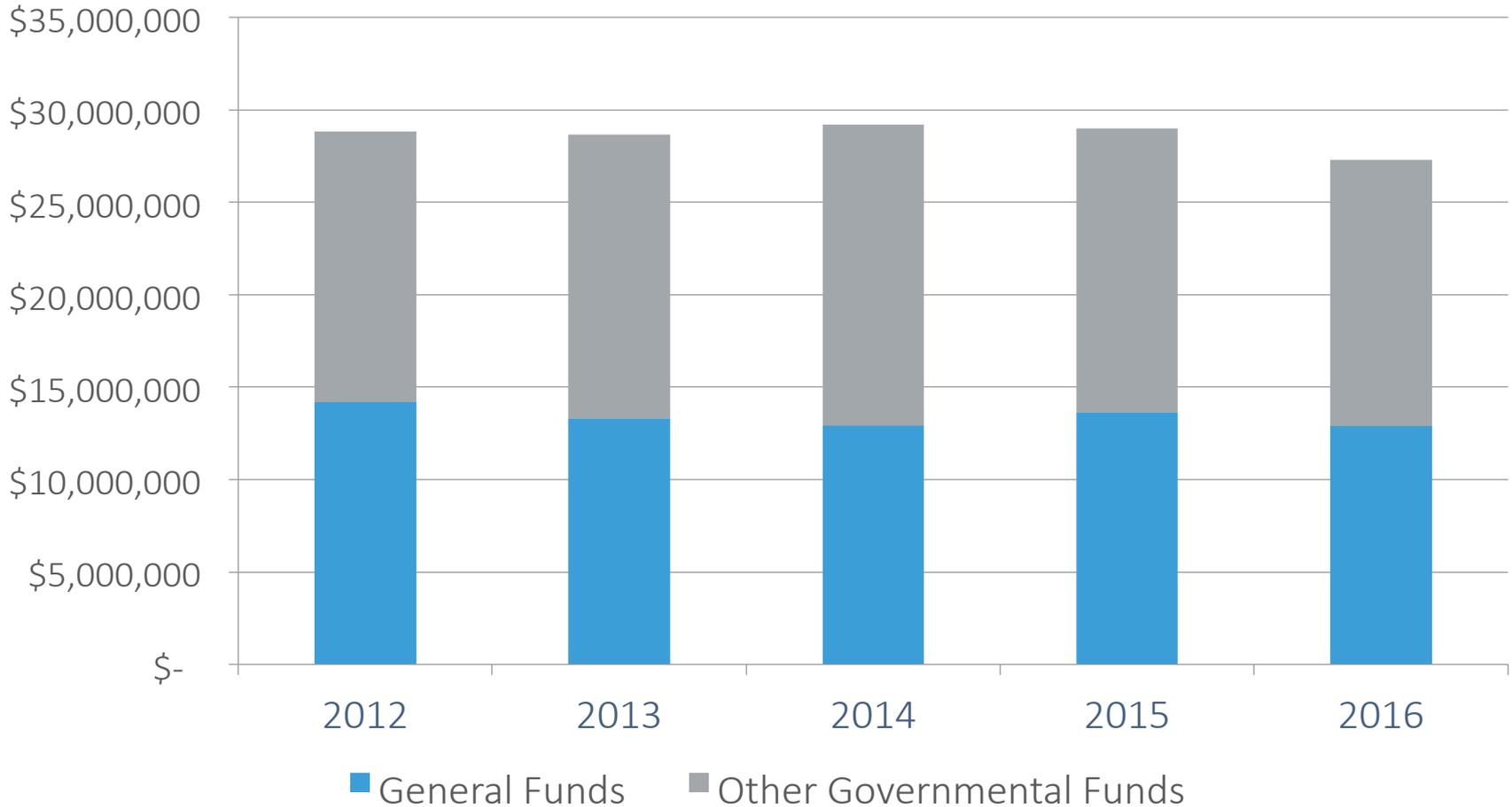
Cash vs. Core

CASH VS. CORE

- Cash Management - “Cash” Portfolio
 - Operating needs for current year
 - Funds with uncertain time horizon
- Investment Management – “Core” Portfolio
 - Time horizon greater than one year
 - Apply investment strategy to maximize earnings

