

OFFICE OF THE STATE TREASURER

TREASURY NOTES

MARCH 31, 2018

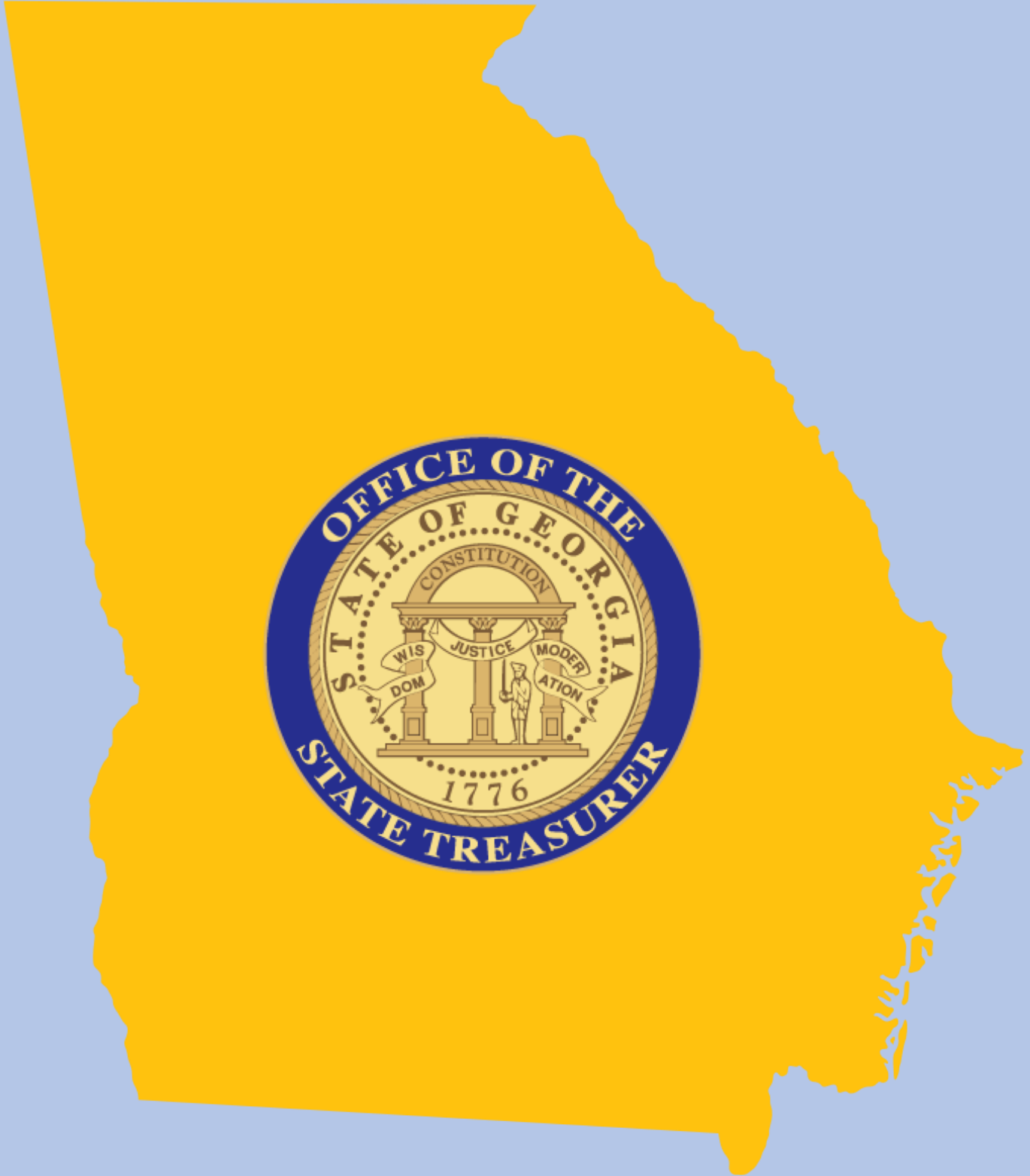


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MISSION STATEMENT

The Office of the State Treasurer's mission is to preserve the state's capital and the public trust through conservative and efficient management of the state's cash resources. This mission includes maintaining the state's reputation for prudent and effective fiscal management. We are committed to maintaining and enhancing this reputation, and we are dedicated to proving at every opportunity that it is deserved. Our mission and our fundamental duty to the public require absolute adherence to the following principles:

- *We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our duty to the public requires absolute adherence to this standard.*
- *Integrity and honesty are the heart of our business. Our people must maintain the highest ethical standards in everything they do so as to avoid even the appearance of impropriety.*
- *The interests of the state are our sole and primary concern; we expect our people to always put the state's interest first.*



OST Primary Functions & Responsibilities

Primary

State Depository Board

- Banking
- Cash Management
- Investments

Other

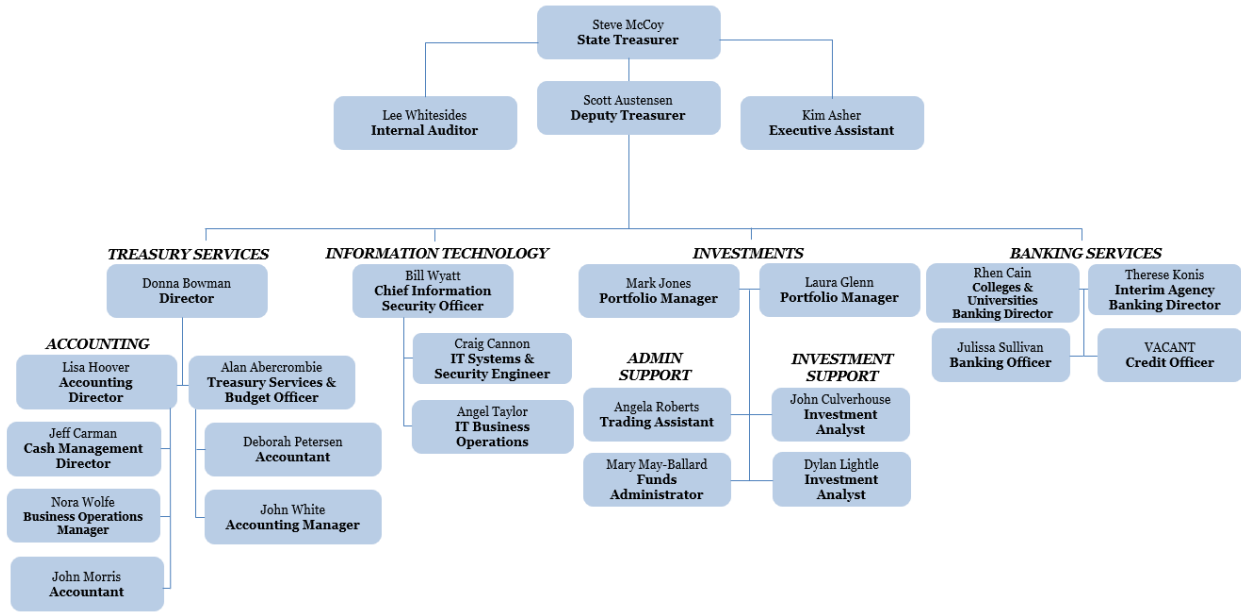
Georgia Higher Education Savings Plan Board

- Path2College 529 Savings Plan

Georgia ABLE Program Corporation Board

- Georgia STABLE Savings Plan

ORGANIZATIONAL STRUCTURE





TREASURY SERVICES



TREASURY SERVICES

Cash management

Implements cash management policies and procedures that maximize the efficient and effective utilization of the State’s cash resources. OST maintains the State’s general fund and is responsible for assuring there is sufficient liquidity to fund all state disbursements. OST has a proprietary cash flow model to assist in managing the state’s liquidity. The model incorporates the

Governor’s monthly revenue estimate and state agencies’ monthly disbursement projections. Utilizing this tool, OST and OPB work closely together to monitor allotments and refunds throughout the state fiscal year. OST also uses this tool to optimize investment return by managing portfolio liquidity efficiently.

Liquidity Management	State of Georgia Capabilities & Practices
Strong Cash Monitoring Capabilities	The State’s appropriations are limited to the Governor’s revenue estimate for the fiscal year. Treasury monitors its available cash resources utilizing a customized cash flow model. Treasury monitors cash balances daily and reports agency bank balances to the Office of Planning and Budget (OPB) on a weekly basis. Treasury updates and reports cash flow forecasts monthly to OPB. OPB utilizes the cash flow forecasts and bank balance reports to manage the allotment process using tools including: (a) managing allotment and tax refund timing, (b) withholding allotments, or (c) rescinding allotments.
Regular Cash Flow Predictability	The State utilizes the Governor’s revenue estimate and two year historical agency spending patterns to generate an annual cash flow projection. Each month, State agencies provide 30-60-90 day expenditure projections to Treasury. Treasury incorporates agency disbursement projections in its monthly cash flow model updates. Disbursement projections for the remainder of the fiscal year are adjusted to equal the remaining budget balance for the fiscal year. Treasury and OPB meet on a monthly basis to review the updated cash flow projections.
Internal Cash Flow Generation Capacity to Manage Unforeseen Events	As of March 31, 2018, the State had \$3.4 billion in its primary liquidity portfolio including the RSR adjusted balance of \$2.3 billion. In addition to the RSR, to safeguard against unforeseen events that could create a cash shortfall, Treasury has established procedures to provide liquidity to fund critical allotments. Procedures include agreements in place to provide liquidity utilizing marketable securities in Treasury investment portfolios. On a bi-weekly basis, Treasury monitors its capacity to generate necessary liquidity from its investment portfolios through overnight reverse repurchase agreements with approved counterparties. Treasury’s business continuity procedures to generate liquidity require authorization from OPB to be utilized.
No Reliance on External Cash Flow Borrowing	The State has not relied upon external borrowing for cash flow/liquidity purposes; however, the State is legally authorized to secure a bank line of credit and issue short term debt. Under current law, any bank line of credit would be limited to one percent (1%) of the prior year’s receipts, approximately \$233 million. Any such borrowing must be repaid within the same fiscal year in which it was incurred.

Liquidity Management and Cash Flow Forecasts

Each year the State of Georgia's budget is approved through the legislative process. The budget is based on the Governor's revenue estimate of "State Funds" for the upcoming fiscal year. Appropriations to the state entities cannot exceed the revenue estimate set by the Governor. Each month the Governor's Office of Planning and Budget ("OPB") issues allotments for agencies in accordance with the appropriated budget. The Office of the State Treasurer ("OST") has developed a Cash Flow Model to ensure that sufficient liquidity is maintained to fund agency allotments as they are presented for payment by agencies. The model is designed to be a dynamic tool and inputs are updated as appropriate to continually project, monitor, and manage cash invested by OST.

At the beginning of each fiscal year, OST uses the monthly revenue estimate provided by OPB and two years of historical spending patterns to create cash flow projections for the fiscal year. Each month during the fiscal year, agencies provide 30, 60, and 90 day projections of their cash needs. OST incorporates actual revenues and disbursements to date together with the 30-60-90 day disbursement projections to update its Cash Flow Model each month. Because agency disbursements

are limited to the amount of appropriated allotments for the fiscal year, monthly actual draws are used to adjust the projected disbursements to equal the remaining budget balance for the fiscal year. However, OST modifies monthly revenue estimates only if adjustments are provided by OPB. OST utilizes the Cash Flow Model and agency bank balances to provide reports to OPB to assist it in allotment management decisions.

As described above, OST revises its cash flow projections monthly to maintain an accurate forecast of primary liquidity. OST does not make balance estimates for other treasury investment portfolios but reports actual balances monthly. OST posts links to the following: Cash Flow Model and Total State Funds report. These are the only projections available on a statewide basis, and do not represent the GAAP general fund cash balance calculated and reported in the CAFR.

In addition, OST can generate customized reports as needed by OPB in preparation of the Governor's budget or to adjust for any allotment delays, rescissions, reductions of the Governor's revenue forecast, or for any other considerations.

Cash Flow Model

State Treasury monthly cash investment for 30-60-90 day agency projections

	Actuals	30-60-90 Day Agency Projections		
	March	April	May	June
Beginning Cash Balances	3,573,836,174	3,448,278,815	4,098,013,536	4,052,969,866
Gross Receipts	2,404,486,883	3,148,929,582	2,102,391,937	2,475,927,313
Refunds	(618,885,686)	(627,340,475)	(188,867,262)	(161,944,260)
Actual/Forecast State Fund Disbursements	(1,911,158,556)	(1,871,854,386)	(1,958,568,345)	(1,814,304,089)
Projected Ending Cash Balances⁽¹⁾	3,448,278,815	4,098,013,536	4,052,969,866	4,552,648,829

Additional Details and Information

Projected Ending Cash Balances (Breakdown)				
Debt Service Reserve	213,298,860	299,932,953	369,768,950	456,915,129
Revenue Shortfall Reserve	2,313,083,091	2,234,353,298	2,155,623,506	2,076,893,713
Excess Liquidity	921,896,864	1,563,727,284	1,527,577,410	2,018,839,987
Other State Agency Funds Invested by Treasury ⁽²⁾	2,407,876,907	2,407,876,907	2,407,876,907	2,407,876,907
Agency Bank Balances ⁽³⁾	585,079,628	551,570,550	551,570,550	551,570,550
Ending State Balances	6,441,235,350	7,057,460,992	7,012,417,322	7,512,096,285

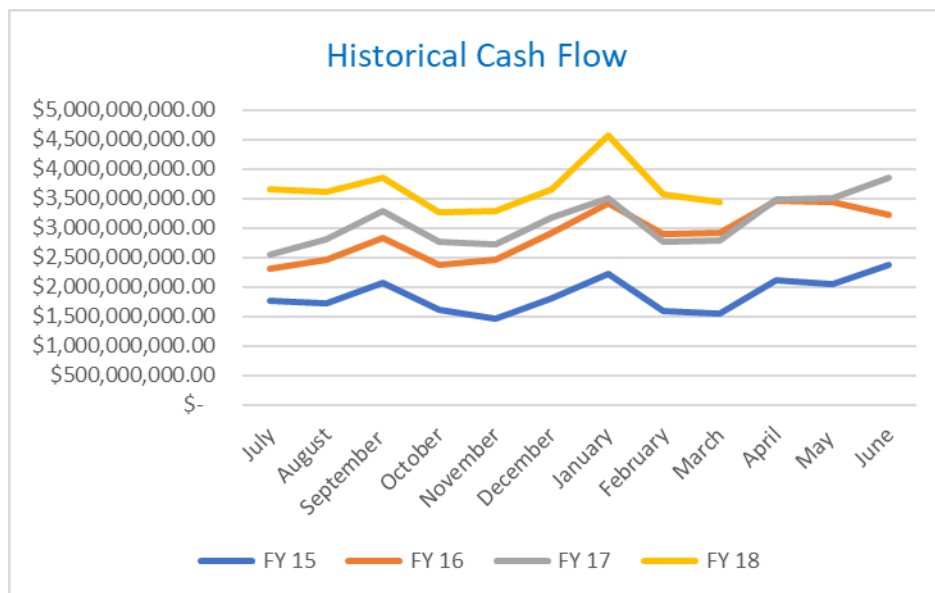
⁽¹⁾ Revenue Shortfall Reserve balance included

⁽²⁾ Actual balances are shown through 3/31/18; OST does not project change in balances for remaining months

⁽³⁾ Actual balances are shown through 3/31/18; OST uses average fiscal-year-to-date balance for remaining months

Historical Cash Flow

State cash balances invested by OST during FY15-FY18.



Accounting

OST is responsible for recording and maintaining agency allotment accounts, collecting and recording state revenue collections, funding Local Government Investment Pool (LGIP) participants' cash needs, and funding investment activities within all portfolios on a daily basis.

OST has adopted the internal control standards as provided by the GAO Green Book. OST has documented our processes, identified risks and established controls to minimize risks.

Strong internal controls are in place to minimize the possibility of fraudulent activity related to identified risks. OST

has several layers of controls surrounding the movement of funds. These controls are in place within each bank's online system and internally at OST.

In concert with the State Accounting Office's payment policy, we have assigned multiple OST administrators for each bank's online system in order to establish and maintain an adequate separation of job responsibilities. All OST funds are managed and transferred electronically. There are no check writing capabilities enabled for OST. In addition, accounting personnel reconcile all bank accounts daily.

Key Accounting Responsibilities

Daily Cash Operations

- ✓ LGIP cash deposits and withdrawals
- ✓ Revenue collections from state agencies
- ✓ Agency allotment funding and interagency payments
- ✓ Monitoring of all bank account activity
- ✓ Reconciliation of Investment Management System to the Treasury Management System
- ✓ Daily journal entries/fund balancing
- ✓ Monitoring allotment account balances
- ✓ Accounting for Lottery and Tobacco transactions
- ✓ Consolidated Treasury Account Structure (CTAS)
- ✓ Daily cash activity for all other treasury portfolios
- ✓ Establishing the amount of funds available to invest
- ✓ Provide cash availability to Investment Officers
- ✓ User Management for the Allotment Request Intranet System (ARIS)

Significant Transactions

- ✓ Monthly general obligation bond debt service (G.O. Bonds) payment
- ✓ Monthly Georgia Department of Revenue SPLOST distribution
- ✓ Monthly Georgia Department of Education QBE payment
- ✓ Monthly Board of Regents distribution

Reporting

- ✓ LGIP Trust Financial Statements
- ✓ Monthly state revenue report
- ✓ Monthly revenue press release reconciliation with Department of Revenue
- ✓ Quarterly State Depository Board Report
- ✓ Monthly cash flow model
- ✓ Monthly Department of Transportation Motor Fuel calculation
- ✓ Distribution of daily allotment and fiduciary statements



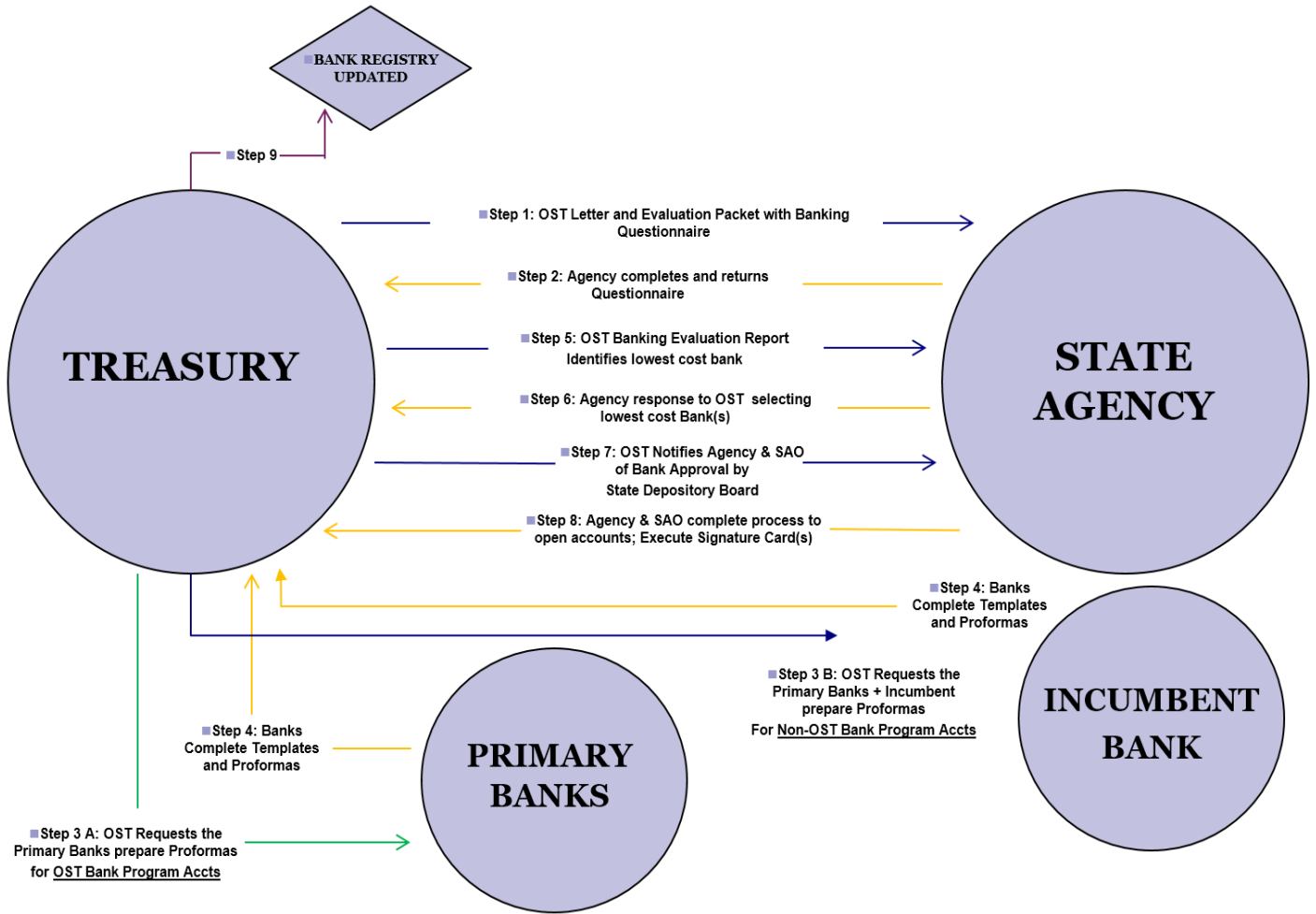
BANKING SERVICES

OVERVIEW

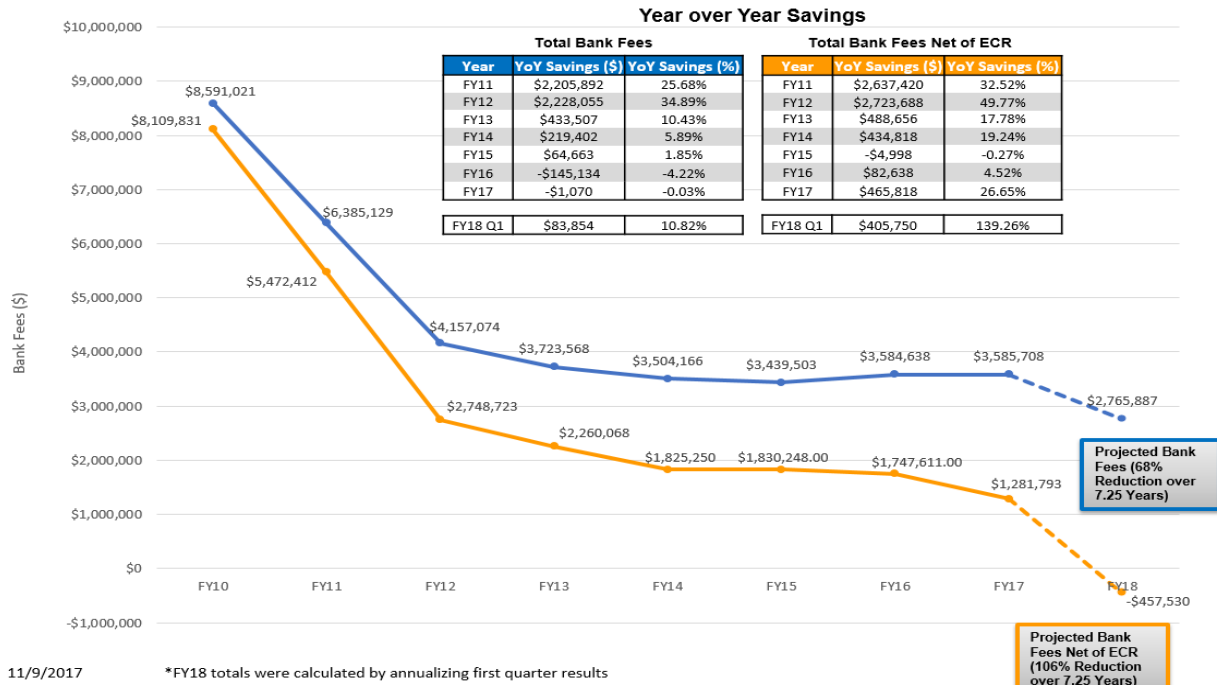
Banking Services has the overall responsibility of working with all state entities to assure the efficient and effective implementation of State Depository Board policies and guidelines for approval of banking relationships, accounts, services and electronic payments. Primary responsibilities include:

- Consult with state agencies, authorities, boards, bureaus, commissions, departments, colleges, universities and technical schools.
- Conduct periodic banking evaluations of state entities and technical colleges to identify the lowest cost providers consistent within the banking policy.
- Assist the University System of Georgia schools with banking evaluations and support.
- Advise state entities and schools on efficiently utilizing banking services with approved bank depositories.
- Administer the OST Bank Program for accounts holding state funds.
- Assist in converting OST Bank Program accounts to the Consolidated Treasury Accounts Structure (CTAS) platform which utilizes a Master ZBA structure.
- Update and maintain the State Bank Registry (record of banks and accounts by agency).
- Ensure banks which have depository relationships with state entities are qualified per banking policy.
- Manage the state's merchant card services programs for state (required) and local (voluntary) entities.

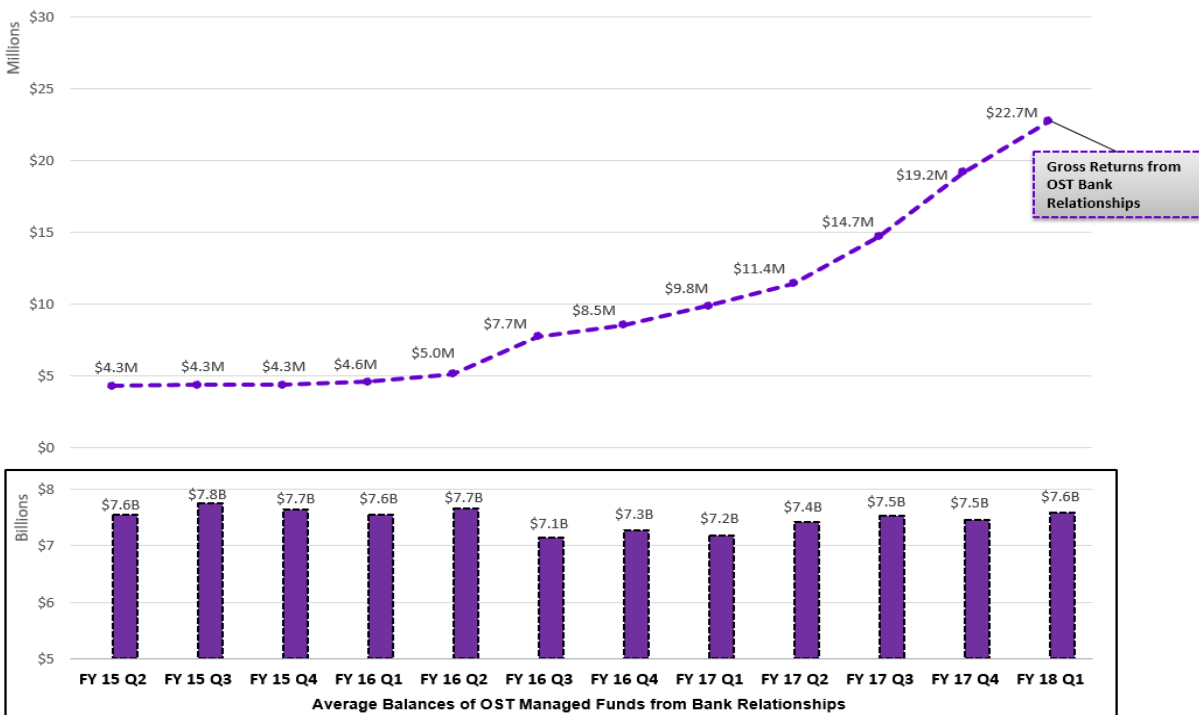
State Agency Bank Evaluations



OST Bank Program Reduction in Bank Fees over FY10-FY18 YTD



\$117 Million Earnings on OST Managed Funds from Bank Relationships. (3 years ending 12/31/2017)



Collateral Pledging Pools

Since 1999, OST has contracted with the Georgia Bankers Association (GBA) to administer the Georgia State Pledging Pool Program. In July 2017, GBA was also selected to administer the multibank pledging pool. Georgia Code 45-8-12 requires depositories to collateralize public funds and Georgia Code 45-8-13 allows depositories to collateralize public funds using either a dedicated or pooled method.

1. DEDICATED METHOD AND SINGLE BANK PLEDGING POOL

Under the dedicated method, a depository collateralizes deposits made by a public depositor and administers each account separately. The depository must maintain collateral equal to 110% of the public funds it holds less the amount of deposit insurance. Under the Single Bank pooled method, a depository collateralizes deposits made by a public depositor through a pool of collateral established by the depository with a custodian. If a depository elects the pooled method, it may use the pooled method with some public depositors and the dedicated method with other public depositors.

2. MULTIBANK PLEDGING POOL (Secure Deposit Program - SDP)

Large banks (\geq \$50 billion) are required, and others may apply, to participate in the contingent liability pool. The Banking Commissioner and Treasurer determine collateral pledging tiers according to the method approved by the State Depository Board. Reporting and Compliance oversight are managed by OST. Public reporting of pledging information by bank is available monthly.



Georgia Secure Deposit Program

Georgia Secure Deposit Program Review

2/2/2018

As of: 12/31/2017

1,766 Total Depositors Reported.

Bank Name	Total Public Deposits in Accounts Requiring Collateralization	FDIC Insurance Covering Public Deposits	Total Net Deposits in Pool (Total Public Deposits Req. collateralization less FDIC Insurance)	Pledge Level %	Total Required Collateral	Current Reported Collateral	Over /Under	Pro Rata - Net Deposits - Current Reporting Period
Ameris Bank	\$526,530,431	\$40,699,292	\$485,831,139	50%	\$242,915,569	\$248,337,805	\$5,422,236	4.18%
Atlantic Coast Bank	\$3,627,383	\$250,000	\$3,377,383	75%	\$2,533,037	\$3,188,442	\$655,405	0.03%
Bank of America, National Association	\$906,216,662	\$15,416,277	\$890,800,385	50%	\$445,400,193	\$600,000,000	\$154,599,808	7.66%
Branch Banking and Trust Company	\$1,590,898,376	\$57,770,218	\$1,533,128,158	50%	\$766,564,079	\$849,122,414	\$82,558,335	13.18%
Calumet Bank	\$24,249,904	\$1,593,673	\$22,656,231	50%	\$11,328,116	\$14,385,836	\$3,057,721	0.19%
Citibank, N.A.	\$0	\$0	\$0	50%	\$0	\$0	\$0	0.00%
Douglas National Bank	\$12,735,562	\$1,250,000	\$11,485,562	25%	\$2,871,391	\$2,624,998	(\$246,392)***	0.10%
Fidelity Bank	\$60,805,447	\$7,034,971	\$53,770,476	50%	\$26,885,238	\$31,127,059	\$4,241,821	0.46%
Fifth Third Bank	\$4,137,878	\$362,397	\$3,775,481	50%	\$1,887,740	\$2,075,915	\$188,174	0.03%
First Landmark Bank	\$27,701,829	\$2,483,192	\$25,218,637	50%	\$12,609,319	\$13,905,591	\$1,296,273	0.22%
JPMorgan Chase Bank, National Association	\$536,542,376	\$3,810,721	\$532,731,655	50%	\$266,365,828	\$300,000,000	\$33,634,173	4.58%
PNC Bank, National Association	\$76,901,511	\$9,175,774	\$67,725,737	50%	\$33,862,869	\$56,572,664	\$22,709,796	0.58%
Quantum National Bank	\$94,014,358	\$1,956,853	\$92,057,505	25%	\$23,014,376	\$29,500,000	\$6,485,624	0.79%

Note: Net deposits used for calculating 20% of pool for additional required collateral: **\$9,557,159,032.00**

Note: Banks showing required collateral level totals above their required percentages indicate they have either deposits above 20% of net deposits in the pool based on above threshold, deposits above 200% of their Common Equity Tier 1 Capital or a combination of both, which requires additional collateral.