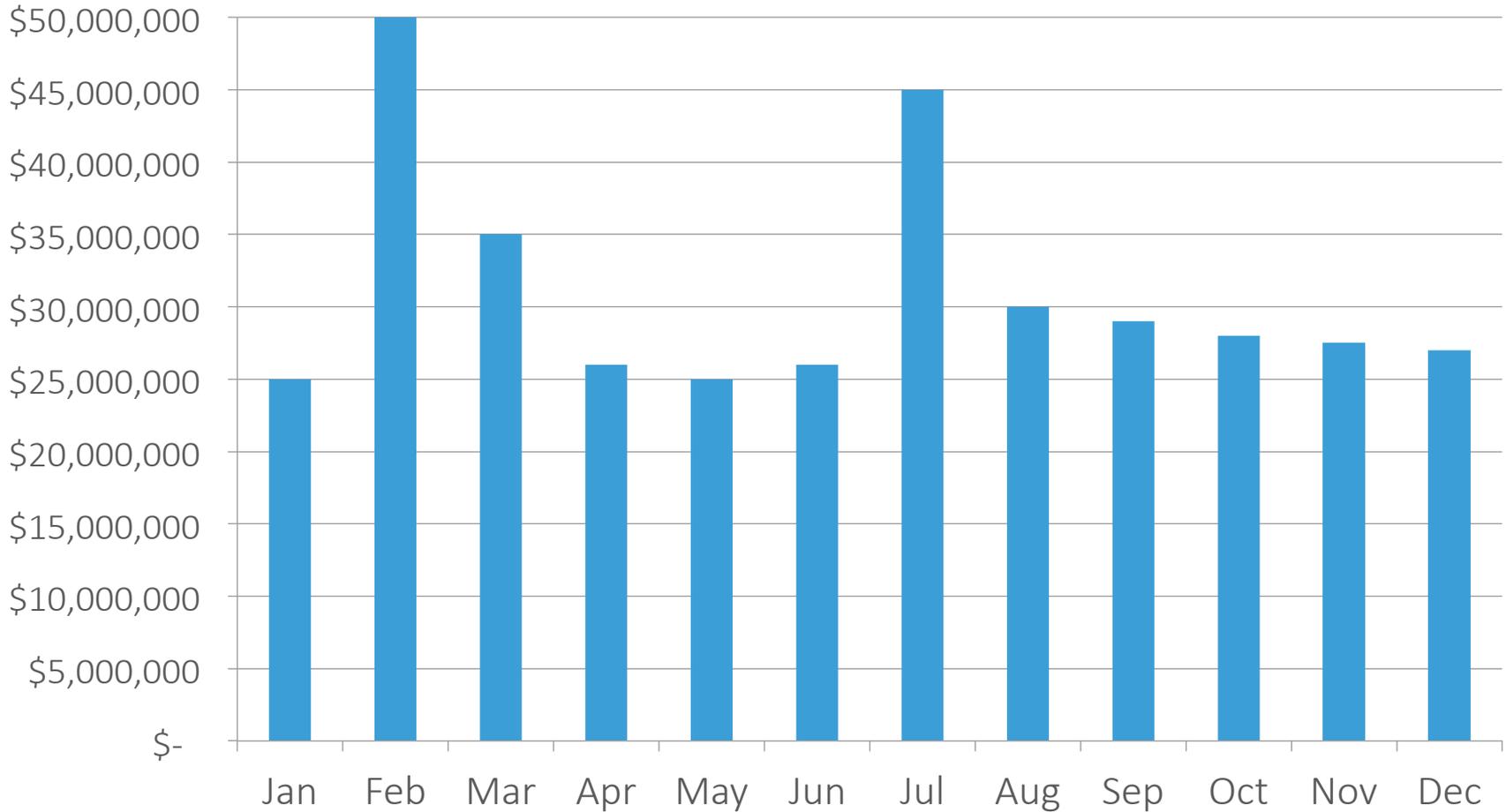
CASH VS. CORE

Year-end Balances per CAFR



CASH VS. CORE

Month-end Balances

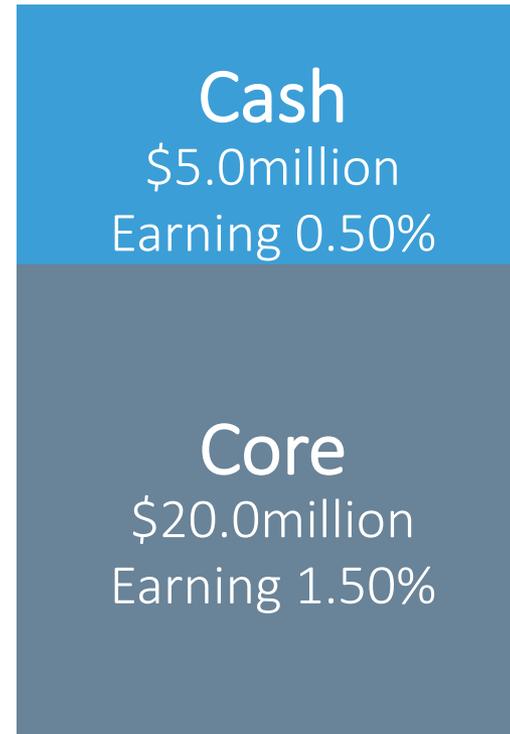


CASH VS. CORE

Current



Right-Sized



Projected Additional Interest Income of \$100,000

Bank Fees vs. Balances

BANK ACCOUNT ANALYSIS STATEMENT

Local Bank

Average Ledger Balance	\$24,536,865.97
Less Average Float	\$0.00
Average Collected Balance	\$24,536,865.97
Less Reserve Requirement	\$2,453,686.60
Average Available Balance	\$22,083,179.37

BANK ACCOUNT ANALYSIS STATEMENT

Local Bank

Cost of Services	Volume	Unit Price	Total Cost
Account maintenance	5	41.80	209.00
Image statement	5	10.00	50.00
Checks paid	2,500	0.19	475.00
ACH credits received	200	0.14	28.00
Analysis maintenance fee	1	29.90	29.90
Total Charge for Services			\$791.90

BANK ACCOUNT ANALYSIS STATEMENT

Local Bank

Average Ledger Balance		\$24,536,865.97
Less Average Float		\$0.00
Average Collected Balance		\$24,536,865.97
Less Reserve Requirement		\$2,453,686.60
Average Available Balance		\$22,083,179.37
Earnings Credit Allowance	0.25%	\$5,111.85
Total Charge for Services		\$791.90
Net Charge for Services		\$0

BENEFITS OF REDUCING BANK BALANCES

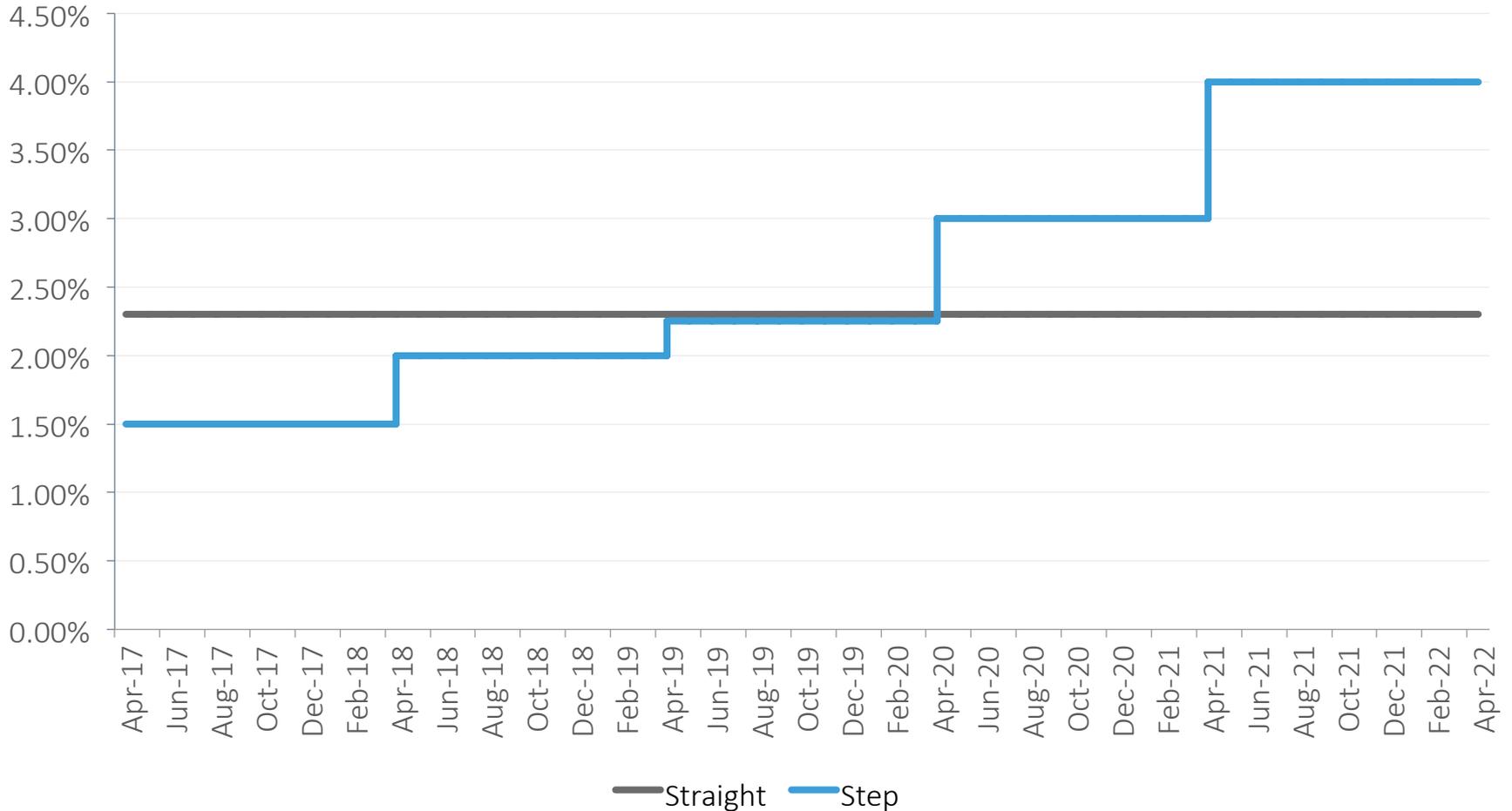
	Existing	Reduced Balances
Average Ledger Balance	\$24,536,865.97	\$4,536,864.97
Earnings Credit Allowance (0.25%)	\$5,111.85	\$945.18
Total Charge for Services	(\$791.90)	(\$791.90)
Alternative Investment Earning (1.20% annually)	\$0	\$20,000

INCREASED INTEREST INCOME OF \$240,000 PER YEAR BASED ON INVESTING THE \$20 MILLION TO YIELD 1.20%

Step-up Bonds

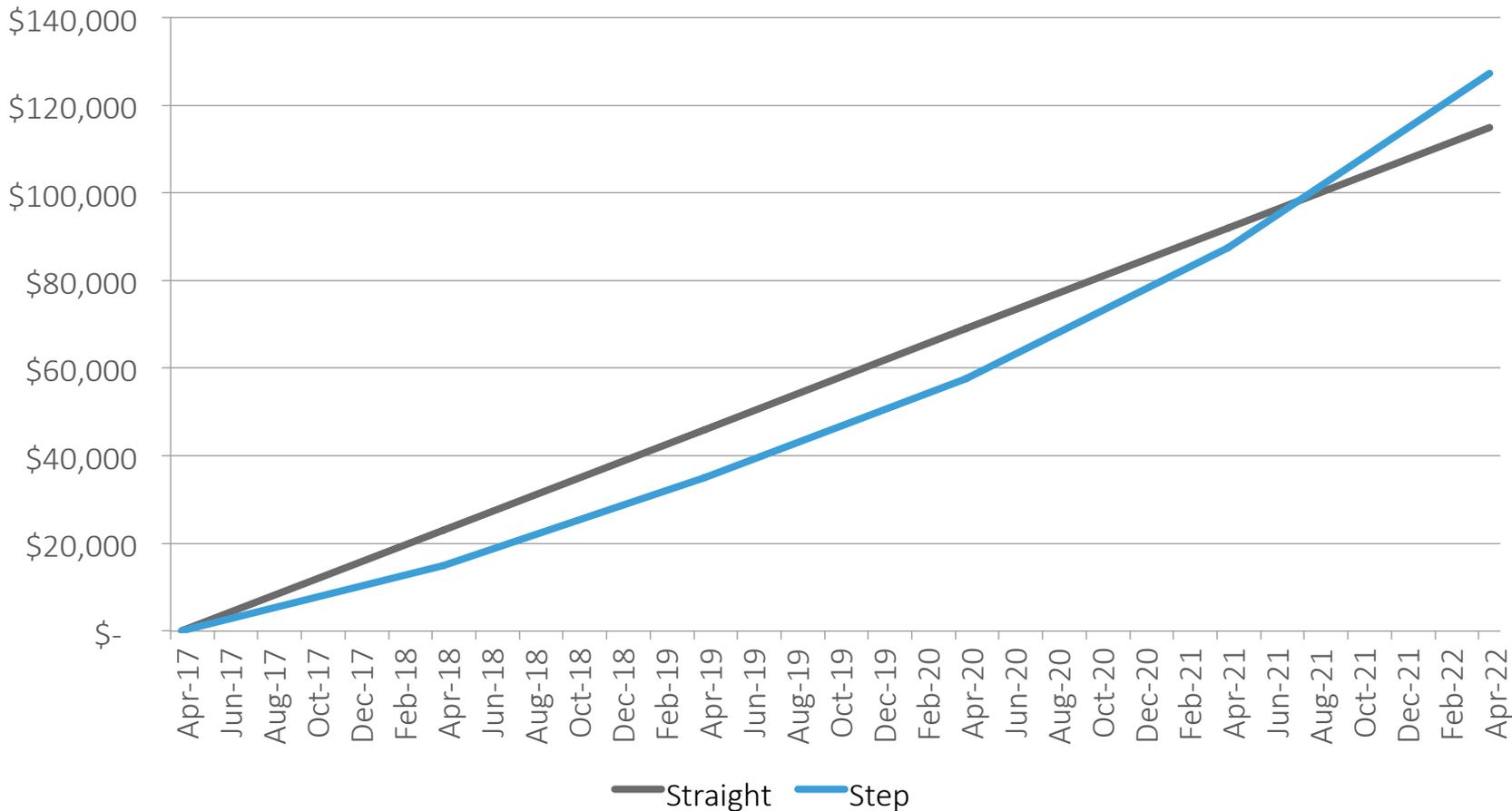
STRAIGHT CALLABLE VS STEP (INTEREST RATES)

Straight Callable – 3134GBFB3 FHLMC 2.30% 4/11/22 vs. Multi Step – 3134GBGT3 FHLMC 1.50% 4/27/22



STRAIGHT VS STEP (CUMULATIVE INTEREST)

Straight Callable – 3134GBFB3 FHLMC 2.30% 4/11/22 vs. Multi Step – 3134GBGT3 FHLMC 1.50% 4/27/22



Changes to Ohio Revised Code

COMMERCIAL PAPER

OHIO REVISED CODE 135.35 (*effective 3.21.17*)

(10) Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds. **The investments made under division (A)(10) of this section shall not exceed in the aggregate two per cent of a county's total average portfolio.**

The investing authority shall invest under division (A)(10) of this section in a debt interest issued by a foreign nation only if the debt interest is backed by the full faith and credit of that foreign nation, there is no prior history of default, and the debt interest matures not later than five years after purchase. For purposes of division (A)(10) of this section, a debt interest is rated in the three highest categories by two nationally recognized standard rating services if either the debt interest itself or the issuer of the debt interest is rated, or is implicitly rated, at the time of purchase in the three highest categories by two nationally recognized standard rating services.

COMMERCIAL PAPER

OHIO REVISED CODE 135.35 (*effective 9.29.17*)

(8) **Up to forty per cent** of the county's total average portfolio in either of the following investments:

(a) Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Revised Code and that has assets exceeding five hundred million dollars, to which notes all of the following apply:

(i) The notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services.

(ii) The aggregate value of the notes does not exceed ten per cent of the aggregate value of the outstanding commercial paper of the issuing corporation.