*** Bank is in collateral compliance as of 2/2/2018

INVESTMENT MANAGEMENT



OVERVIEW

The Office of the State Treasurer's (OST) Investment Department is responsible for the investment of \$22.6 billion of assets as of March 31, 2018. The Investment Department includes two seasoned portfolio managers, two Investment and Credit Analysts, an Operations Assistant and the LGIP Fund Administrator. Of the \$22.6 billion of assets, \$6.7 billion is short duration separately managed portfolios for the state and its agencies. The LGIP is comprised of \$15.9 billion of the assets invested in three offerings: Georgia Fund 1, Georgia Extended Asset Pool (GEAP) and Georgia Fund 1 Plus. These portfolios fall under the LGIP Trust. The LGIP Trust Policy governs the management of these funds and can be found online at:

https://ost.georgia.gov/sites/ost.georgia.gov/files/related_files/document/LGIP%20Trust%20Policy_updated%20July%2016%202015.pdf

Georgia Fund 1 adheres to the National Association of State Treasurers (NAST) and the National Association of State Auditors, Comptrollers and Treasurers (NASACT) Voluntary Guidelines for the Management of Stable Net Asset Value Local Government Investment Pools. The Guidelines can be found online at:

https://ost.georgia.gov/sites/ost.georgia.gov/files/related_files/document/2016_05_Best_Practices_for_Stable_NAV_LGIPs.pdf

In addition, all funds under management, including the three LGIPs, must adhere to the criteria specified in the Investment Policy for the Office of the State Treasurer. The Investment Policy can be found online at:

https://ost.georgia.gov/sites/ost.georgia.gov/files/related_files/document/POLICY_OST%20Investment%20Policy_Approved%20by%20SDB%20121216.pdf

OST invests State general funds, the three local government investment pools, and other separately managed accounts for the state and its agencies. Quarterly information including a description of each portfolio and its holdings can be found online at:

<https://ost.georgia.gov/investments-o>

POLICY

It is the policy of the State Depository Board that the State Treasurer invest all funds prudently, considering first the probable safety of capital and then probable income, while meeting daily cash flow requirements and conforming to all statutes governing the investment of public funds.

INVESTMENT OBJECTIVES

- **Safety of Capital:** Investments shall be managed in a manner that seeks to ensure preservation of principal in each portfolio of investments.
- **Liquidity:** Each portfolio shall remain sufficiently liquid to ensure the funding of all cash needs reasonably anticipated given the profile of each respective portfolio.
- **Investment Income:** Each portfolio shall be managed with the objective of obtaining a market rate of return taking into consideration cash flow requirements for each respective portfolio.
- **Diversification:** To reduce overall portfolio risks while maintaining market rates of return, investments in each portfolio shall be diversified to eliminate risk of loss from an over concentration in a specific maturity, issuer (including repurchase agreement dealers), and security or class securities.

AUTHORIZED INVESTMENTS AND TECHNICAL ASSISTANCE

- The Governing authority of any local government may invest and reinvest any money subject to its control and jurisdiction in a local government investment pool created under Code Section 36-83-8.
- The Treasurer is authorized to invest funds in the investment portfolios in such securities permitted in Code Sections 50-5A-7, 50-17-2, 50-17-63 and 36-83-2.
- Code Section 36-83-7 allows the State Treasurer to assist local governments in developing effective cash management policies and investing funds that are temporarily in excess of operating needs.

FOCUS

- Client driven investment management
- Active management of short duration, low risk fixed-income portfolios
- Active Investment Committee participation
- Active Counterparty and Collateral Risk Assessment

Treasury Investments As of March 31, 2018

\$22.6 Billion Assets Under Management

LGIP Trust:

Local Government S&P AAf Stable NAV Pool

- Georgia Fund 1 (GF1) \$13 Billion

Local Government S&P AA+f Variable NAV Pool

- GEAP \$165 Million

State Pool managed as a Stable Net Asset Value Fund

- Georgia Fund 1 Plus \$2.74 Billion

Short Duration Separately Managed Portfolios

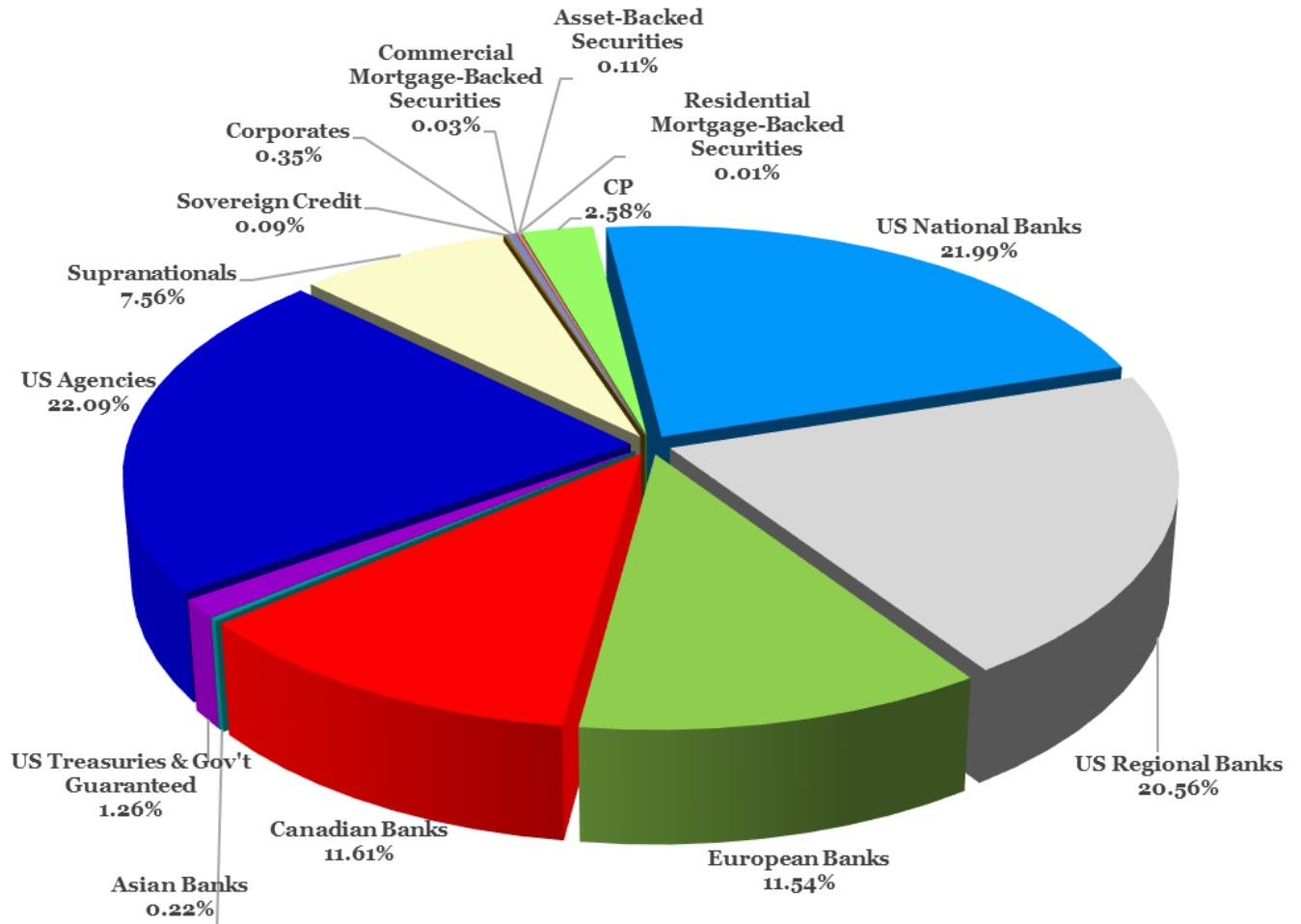
- Portfolios total \$6.64 Billion

Externally Managed Credit Portfolio

- IR+M \$57 Million



OST Investment Diversification \$22.6 Billion Assets Under Management



Data as of 03/31/18

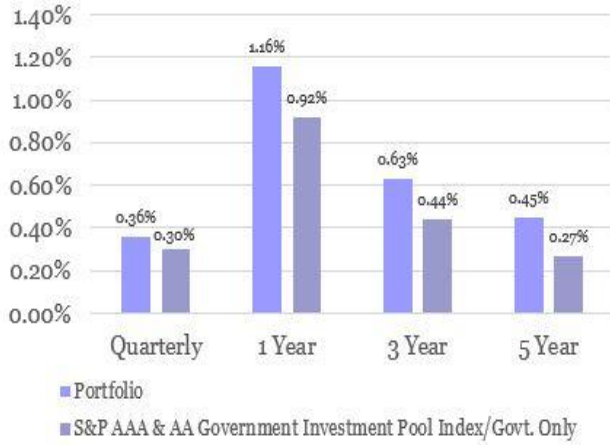


LGIP TRUST

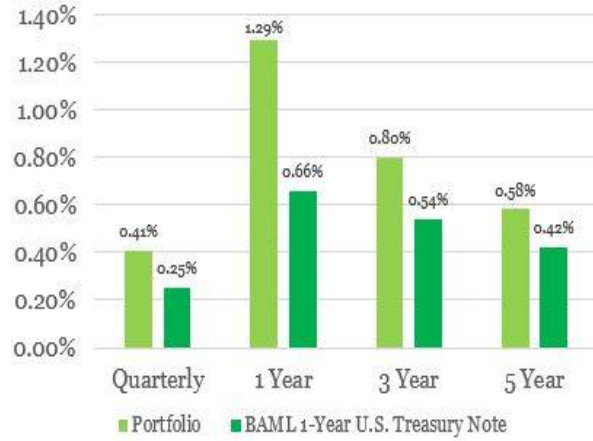
- **Georgia Fund 1 (GF1):** The local government investment pool primary liquidity portfolio comprised of state and local government funds. GF1 is managed to maintain a constant net asset value (NAV) of \$1.00 and is rated AA+ by S&P. The primary objectives of the pool are safety of capital, liquidity, investment income, and diversification. Performance objective is to meet or exceed the S&P's Rated Government Investment Pool index.
- **Georgia Fund 1 Plus (GF1 Plus):** A local government investment pool comprised only of state and state agency funds. GF1 Plus is managed to maintain a constant NAV of \$1.00. The portfolio is a combination of a rates portfolio and a credit portfolio managed by an external manager. The performance objective is to exceed the Georgia Fund 1 book yield for each respective measurement period.
- **Georgia Extended Asset Pool (GEAP):** The local government investment pool secondary liquidity portfolio managed as a short-term bond fund comprised of state and local government funds. GEAP is managed with a variable NAV and rated AA+f by S&P. GEAP is designed for public fund investors seeking taxable income higher than money market rates and willing to accept price fluctuations. Performance objective is to meet or exceed the Bank of America Merrill Lynch 1-year U.S. Treasury Note index.

LGIP Trust
As of March 31, 2018

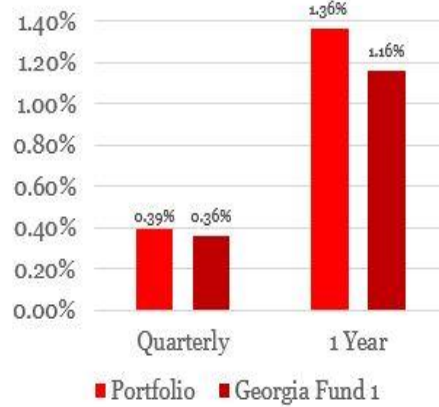
Georgia Fund 1



Georgia Extended Asset Pool



Georgia Fund 1 Plus



LGIP Trust Reserve

It is of critical importance both to the state and to local governments investing in the offerings of the LGIP Trust that OST continue to safely and effectively manage the receipt, investment, accounting and disbursement of funds without interruption. The operations of the LGIP Trust are funded by administrative fees assessed in accordance with the LGIP Trust Policy adopted by the State Depository Board. Title 36 Chapter 83-8 (l) requires that OST maintain unexpended administrative fees collected from local government investment pool (LGIP) participants in trust to fund the continued operation of OST as administrator of the fund. In accordance with this statutory requirement, the LGIP Trust Policy provides for an LGIP Trust Reserve to retain all unexpended administrative fees for the benefit of the LGIP to be utilized at the discretion of the State Treasurer in the interest of the LGIP.

In the event of a loss due to errors or fraud, the LGIP Trust Reserve may be used to cover the deductible on its insurance policies and uninsured losses in order to protect LGIP

accountholders from the risk that an insured loss does not trigger the LGIP to be unable to maintain a constant net asset value of \$1 per share (breaking the buck) which would trigger ratings downgrades, disclosure problems for the state, and possibly a run on the LGIP. The LGIP Trust Policy also provides for the LGIP Trust Reserve to be used, if necessary, to stabilize or preserve the NAV, purchase impaired securities, preserve liquidity, to pay for administrative expenses incurred by OST in connection with managing the LGIP Trust, and to otherwise support business continuity due to disaster, economic, or market-related issues.