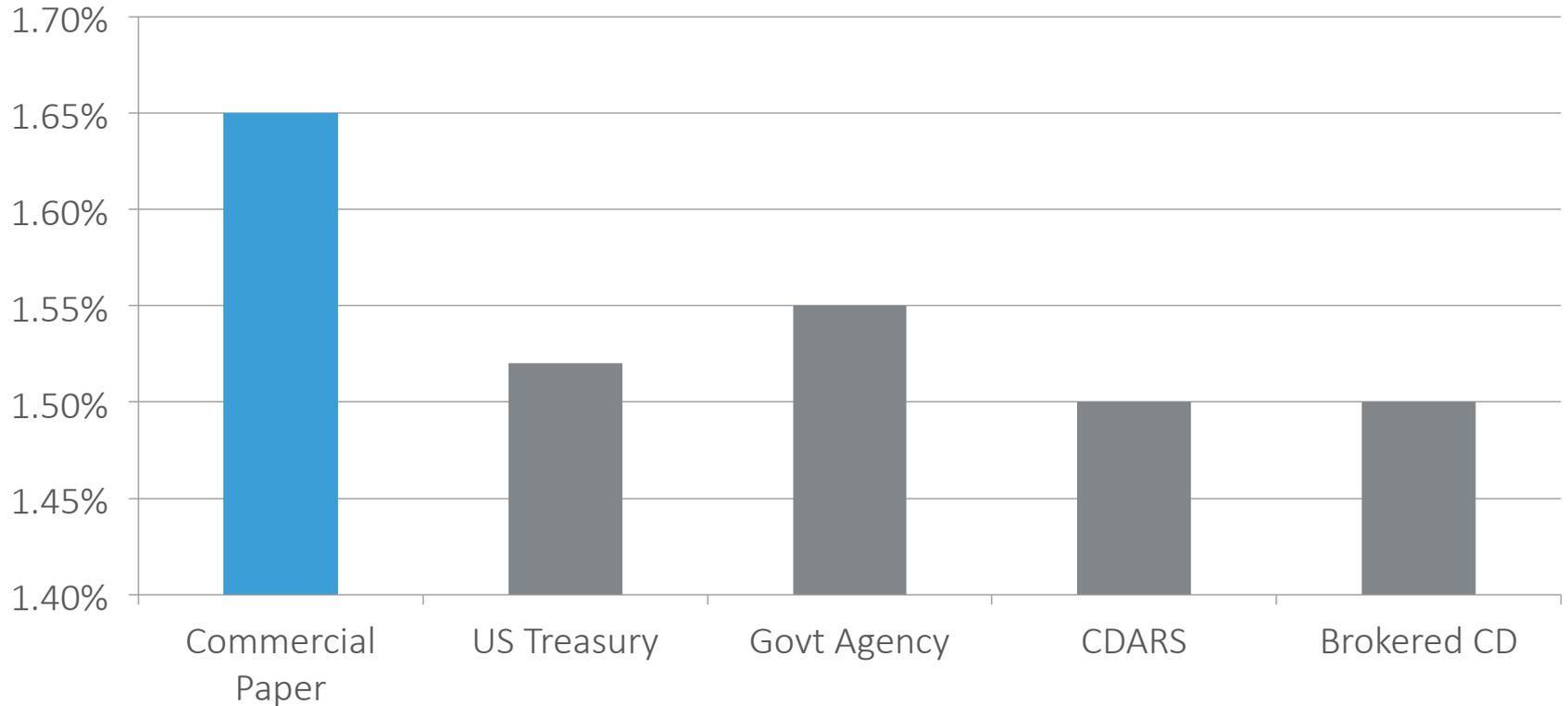
(iii) The notes mature not later than two hundred seventy days after purchase.

(iv) The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five per cent of interim moneys available for investment at the time of purchase.

No investment shall be made pursuant to division (A)(8) of this section unless the investing authority has completed additional training for making the investments authorized by division (A)(8) of this section. The type and amount of additional training shall be approved by the treasurer of state and may be conducted by or provided under the supervision of the treasurer of state.

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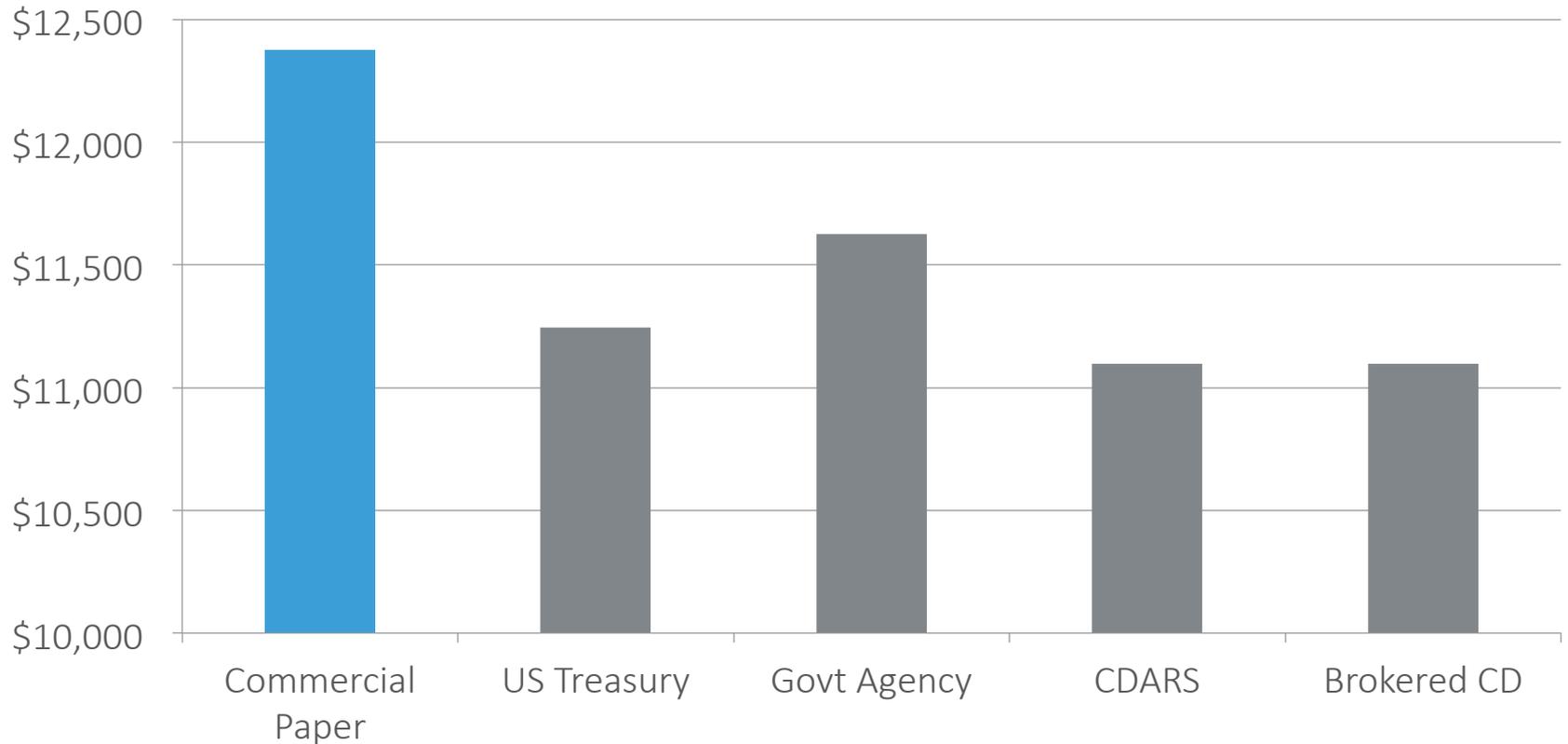
RATE COMPARISON



Commercial Paper rates for 270 days. Rates on all other securities for 1 year maturity. Rates as of 11/10/17. For illustration purposes only.