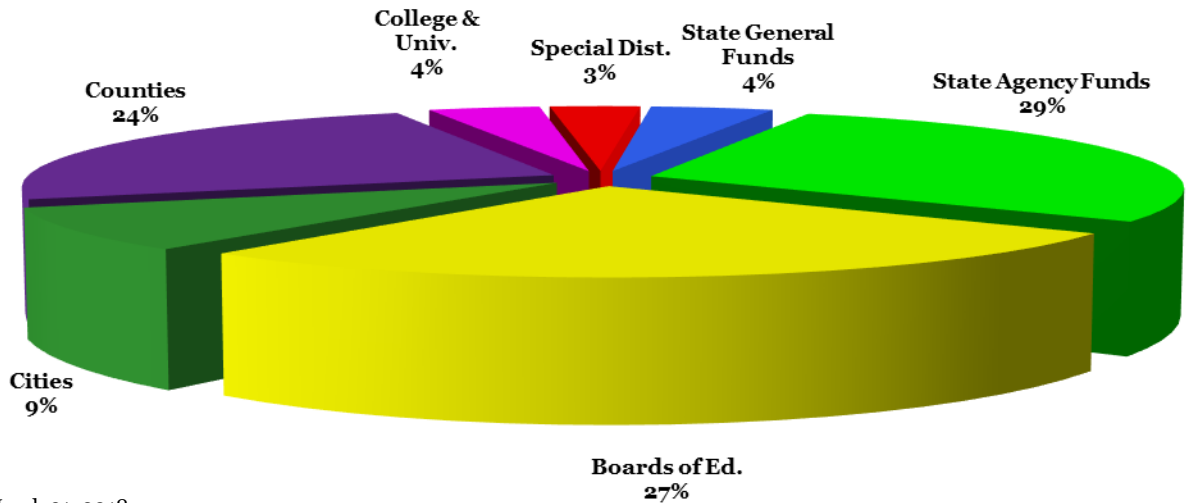
Georgia Fund 1 and Georgia Fund 1 Plus adhere to the National Association of State Treasurers (NAST) and the National Association of State Auditors, Comptrollers and Treasurers (NASACT Voluntary Guidelines for the Management of Stable Net Asset Value Local Government Investment Pools. The guidelines can be found online at https://ost.georgia.gov/sites/ost.georgia.gov/files/related_files/document/2016_05_Best_Practices_for_Stable_NAV_LGIPs.pdf



Comparison of LGIP Offerings

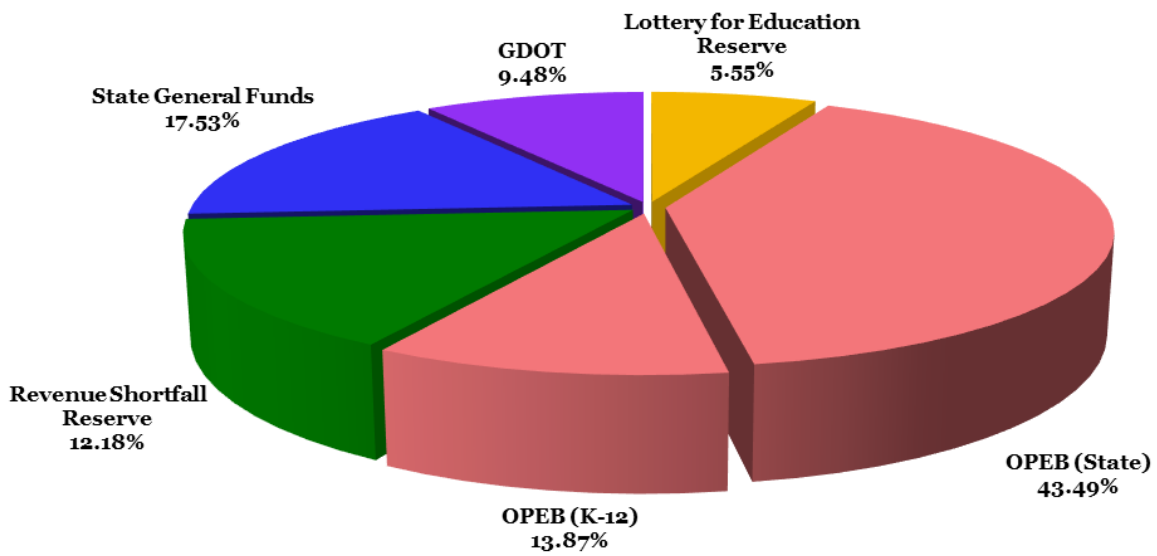
	Georgia Fund 1	GEAP	Georgia Fund 1 Plus
Internally Managed	√	√	
Stable Net Asset Value	√		√
Variable Net Asset Value		√	
Low Administrative Fee	√	√	√
Highly Liquid – Next Day Funds	√	√	
Online transaction capability	√		
Interest Paid Monthly	√	√	√
Rated by Standard & Poor's (S&P)	√	√	
Compliance Monitoring	√	√	√
Monthly Portfolio Reporting to S&P	√	√	
Monthly Stress Testing	√		√
Quarterly reporting to State Depository Board	√	√	√
State and State Agencies Only			√
Open to Local Governments	√	√	
Primary Liquidity	√		
Monitor Cashflow of Participants			√
Quarterly Website Disclosure	√	√	√

Georgia Fund 1 Participants \$13 Billion



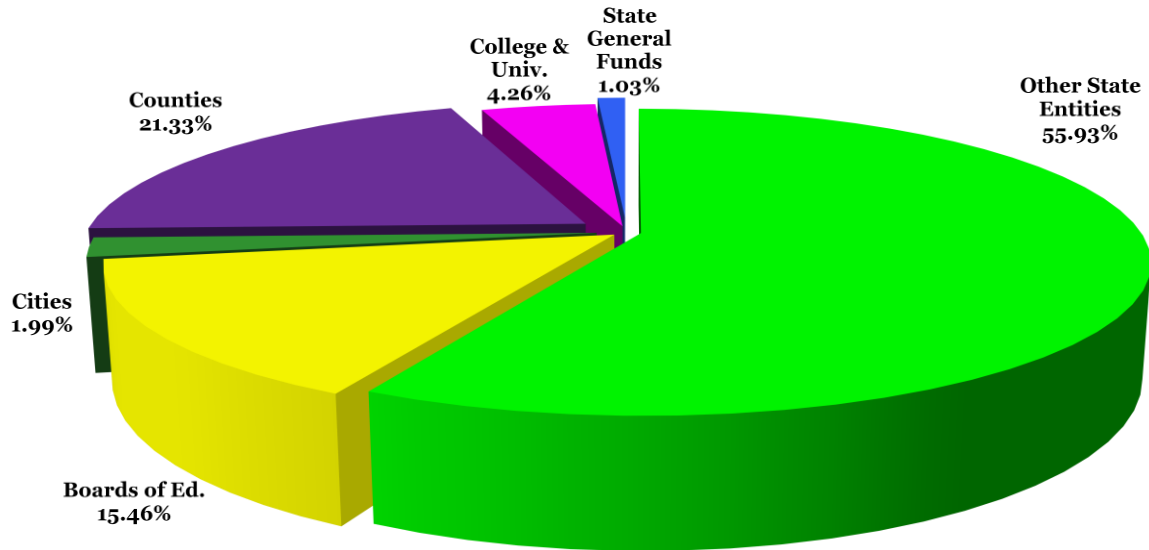
As of March 31, 2018

Georgia Fund 1 Plus Participants \$2.74 Billion



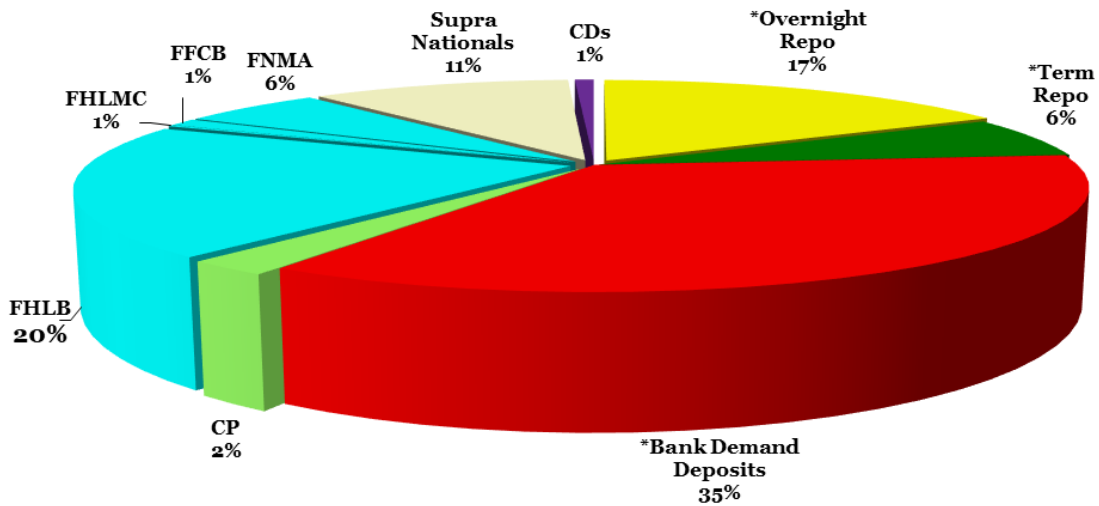
As of March 31, 2018

**GEAP Participants
\$165 million**



As of March 31, 2018

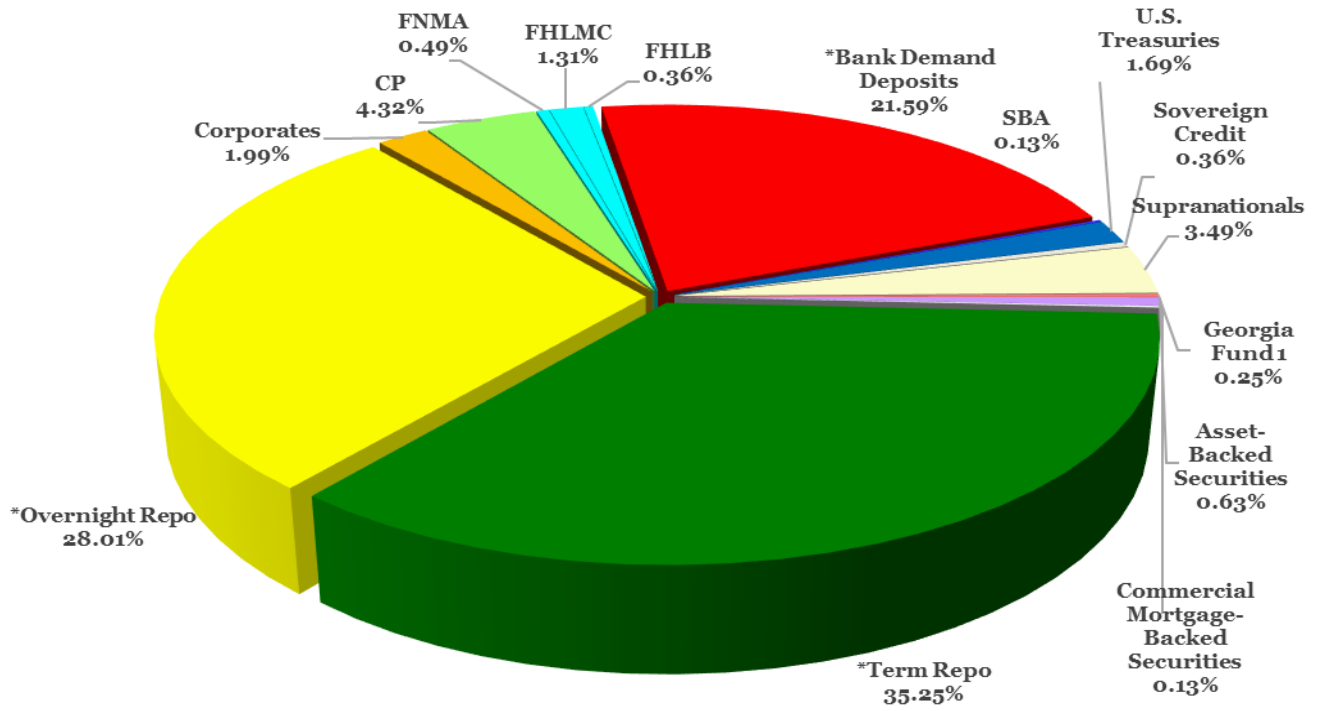
**Georgia Fund 1
Investment Assets Detail
\$13 Billion**



* Diversified among 9 banks holding investment deposits and 9 repo counterparties.

As of March 31, 2018

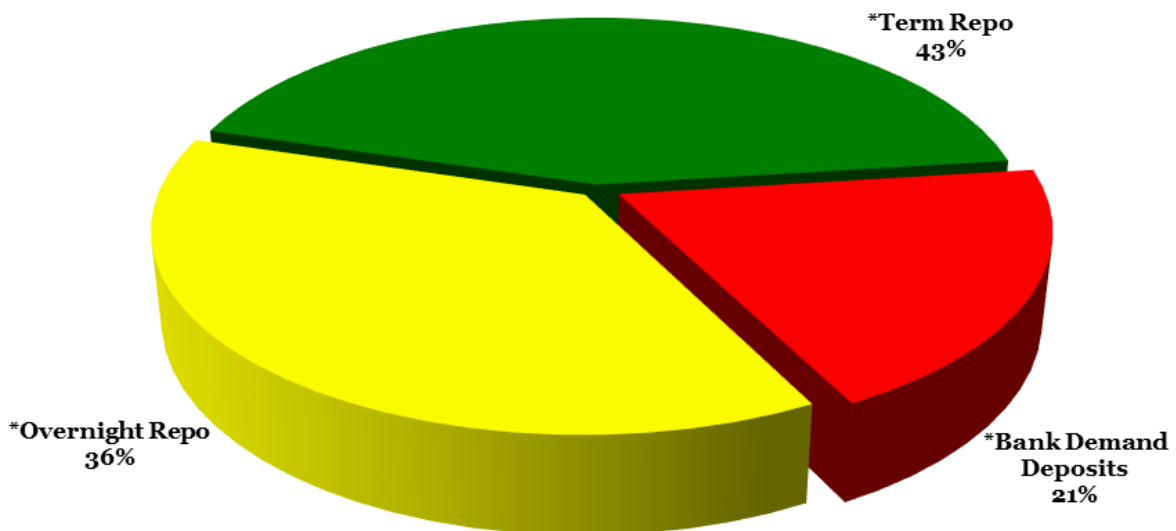
**Georgia Fund 1 Plus
Investment Assets Detail
\$2.74 Billion**



* Diversified among 5 banks holding investment deposits and 9 repo counterparties.

As of March 31, 2018

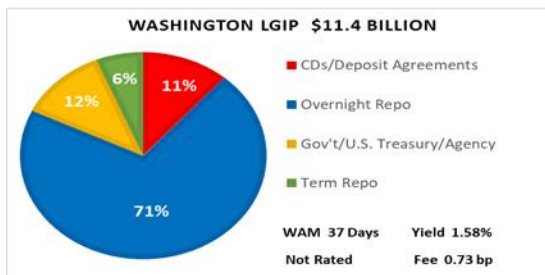
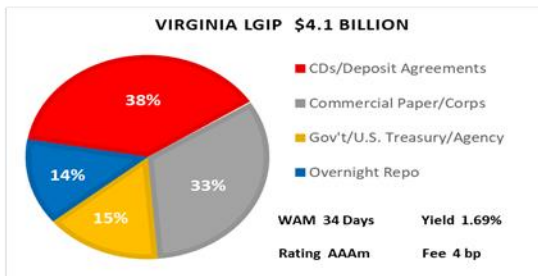
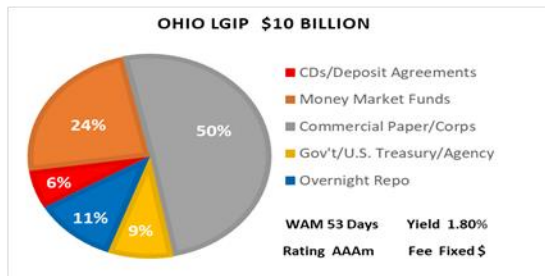
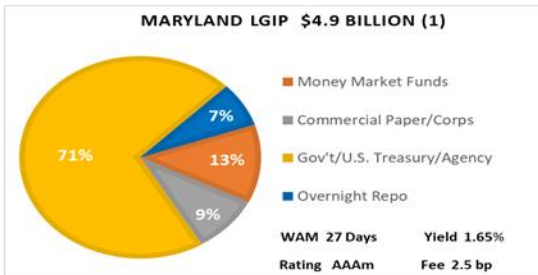
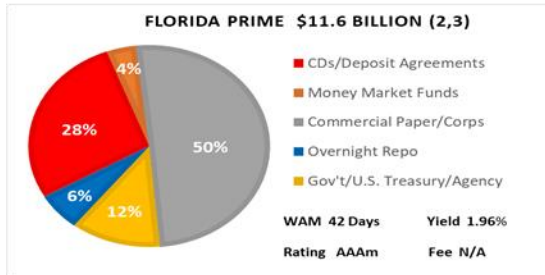
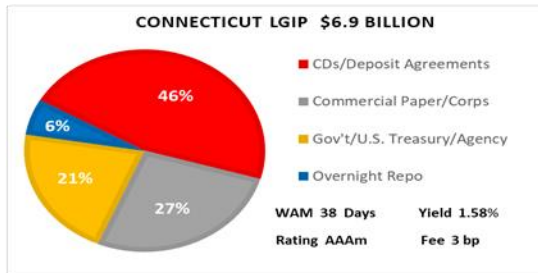
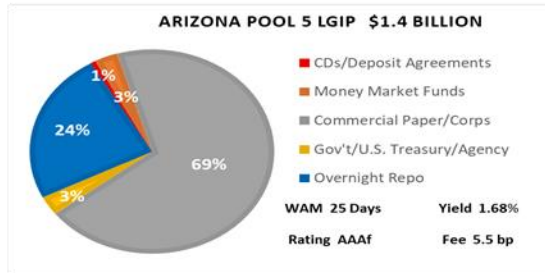
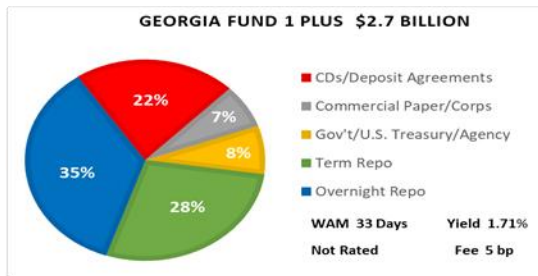
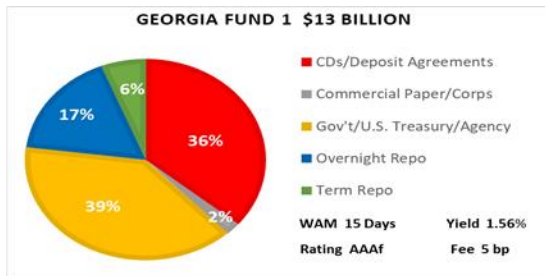
**GEAP Investment Assets Detail
\$165 Million**



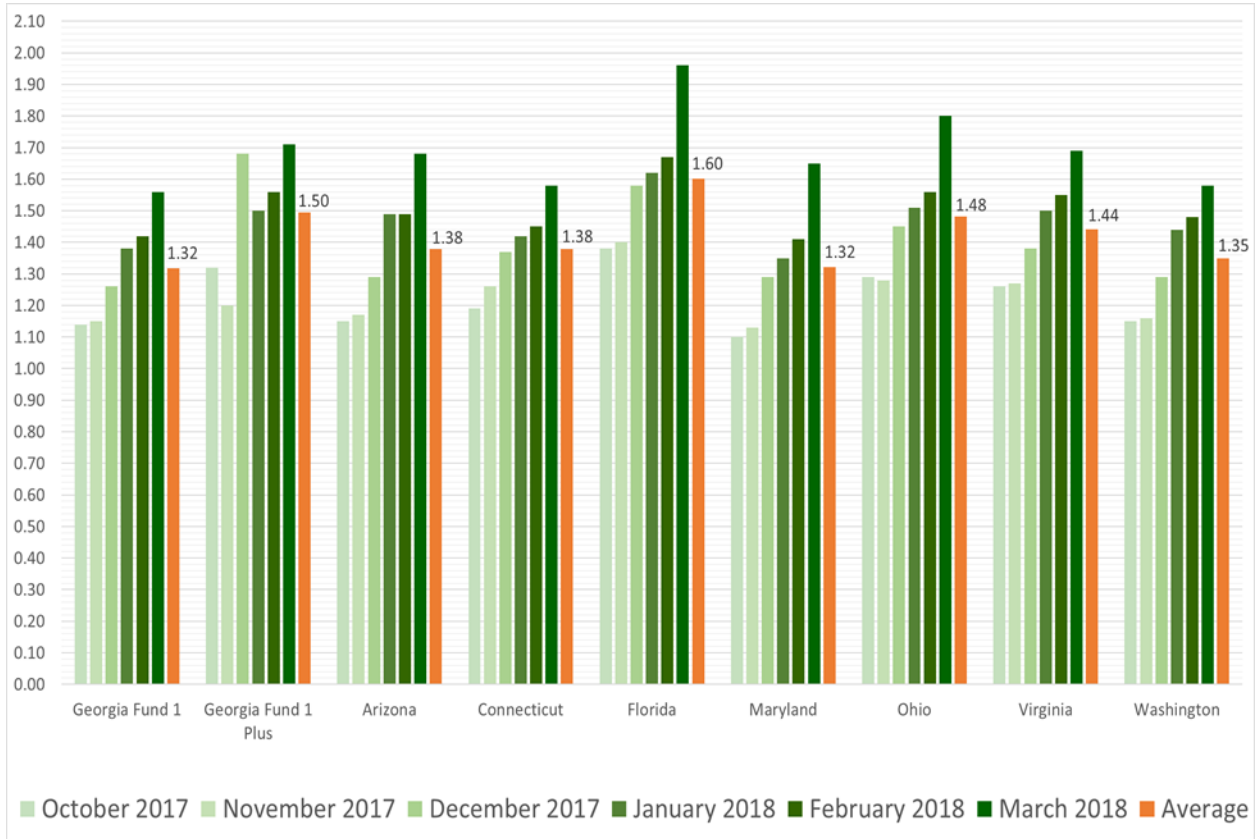
* Diversified among 2 banks holding investment deposits and 3 repo counterparties.

As of March 31, 2018

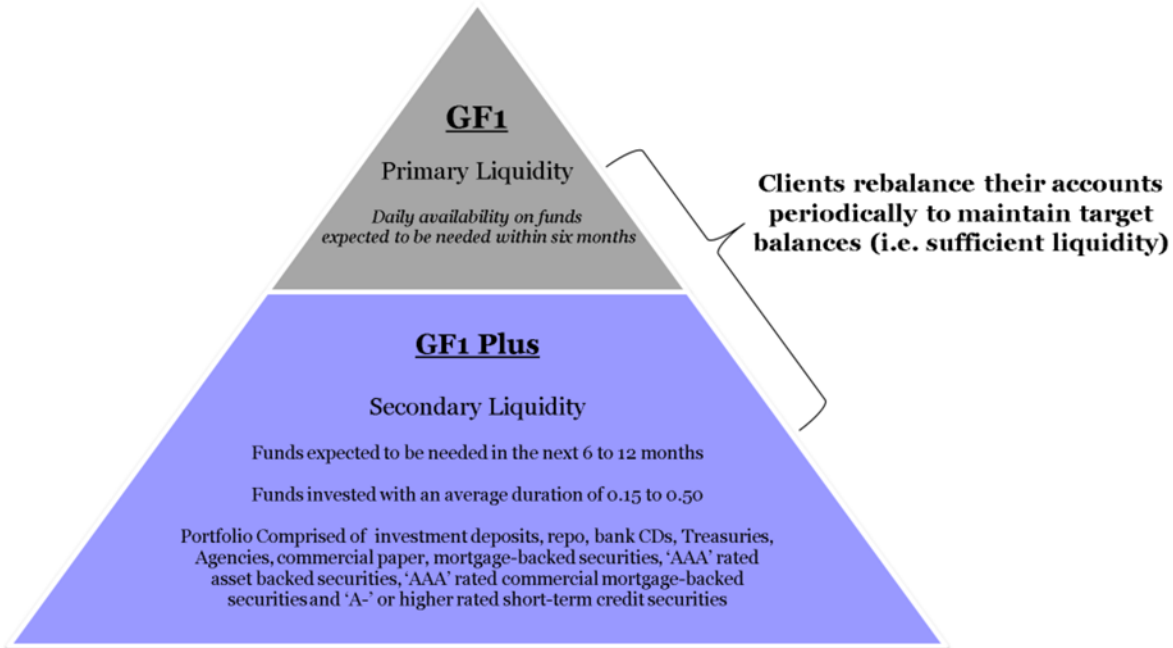
LGIP Peer Analysis as of March 31, 2018



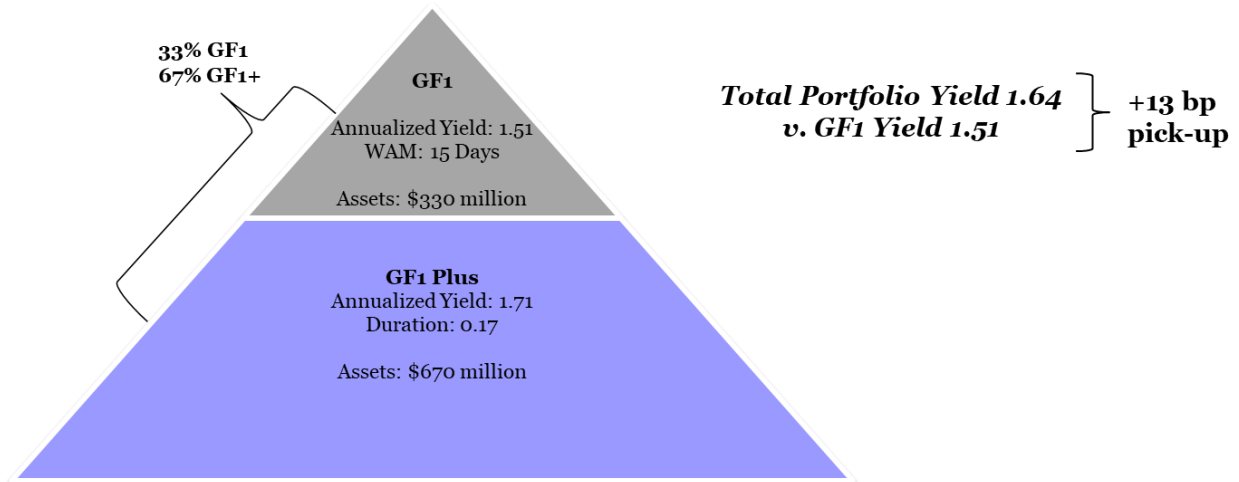
LGIP Peer Analysis Annualized Yield as of March 31, 2018



OST Two-Tier Account Enhanced Income Strategy



1-Year Sample Return Using Yields as of 3/31/2018*



GF1	Yield	Investment Earnings
\$1 billion	151 bps	\$15,100,000

GF1 and GF1 Plus	Yield	Investment Earnings
\$330 million in GF1	151 bps	\$4,983,000
\$670 million in GF1 Plus	171 bps	\$11,457,000

Total Investment Earnings

➔ **\$16,440,000**

* Net of fees

SEPARATELY MANAGED PORTFOLIOS

Georgia State Financing and Investment Commission (GSFIC): Two dedicated portfolios which invest unspent general obligation bond proceeds. Performance objective is to meet or exceed the Bank of America Merrill Lynch 0 to 1-year U.S. Treasury index.

Georgia Department of Transportation (GDOT): A dedicated portfolio that invests motor fuel segregated funds including Federal Highway, State Road & Tollway Authority (SRTA) and General Obligation Bond Reimbursement funds. These funds are invested in short to medium-term fixed income securities with an overall portfolio effective duration that ranges between .10 and 1.5 with a neutral duration of .50. Performance objective is to meet or exceed the Bank of America Merrill Lynch 0 to 1-year U.S. Treasury index.

Georgia Department of Community Health (SHBP): A dedicated portfolio that invests the portion of the State Health Benefit Plan (SHBP) monies not invested in GF1. These funds are invested in short to medium-term fixed income securities with an overall portfolio effective duration that ranges between .10 and 1.5 with a neutral duration of .50. Performance objective is to meet or exceed the Bank of America Merrill Lynch 0 to 1-year U.S. Treasury index.

Lottery for Education Reserve: A dedicated portfolio that invests the Lottery for Education shortfall reserve funds with an overall portfolio effective duration that ranges between .10 and 2.50 with a neutral duration of .90. The performance objective is to meet or exceed the Bank of America Merrill Lynch 1-year U.S. Treasury note index.

Revenue Shortfall Reserve: A dedicated portfolio that invests the State's surplus funds with an overall portfolio effective duration that ranges between .10 and 1.5 with a neutral duration of 1.0. The performance objective is to exceed the Georgia Fund 1 total return for each respective measurement period.

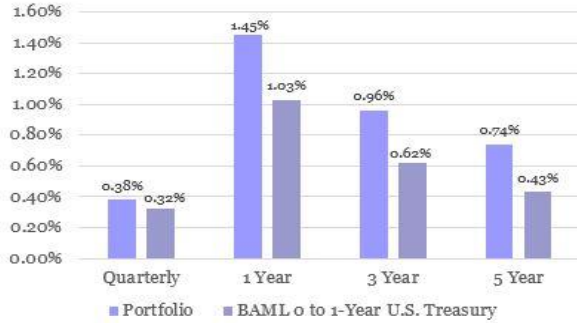
Georgia Department of Administrative Services (Risk Management): A dedicated portfolio investing the portion of state self-insurance funds not invested in GF1 including worker's compensation, liability and property coverage. The dedicated portfolio is managed for the Office of the State Treasurer by Income Research + Management (IR+M). The portfolio is designed to enhance total rate of return of the State's risk management funds. Portfolio target duration is 2.50. Eligible investments include residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities and corporates. Performance objective is to meet or exceed the Bank of America Merrill Lynch 1- to 5-year U.S. Corporate & Government A rated and above index.

Guaranteed Revenue Debt Common Reserve Fund (GRD Reserve): A dedicated portfolio restricted to obligations constituting direct and general obligations of the U.S. government or obligations guaranteed as to payment of principal and interest by the U.S. government and maturing no longer than 12 months from the date of purchase.

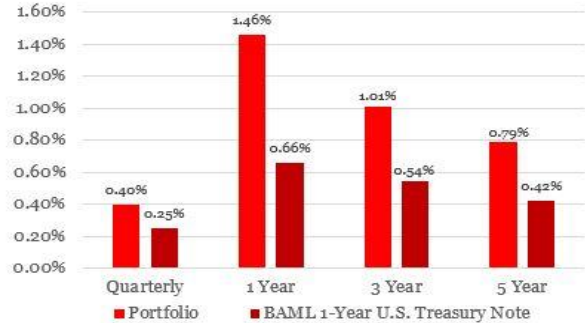
Transportation Investment Act (TIA): Portion of sales tax proceeds received pursuant to the Transportation Investment Act. The portfolio maintains a duration between .1 and 1.5 with a target duration of .50 considering future tax receipts and cash flow needs. Performance objective is to meet or exceed the Bank of America Merrill Lynch 0 to 1-year U.S. Treasury index.