COMMERCIAL PAPER

INCOME COMPARISON PER \$1.0 MILLION INVESTED



Income calculated for 270 day term for all investment options. For illustration purposes only.

Pending Legislation

HOUSE BILL 46

Passed by House 6.7.17, Senate Committee on 6.15.17

Primary Sponsor: Robert Sprague

Proposed Language:

ORC 135.35

(9) Up to fifteen per cent of the county's total average portfolio in notes issued by corporations that are incorporated under the laws of the United States and that are operating within the United States, or by depository institutions that are doing business under authority granted by the United States or any state and that are operating within the United States, provided both of the following apply:

(a) The notes are rated in the ~~second three highest or higher~~ **category categories** by at least two nationally recognized standard rating services at the time of purchase.

(b) The notes mature not later than ~~two three~~ years after purchase.

HOUSE BILL 251

Passed by House 10.24.17, Introduce to Senate on 10.25.17

Primary Sponsor: Dave Greenspan

Proposed Language:

ORC 135.35

(4) Bonds and other obligations of this state or the political subdivisions of this state, provided the bonds or other obligations of political subdivisions mature within **ten years** from the date of settlement;

Tips:

Risk vs Reward

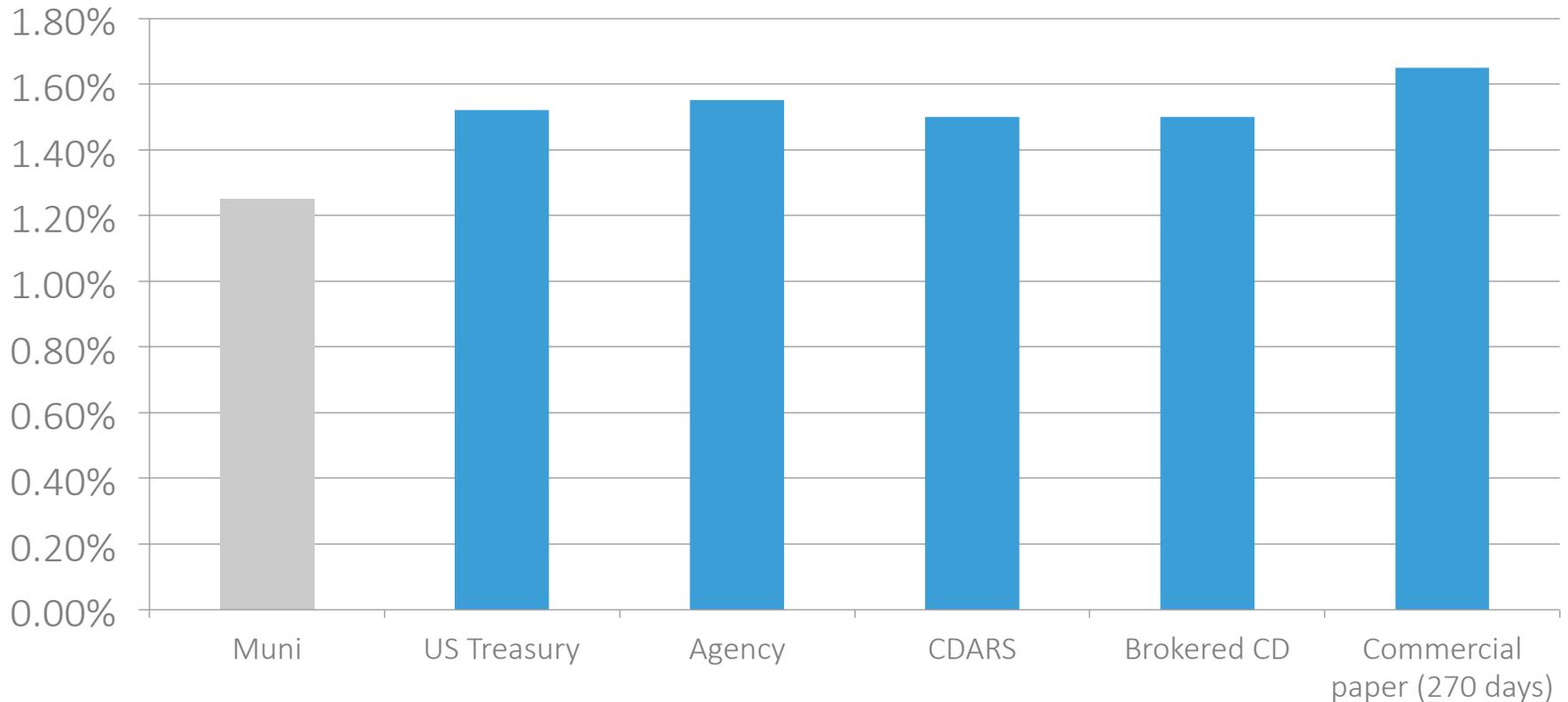
Know the Credit Quality of the Issuer

Maintain Proper Liquidity

MUNICIPAL SECURITIES: TAX-EXEMPT ISSUE

County of Green 1.50% 12/01/19 priced 11/10/17 to yield 1.25%