Separately Managed Portfolios

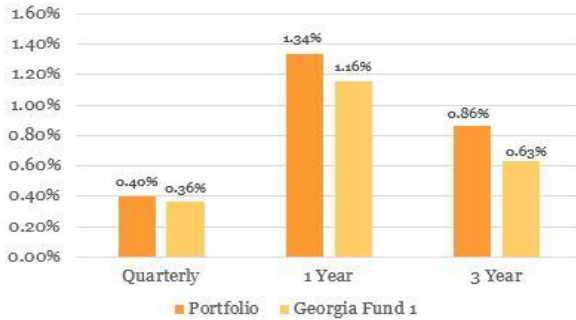
GDOT



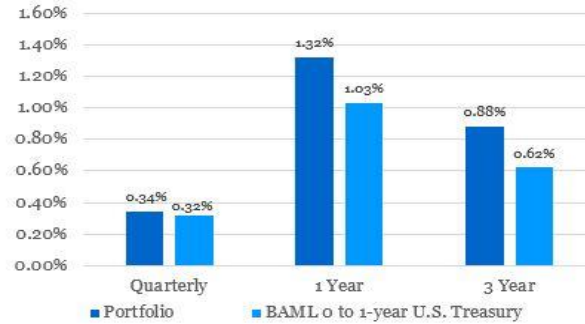
Lottery Reserve



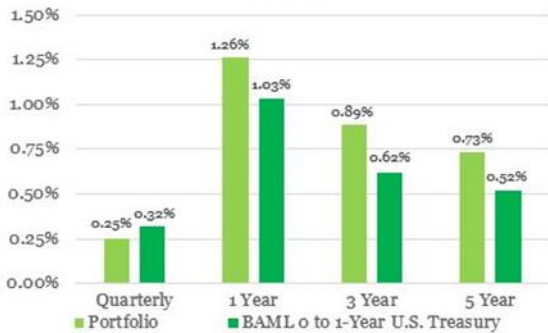
Revenue Shortfall Reserve



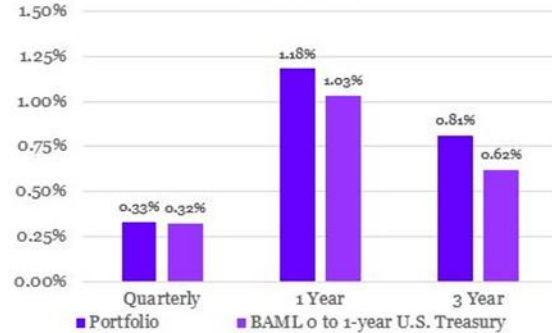
SHBP



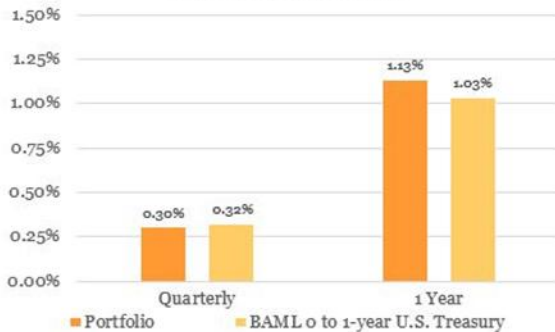
GSFIC



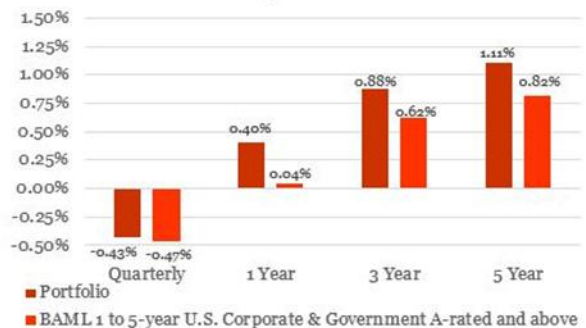
GSFIC TIA



GSFIC Taxable



Risk Management (IR+M)

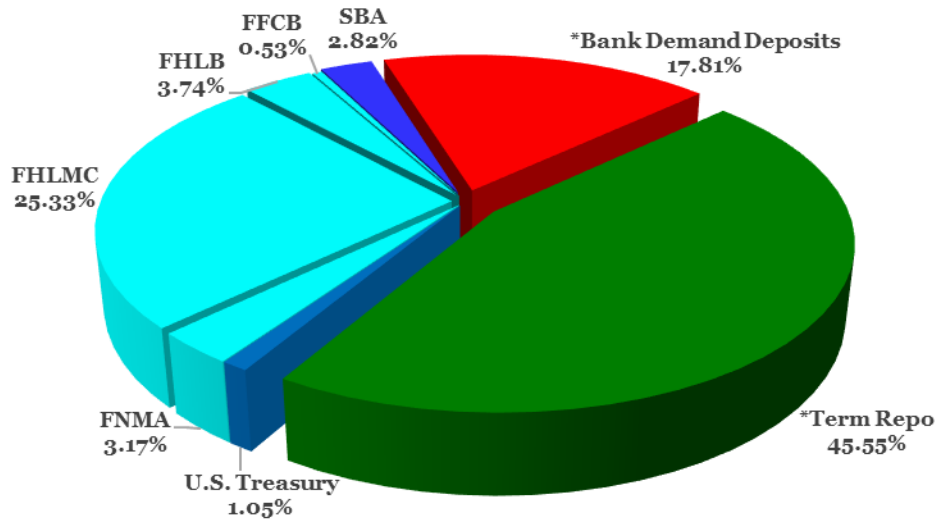


Separately Managed Portfolios

	GSFC	GDOT	DCH	Lottery for Educ.	Revenue Shortfall	DOAS	Guar. Revenue Debt Common Reserve	TIA
Internally Managed	✓	✓	✓	✓	✓		✓	✓
Compliance Monitoring	✓	✓	✓	✓	✓		✓	✓
Quarterly reporting to State Depository Board	✓	✓	✓	✓	✓	✓	✓	✓
Measured against appropriate benchmarks	✓	✓	✓	✓	✓	✓	✓	✓
Low administrative fee	✓	✓	✓	✓	✓		✓	✓
Quarterly website disclosure	✓	✓	✓	✓	✓	✓	✓	✓



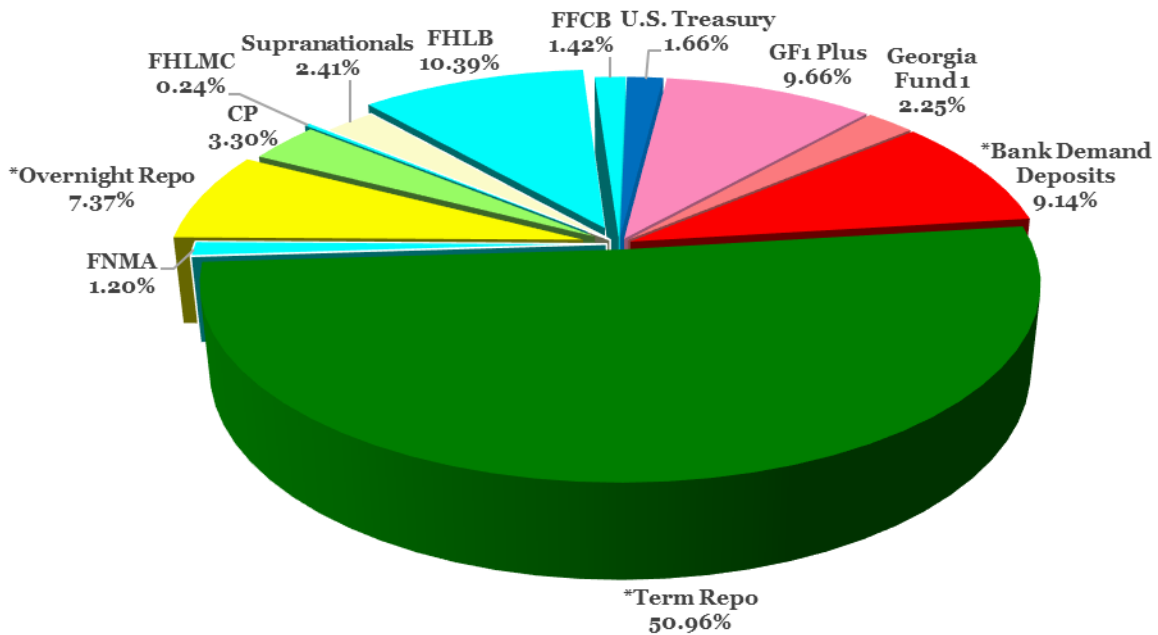
GSFIC Arbitrage Investment Assets Detail \$941 Billion



* Diversified among 2 banks holding investment deposits and 3 repo counterparties.

As of March 31, 2018

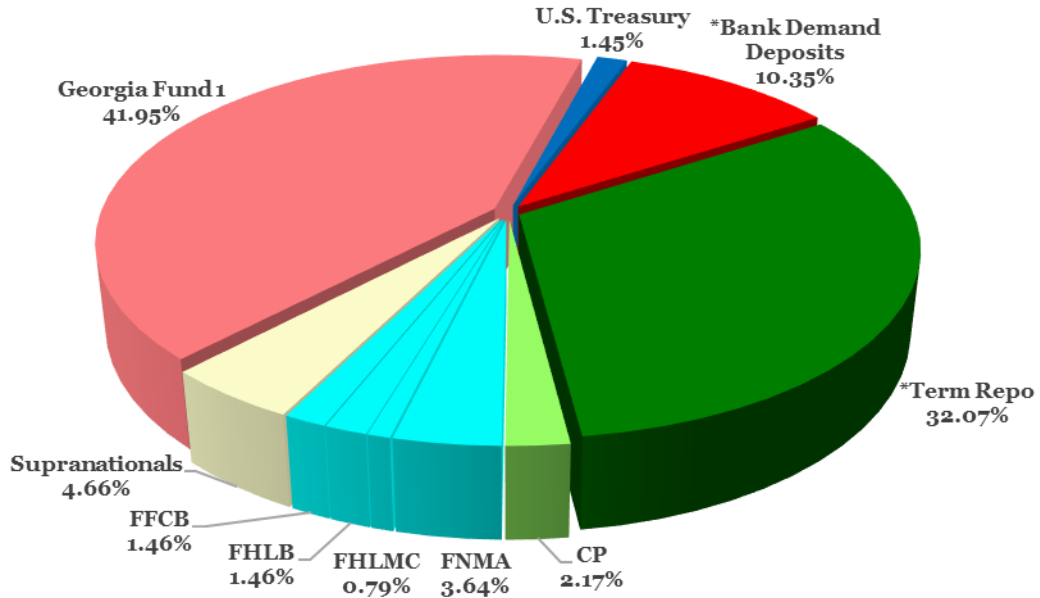
Georgia DOT Investment Assets Detail \$2.10 Billion



* Diversified among 5 banks holding investment deposits and 9 repo counterparties.

As of March 31, 2018

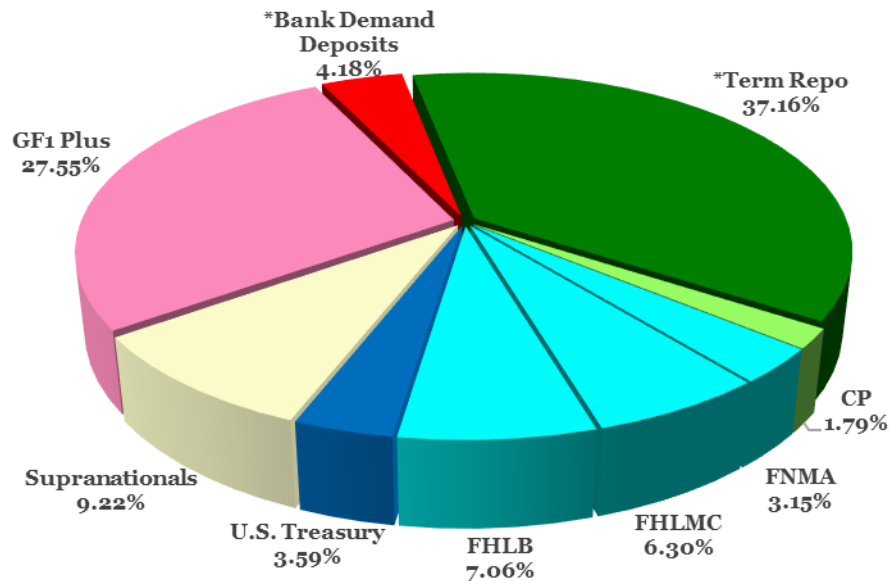
**Georgia DCH SHBP
Investment Assets Detail
\$686 Million**



* Diversified among 5 banks holding investment deposits and 5 repo counterparties.

As of March 31, 2018

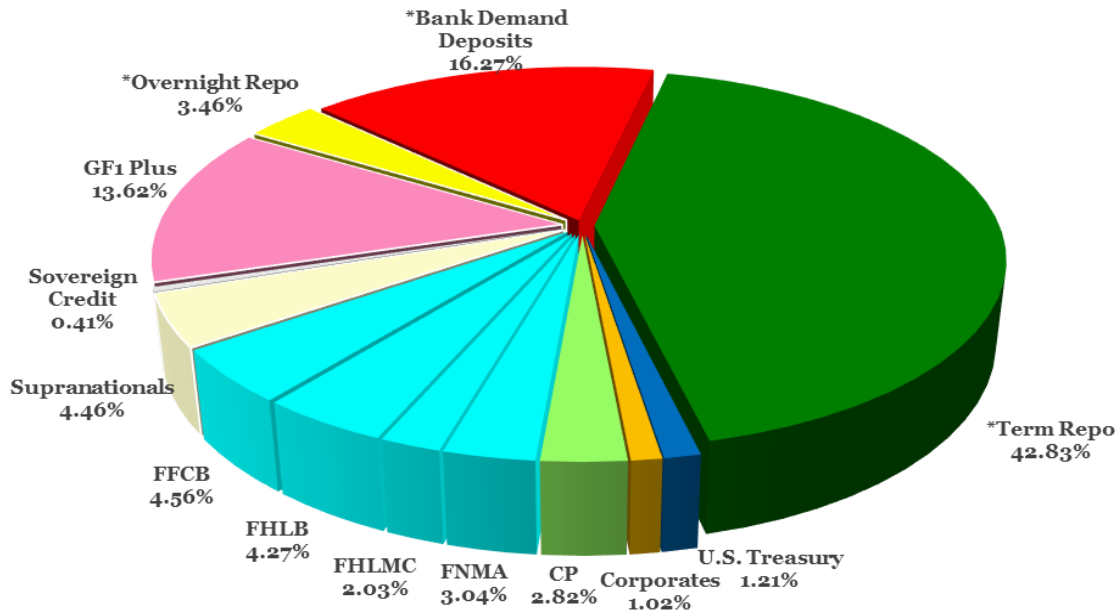
**Georgia Lottery Reserve
Investment Assets Detail
\$554 Million**



* Diversified among 2 bank holding investment deposits and 5 repo counterparties.

As of March 31, 2018

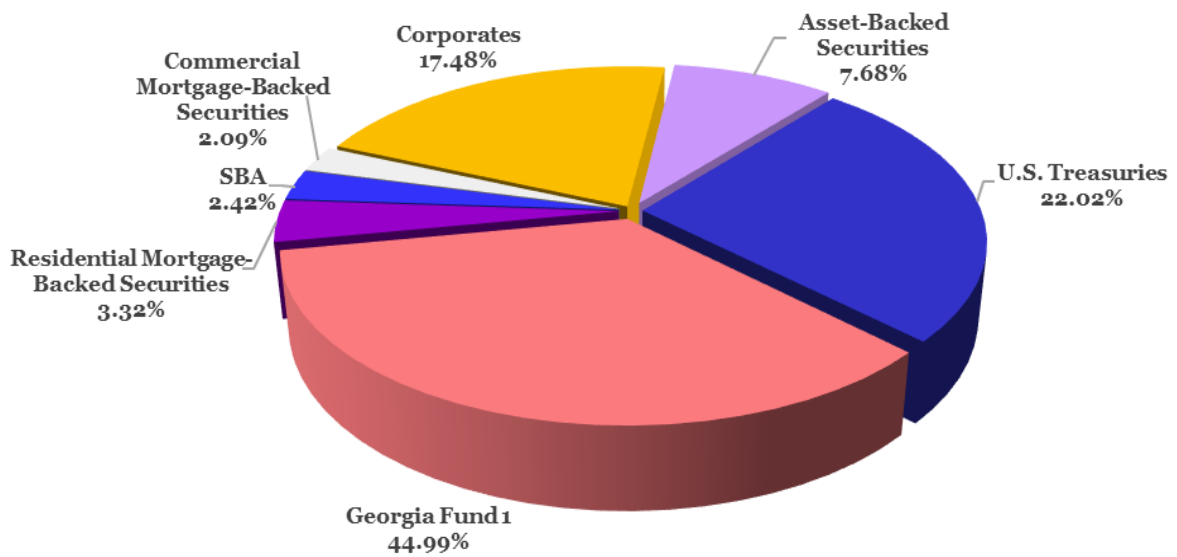
**Revenue Shortfall Reserve
Investment Assets Detail
\$2.46 Billion**



* Diversified among 6 banks holding investment deposits and 7 repo counterparties.

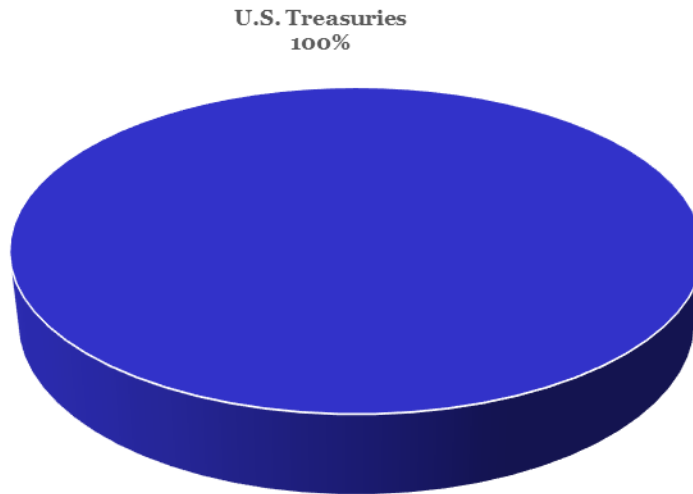
As of March 31, 2018

**Georgia DOAS Risk Management
Investment Assets Detail
\$105 Million**



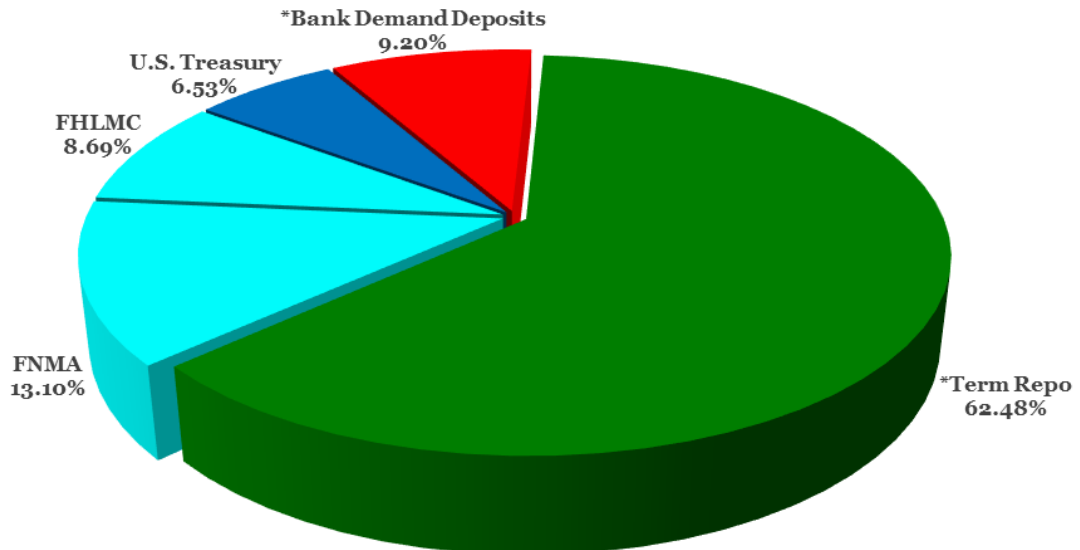
As of March 31, 2018

**Guaranteed Revenue Debt Common Reserve Fund
Investments Assets Detail
\$54.2 Million**



As of March 31, 2018

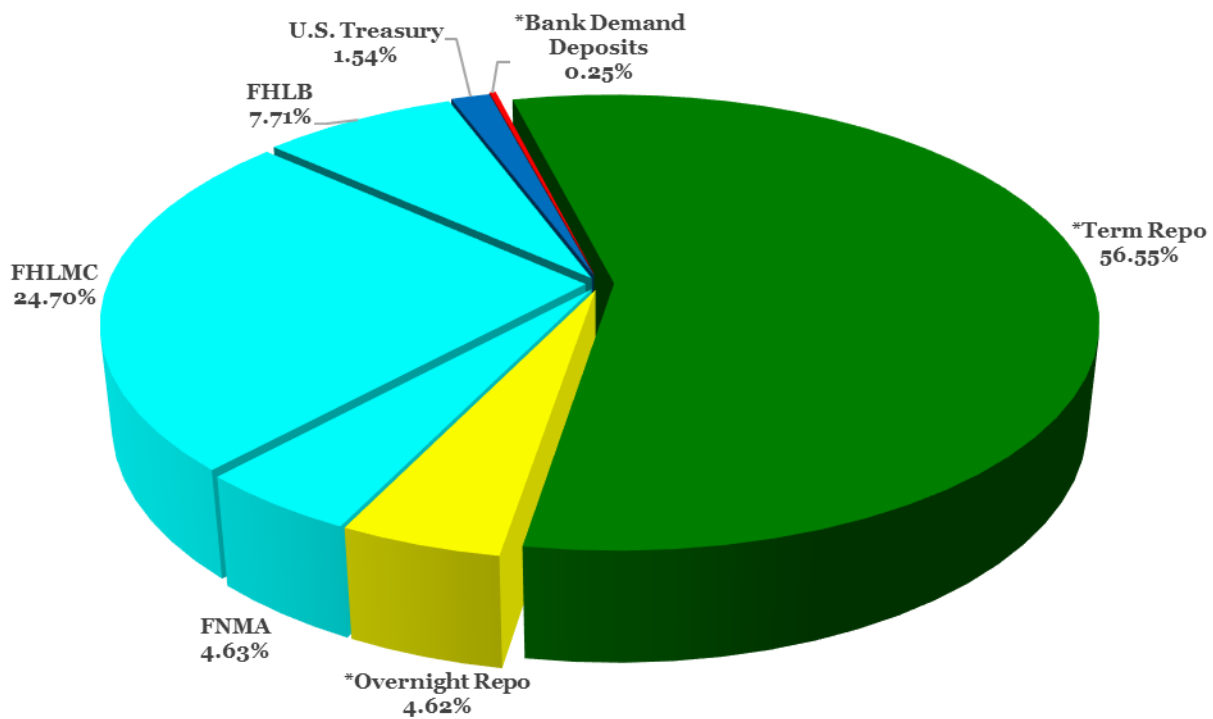
**GSFIC Transportation Investment Act (TIA)
Investment Assets Detail
\$229 Million**



* Diversified among 1 bank holding investment deposits and 2 repo counterparties.

As of March 31, 2018

GSFIC Taxable Investment Assets Detail \$648 Million



*** Diversified among 1 bank holding investment deposit and 5 repo counterparties.**

As of March 31, 2018

Quarterly Website Disclosure Reporting

- In compliance with the National Association of State Auditors, Comptrollers and Treasurers (NASACT) “Voluntary Interim Financial Reporting: Best Practices for State Governments”, OST publishes the investment holdings of each portfolio quarterly on our website.
- The quarterly reports include a description of the investment holdings, market value and current credit ratings of each security.
- Both current and historical information can be found online.
- Quarterly reports can be found online at <https://ost.georgia.gov/investments-0>



Credit Research and Report

Counterparty Risk Assessment Model

The Counterparty Risk Assessment Model is OST's financial model used to assess counterparty credit risk. The model uses real time market driven factors to measure credit risk. These factors include counterparty default probabilities, counterparty credit default swaps, counterparty bond spread to treasuries, equity indicators and counterparty agency short-term ratings. An overall score is used to assess risk and rank counterparties accordingly. Credit limits have been assigned to each credit risk

category, which range from very low to extremely high risk. Credit exposure is determined for each counterparty.

The Portfolio Assistant assesses counterparty risk for the OST's investments. A daily review by the Compliance Officer of investment activity and exposure is completed to confirm our counterparty exposure meets the investment policy.

Counterparty Risk Assessment Criteria

Risk Level	Equity Indicators	Default Probabilities		Credit Default Swaps		5 YR Bond	Agency Ratings			OST Overall Ranking
	Spread over Call Volatility Index	Kamakura 1 YR Default Probability	Bloomberg 1 YR Default Probability	Number of times Counterparty Bloomberg Implied CDS is over IG	Number of times Counterparty Market CDS is over IG	Spread over 5 YR Treasury	S&P	Moody's	Fitch	
Very Low	≤ 10 Points 0 points	≤ 0.01 % 12.5 points	≤ 0.01 % 12.5 points	≤ 1X 12.5 points	≤ 1X 12.5 points	≤ 100 bps 25 points	A1+ Positive A1+ Stable	P1 Positive	F1+ Positive F1+ Stable	80+ points
Low	-10 Points & ≤ 25 Points 0 points	> 0.01 % & ≤ 0.033 % 10 points	> 0.01 % & ≤ 0.033 % 10 points	> 1X & ≤ 1.5X 10 points	> 1X & ≤ 1.5X 10 points	> 100 bps & ≤ 200 bps 20 points	A1+ Negative A1 Positive	P1 Stable	F1+ Negative F1 Positive	64-79 points
Moderate	-25 Points & ≤ 30 Points -2 points	> 0.033 % & ≤ 0.153 % 7.5 points	> 0.033 % & ≤ 0.153 % 7.5 points	> 1.5 X & ≤ 2 X 7.5 points	> 1.5 X & ≤ 2 X 7.5 points	> 200 bps & ≤ 300 bps 15 points	A1 Stable	P1 Negative	F1 Stable	47-63 points
High	-30 Points & ≤ 35 Points -3 points	> 0.153 % & ≤ 0.30 % 5 points	> 0.153 % & ≤ 0.30 % 5 points	> 2 X & ≤ 2.5 X 5 points	> 2 X & ≤ 2.5 X 5 points	> 300 bps & ≤ 400 bps 10 points	A1 Negative A2	P2	F1 Negative F2	31-46 points
Very High	-35 Points & ≤ 40 Points -4 points	> 0.30 % & ≤ 0.50 % 2.5 points	> 0.30 % & ≤ 0.50 % 2.5 points	> 2.5 X & ≤ 3.0 X 2.5 points	> 2.5 X & ≤ 3.0 X 2.5 points	> 400 bps & < 500 bps 5 points	A3	P3	F3	15-30 points
Extremely High	> 40 Points -5 points	> 0.50 % 0 points	> 0.50 % 0 points	> 3.0 X 0 points	> 3.0 X 0 points	> 500 bps 0 points	< A3	< P3	< F3	under 15 points

Non-traditional Counterparty Risk Assessment

The factors used to measure credit risk are adjusted, as appropriate, to evaluate non-traditional counterparties. Non-traditional counterparties are entities which are not banks or financial institutions. Credit factors specific to the industries of the non-traditional counterparties are utilized to enhance the Counterparty Risk Assessment model. Examples include: regulatory capital for insurance companies, payout liabilities for endowments and market position for private universities. These specific industry factors are informed by industry research of national rating agencies (Moody's, S&P and Fitch).

Counterparty Risk Assessment Credit Limits and Exposure

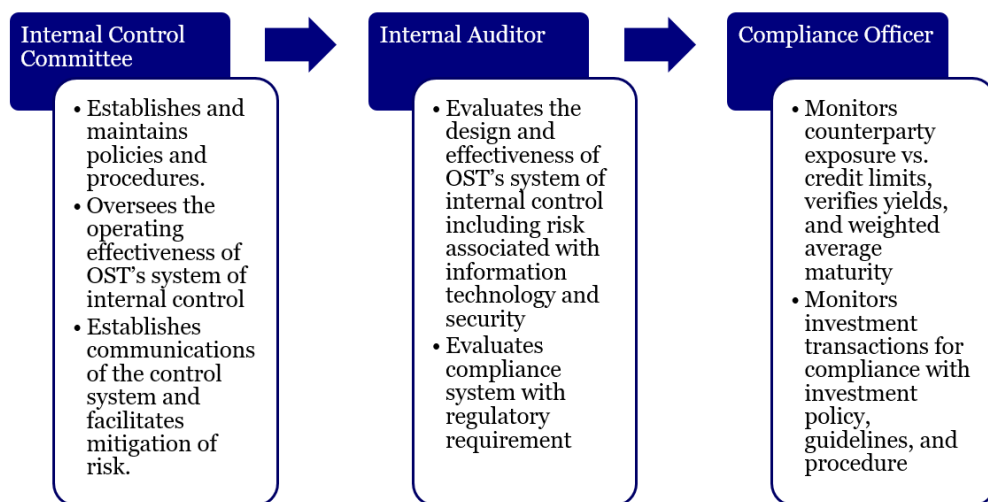
	Very Low	Low	Moderate	High	Very High	Extremely High
Commercial Paper	√	√				
Overnight Repo	√	√	√	√	√	
Overnight Repo: Traditional Collateral	√	√	√	√	√	
Overnight Repo: Non-Traditional Collateral	√	√				
Term Repo	√	√	√			
Term Repo: Traditional Collateral	√	√	√			
Term Repo: Non-Traditional Collateral	√	√				
Bank Deposits	√	√	√	√	√	
Bank Deposits: Collateralized	√	√	√	√	√	
Bank Deposits: Non-Collateralized	√	√				



INTERNAL CONTROLS

- OST recognizes the importance of internal controls. Accordingly, OST has adopted standards as provided by the Standards for Internal Control in the Federal Government (GAO Green Book).
- Office management has the responsibility to establish and maintain an adequate system of internal control and to furnish to the Board, citizens, legislative bodies, bond rating agencies, governmental agencies, pool participants and other constituencies reliable financial information on a timely basis.
- The system of internal control promotes efficiency, minimizes risks of asset loss, helps ensure the reliability of financial information and compliance with applicable laws, rules, and regulations.

INTERNAL AUDITS



INFORMATION TECHNOLOGY

IT GROUP

Information Technology (IT) has the overall responsibility of working with each Division within the Office of the State Treasurer (OST), and other interested parties, to ensure that OST personnel are able to perform their duties to fulfill the mission of our office. In addition, IT has the responsibility to ensure that the appropriate IT security controls, procedures, and measures are implemented and applied to provide assurances that data, and information managed in the office of OST, is restricted to those within our Department that have a need to know. Every effort is made to protect this information from unauthorized access and to ensure the highest data integrity. OST IT staff provide assurances to include:

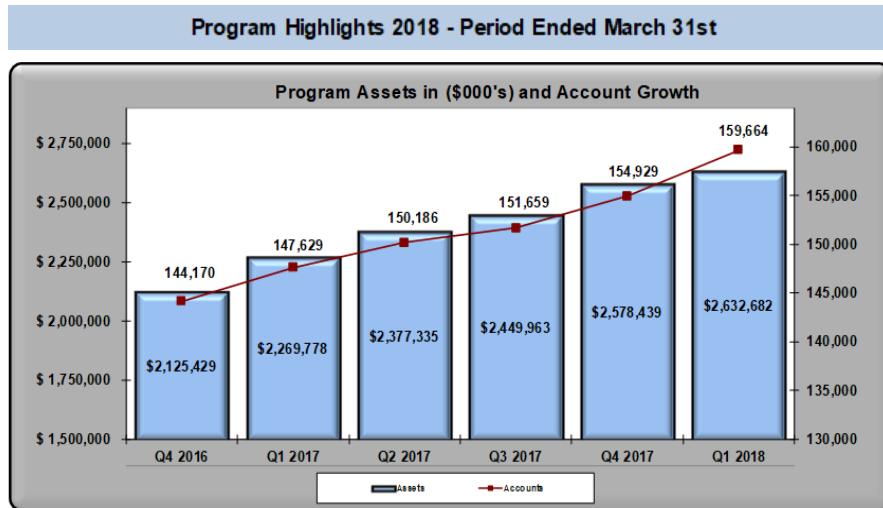
- **Reliable and Secure Systems** – to ensure that the technology infrastructure of our office is reliable, dependable, and secure from all points of access through any changing conditions.
- **Cost-Effective and Responsible Use of Resources** – to provide the right technology at the right price in a manner aligned with our offices priorities.
- **Ongoing IT & Security Training** – to provide the necessary tools, training and expertise to create a culture of security awareness and continued IT education with staff.
- **Internal Partnership** – to be a trusted partner for technology use to support the mission of OST through active engagement with all divisions.
- **Business Innovations and Solutions** – to look forward and identify process improvements and solutions that improve upon business initiatives and computing practices.
- **Business Continuity** – to provide staff the capability to continue business in the event of system failures or disaster related situations that impact the ability to perform critical daily business function.