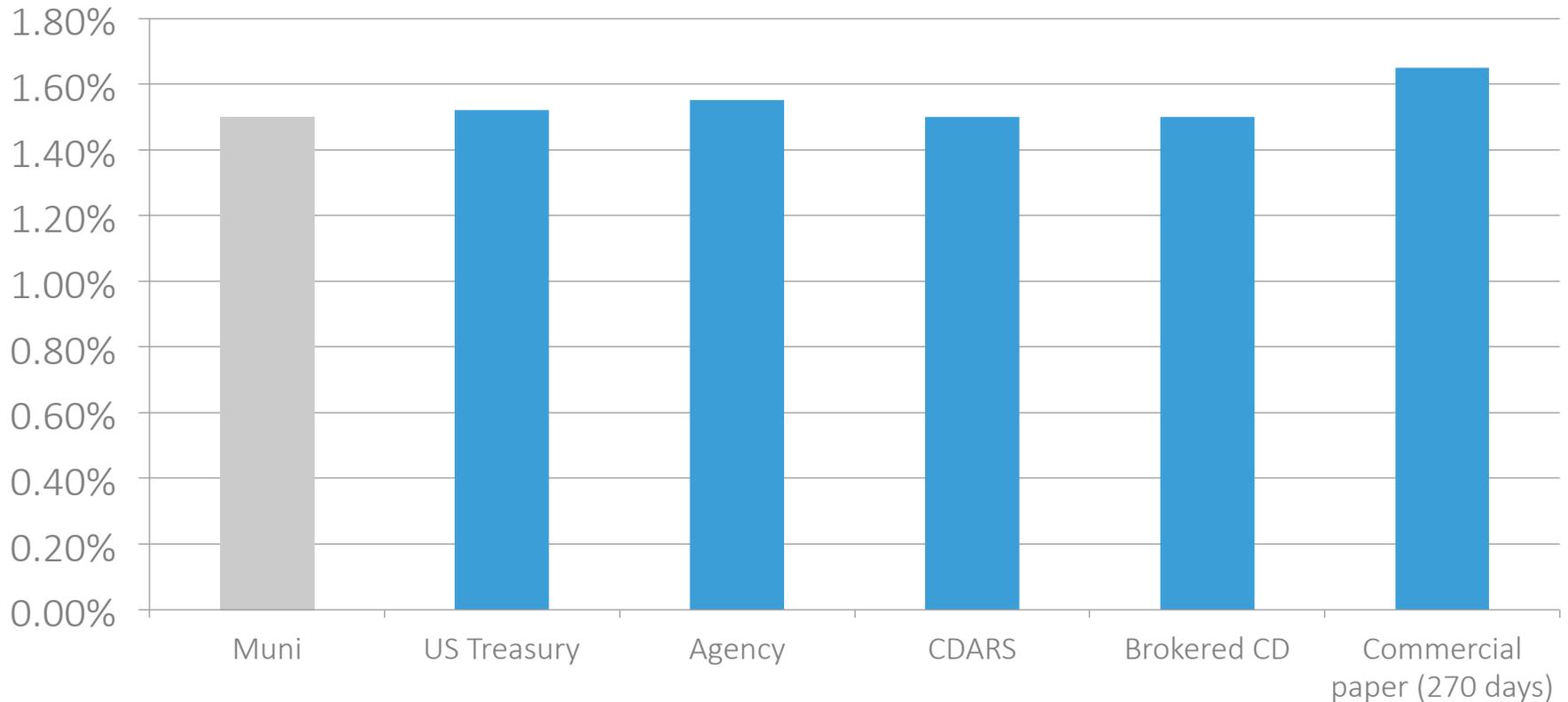
Rate Comparison



MUNICIPAL SECURITIES: TAXABLE ISSUE

City of Columbus OH , 3.00% 04/01/19 Priced 11/10/17 to yield 1.50%

Rate Comparison



FED POLICY & INTEREST RATE OUTLOOK



NEW FEDERAL RESERVE CHAIRMEN

Who is Jerome Powell



- Mr. Powell was born in February 1953 in Washington, D.C. He received an A.B. in politics from Princeton University in 1975 and earned a law degree from Georgetown University in 1979
- Mr. Powell served as an Assistant Secretary and as Undersecretary of the Treasury under President George H.W. Bush, with responsibility for policy on financial institutions, the Treasury debt market, and related areas. Prior to joining the Administration, he worked as a lawyer and investment banker in New York City.
- Jerome H. Powell took office as a member of the Board of Governors of the Federal Reserve System on May 25, 2012, to fill an unexpired term. He was reappointed and sworn in on June 16, 2014, for a term ending January 31, 2028.

Source: Federal Reserve

FOMC STATEMENT HIGHLIGHTS

September 20, 2017



● THE FOMC LEFT THE FED FUNDS TARGET RANGE UNCHANGED AT 1.00% TO 1.25%

● DECISION TO LEAVE THE TARGET RANGE UNCHANGED AND BEGIN \$10 BILLION BALANCE-SHEET RUNOFF IN OCTOBER WAS UNANIMOUS

● GRADUAL RATE INCREASES WILL HELP TO “SUSTAIN A HEALTHY LABOR MARKET WITH EXPECTATIONS FOR INFLATION TO STABILIZE AROUND THE 2 PERCENT LONGER-RUN OBJECTIVE”

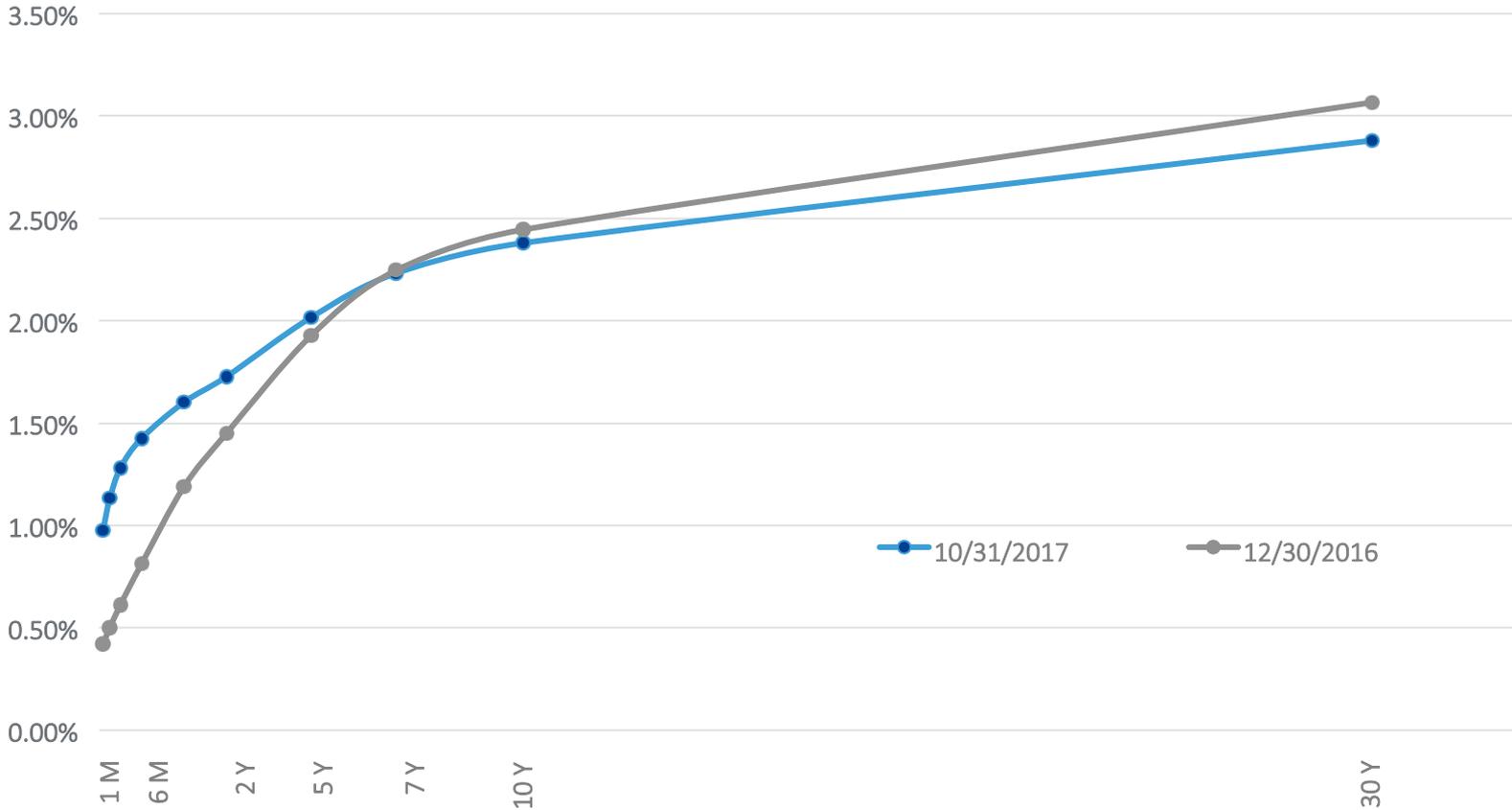
● FOMC PARTICIPANTS EXPECT TO RAISE RATES ONE MORE TIME IN 2017

● STATEMENT HIGHLIGHTED “THAT HURRICANE DAMAGES WON’T DERAIL AN OTHERWISE HEALTHY ECONOMIC EXPANSION”

● “LABOR MARKET HAS CONTINUED TO STRENGTHEN” AND ECONOMIC ACTIVITY “HAS BEEN RISING MODERATELY SO FAR THIS YEAR”

Source: Federal Reserve

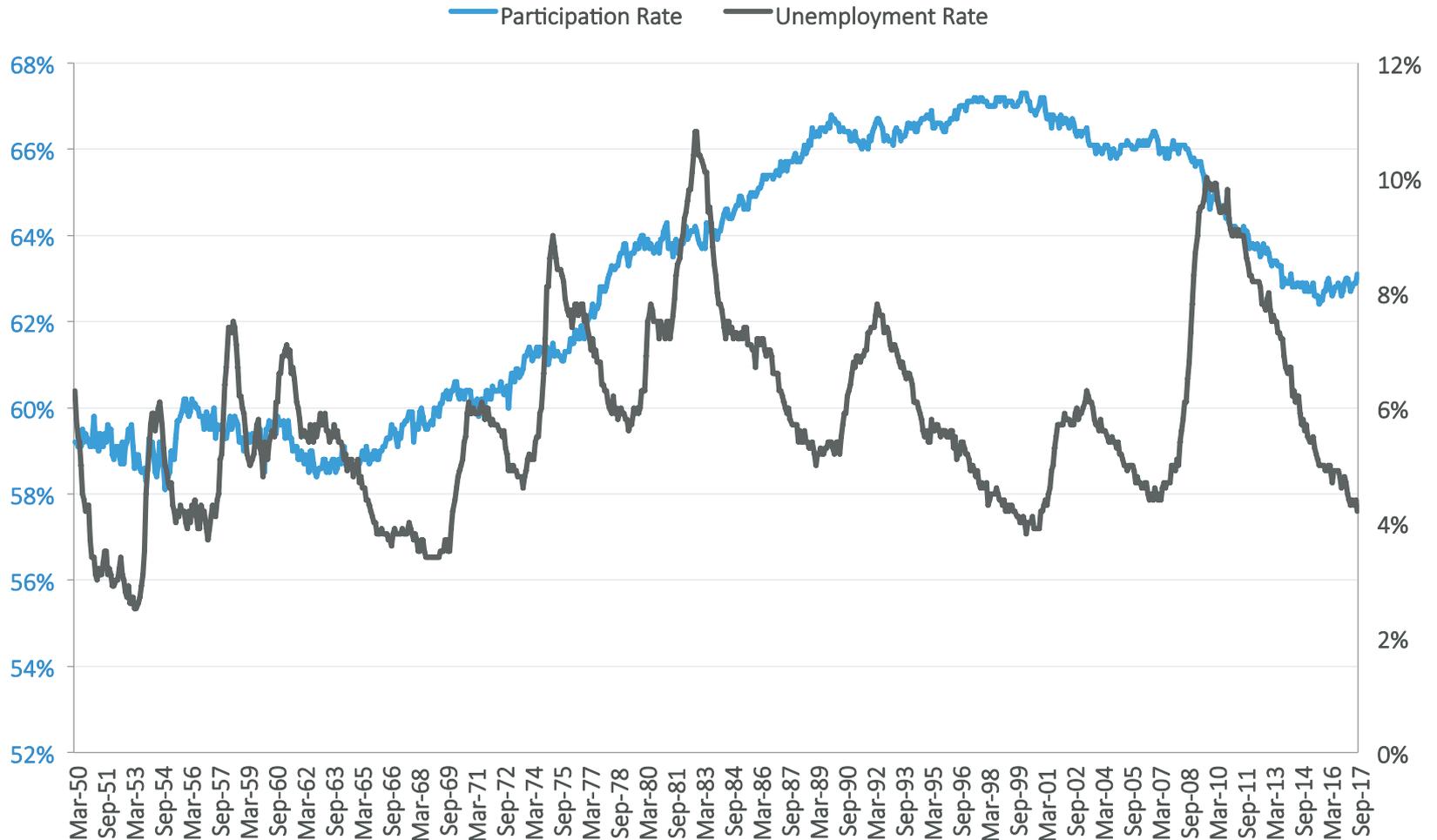
YIELD CURVE COMPARISON



Source: Bloomberg

UNEMPLOYMENT

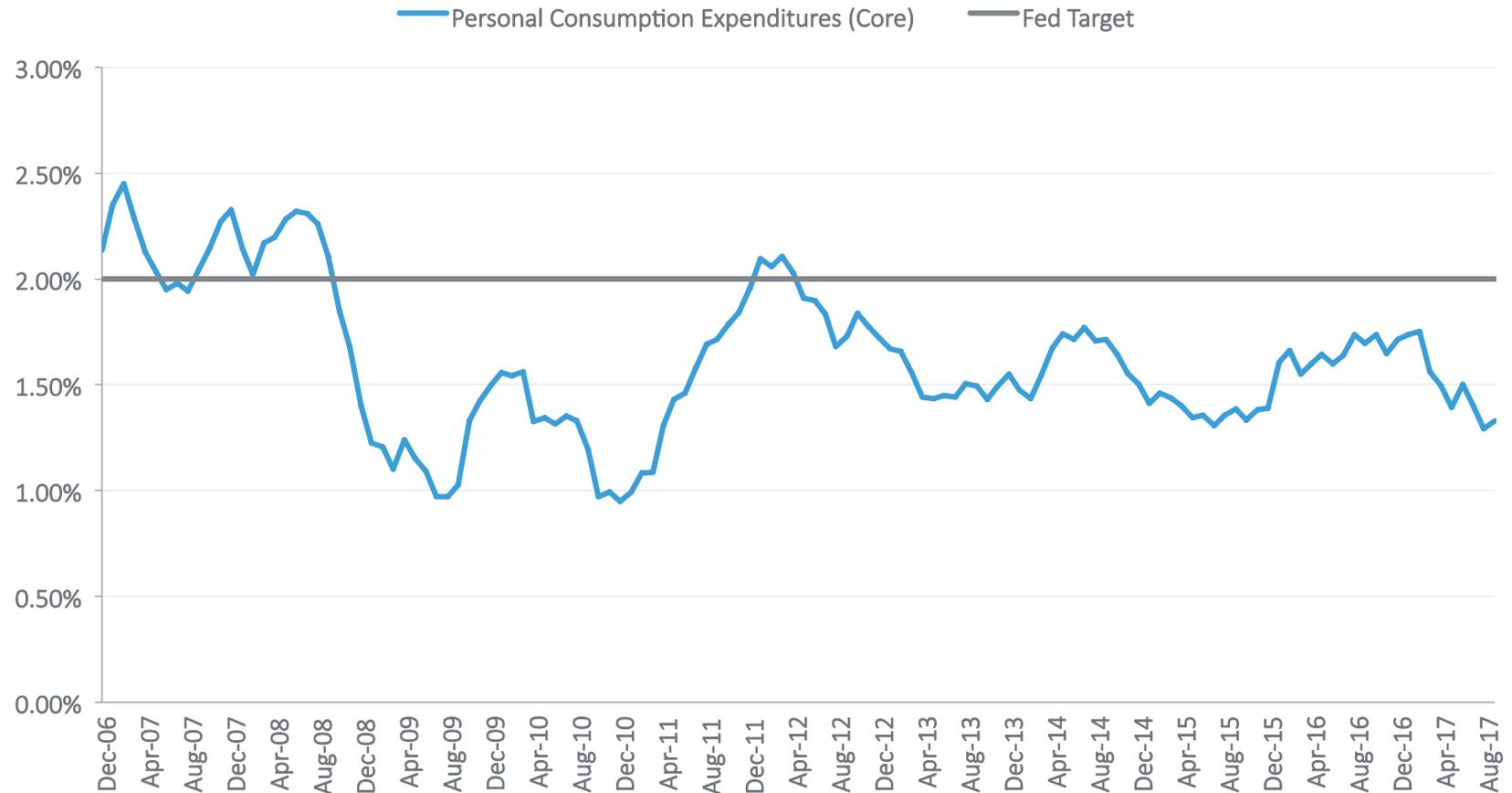