Administrative Oversight by the State Treasurer

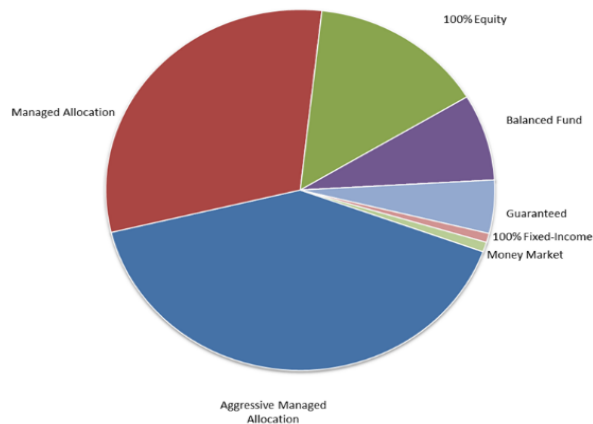
Path 2 College 529 Plan

- Established in Georgia Code under OST in 2002
- Authorized in federal law under Section 529 of the IRS Code
- TIA serves as Program Manager with oversight by OST
- OST contracts with the Georgia Student Finance Commission (GSFC) to conduct the marketing function of the plan
- OST monitors investment performance and asset allocation for the Path2College 529 Plan investments
- The State Treasurer is a member and of the Georgia Higher Education Savings Plan board and serves as the Administrative Officer.



*Accounts are defined as Unique-Owner-Beneficiary Relationships

**Path2College 529 Plan Assets
by Investment Option as of 03/31/2018
Total Assets: \$2.63 Billion**

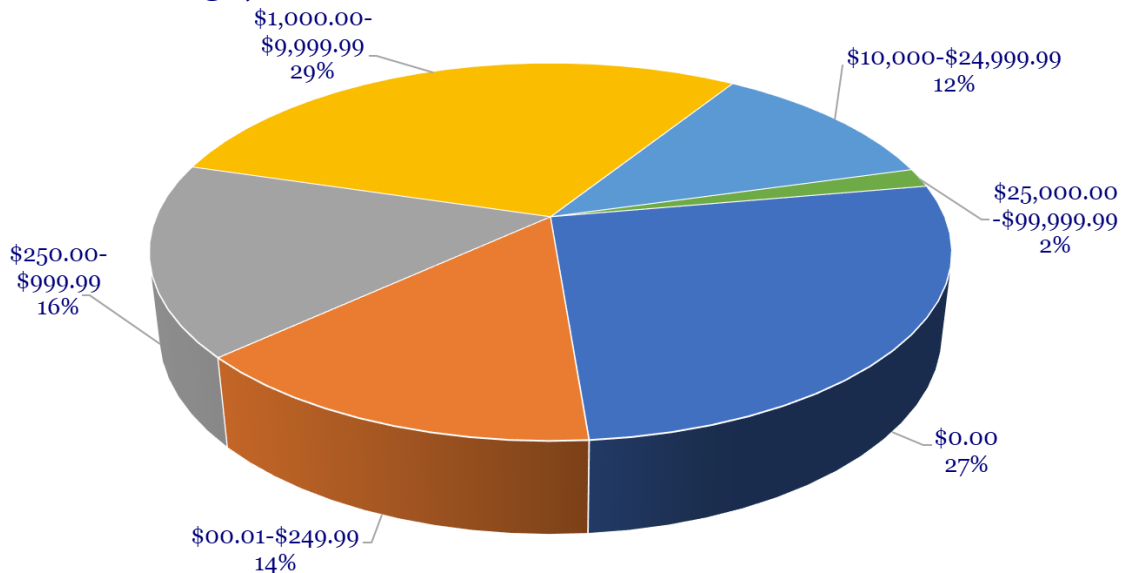


	% of Assets	(\$MM)		% of Assets	(\$MM)
Aggressive Managed Allocation	41%	\$1,071	Guaranteed	5%	\$125
Managed Allocation	31%	\$804	Money Market	0.87%	\$23
100% Equity	15%	\$384	100% Fixed Income Option	0.81%	\$21
Balanced Fund	8%	\$204			

Georgia STABLE Savings Plan

- Established in Georgia Code under OST in 2016
- Authorized in federal law under Section 529 of the IRS Code
- ABLÉ accounts are made possible by the federal Achieving a Better Life Experience (“ABLE”) Act passed by Congress in 2014. ABLÉ accounts allow individuals with disabilities to save and invest money without losing eligibility for certain public benefits programs, like Medicaid, SSI, or SSDI. Friends and family members may also make contributions to a STABLE account on behalf of an accountholder. Earnings in STABLE accounts are not subject to federal or state income tax if they are spent on qualified disability expenses.
- On May 3, 2016, Governor Deal signed into law HB768, which created the Georgia ABLÉ Program Corporation. The Georgia ABLÉ Program Corporation is governed by a board of directors, including nine State officials determined for membership by statute (with the State Treasurer as Administrative Officer), and three additional directors appointed by the governor.
- OST is responsible for managing the Georgia ABLÉ Program (with board oversight). DCH, DBHDD, DHS, GVRA, and DOE are charged with assistance and coordination of public information and public outreach.
- In December 2016, the Georgia ABLÉ Program Corporation Board authorized a no-cost partner agreement with the Ohio Treasurer’s office to allow Georgia residents to participate in the qualified ABLÉ program of the State of Ohio. On June 14, 2017, Georgia STABLE was launched. For more information or to open an account, visit www.georgiastable.com.

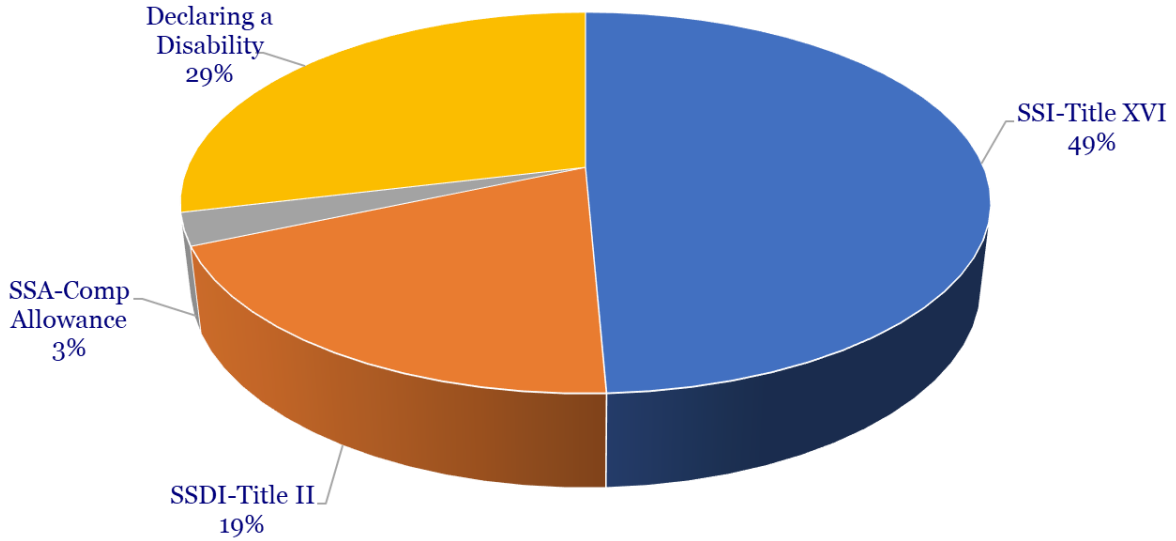
Georgia STABLE Program Account Enrollments and Balances as of March 31, 2018



Account Enrollments	219
Average Account Balance	\$4,522.85
Median Account Balance	\$1,395.88

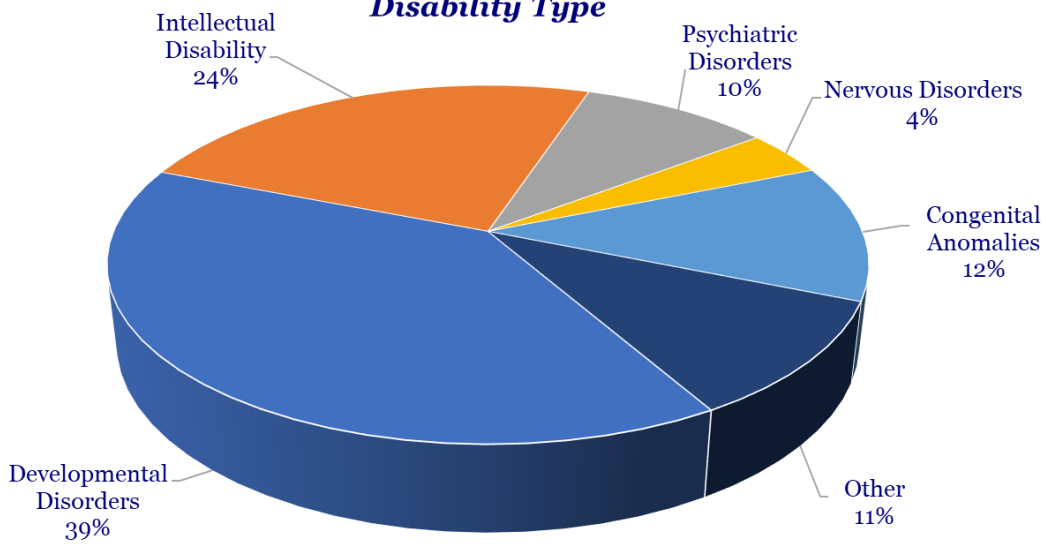
Georgia STABLE Program Eligibility/Demographic Data as of March 31, 2018

Basis of Eligibility



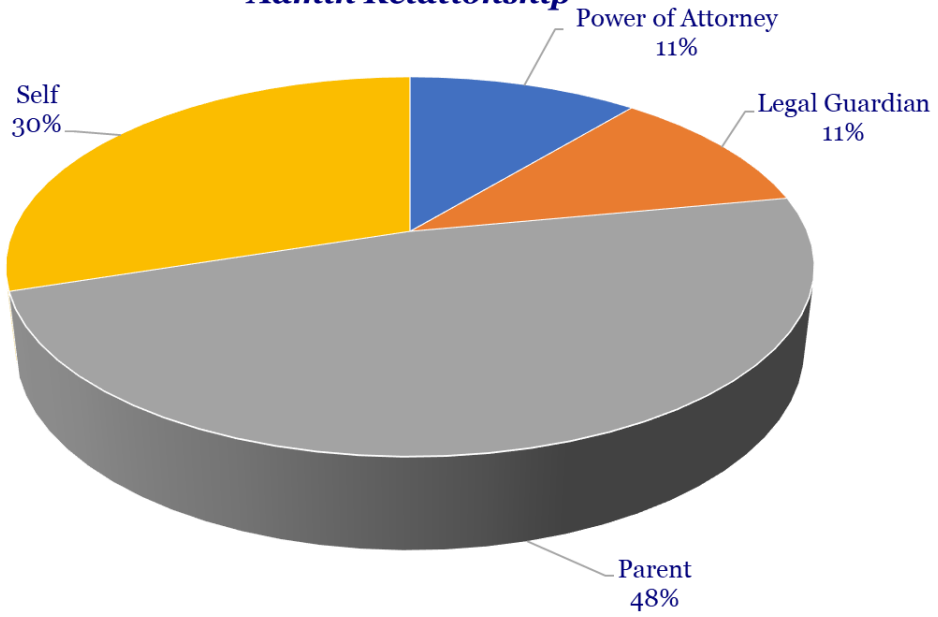
Average Age: 28 Median Age: 26

Disability Type



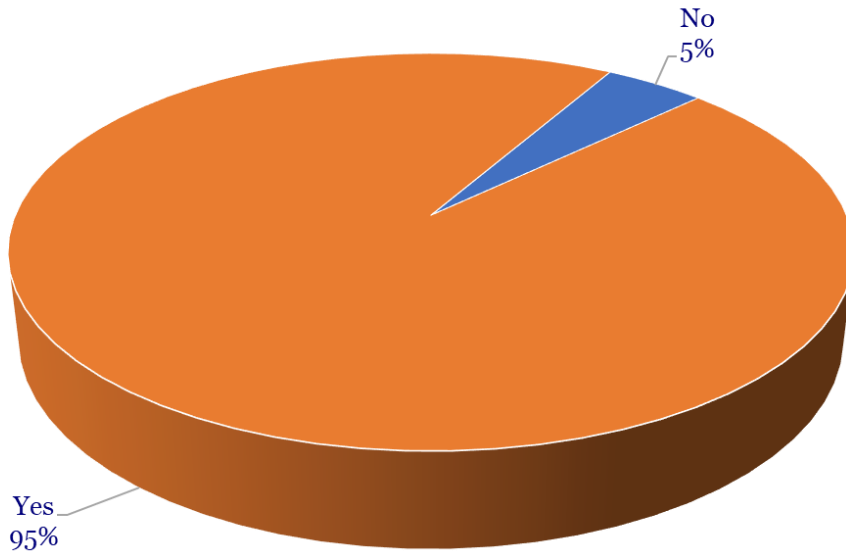
Average Age: 28 Median Age: 26

Admin Relationship



Average Age: 28 Median Age: 26

Permanent Disability



Average Age: 28 Median Age: 26

Cash Management Improvement Act

- OST is charged with state oversight of the Cash Management Improvement Act (CMIA). The CMIA was enacted to improve the transfer of Federal funds between the Federal Government and the States. The key objectives of the CMIA are:
 - (1) Efficiency – To minimize the time between the transfer of funds to the States and the payout for program purposes.
 - (2) Effectiveness – To ensure that Federal funds are available when requested.
 - (3) Equity – To assess an interest liability to the Federal Government and/or the States.

- The CMIA covers all federal funds transfers to the States. However, only major assistance programs (large-dollar programs) are included in the Treasury-State Agreement (TSA), which specifies how the Federal funds transfers will take place.
- As part of CMIA oversight, the US Treasury requires OST to prepare an annual report that is submitted to the Federal Financial Management Service. The annual report addresses the transfer of federal funds between the Federal Government and the agencies included in the TSA.
- The OST contracts with a third party to review the Annual Report and the funds transfer information provided by each agency included in the TSA.



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