Unemployment rate vs participation rate



Source: Bloomberg

INFLATION

Personal Consumption Expenditures (PCE)



Source: Bloomberg

INFLATION OUTLOOK

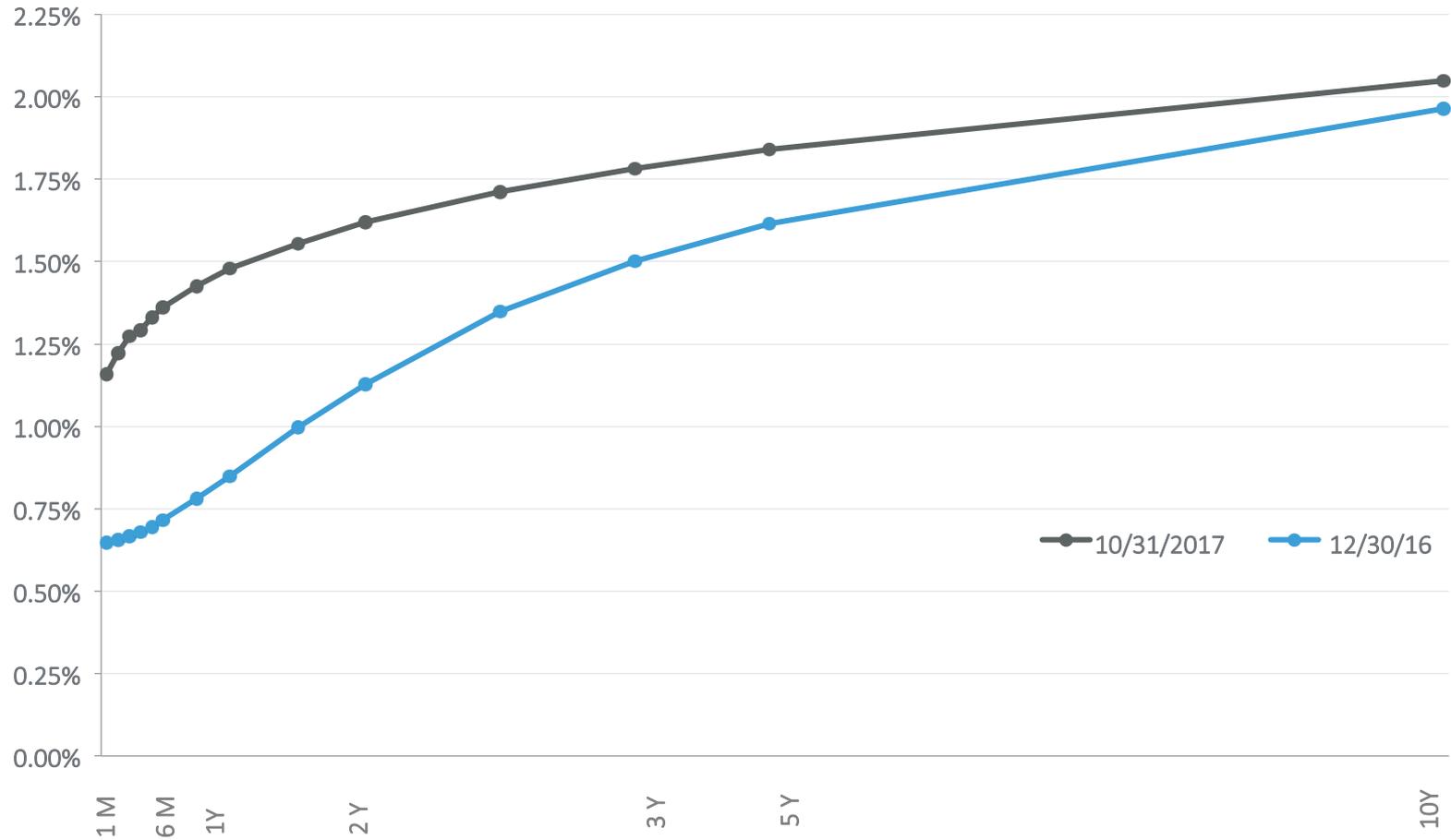
U.S. 5-Year Breakeven Index



Source: Bloomberg

INTEREST RATE OUTLOOK

US Overnight Interest Rate Swaps



Source: Bloomberg

THANK YOU



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