



SSF RATE CALCULATION DATA SUPPORT

OFFICE OF THE TREASURER & CASH
MANAGEMENT POLICY BOARD

JULY 2025

Jennifer Appel, CFA, Principal
Kevin M. Leonard, Partner
Jonovan Sackey, Sr. Investment Associate



PROPRIETARY & CONFIDENTIAL

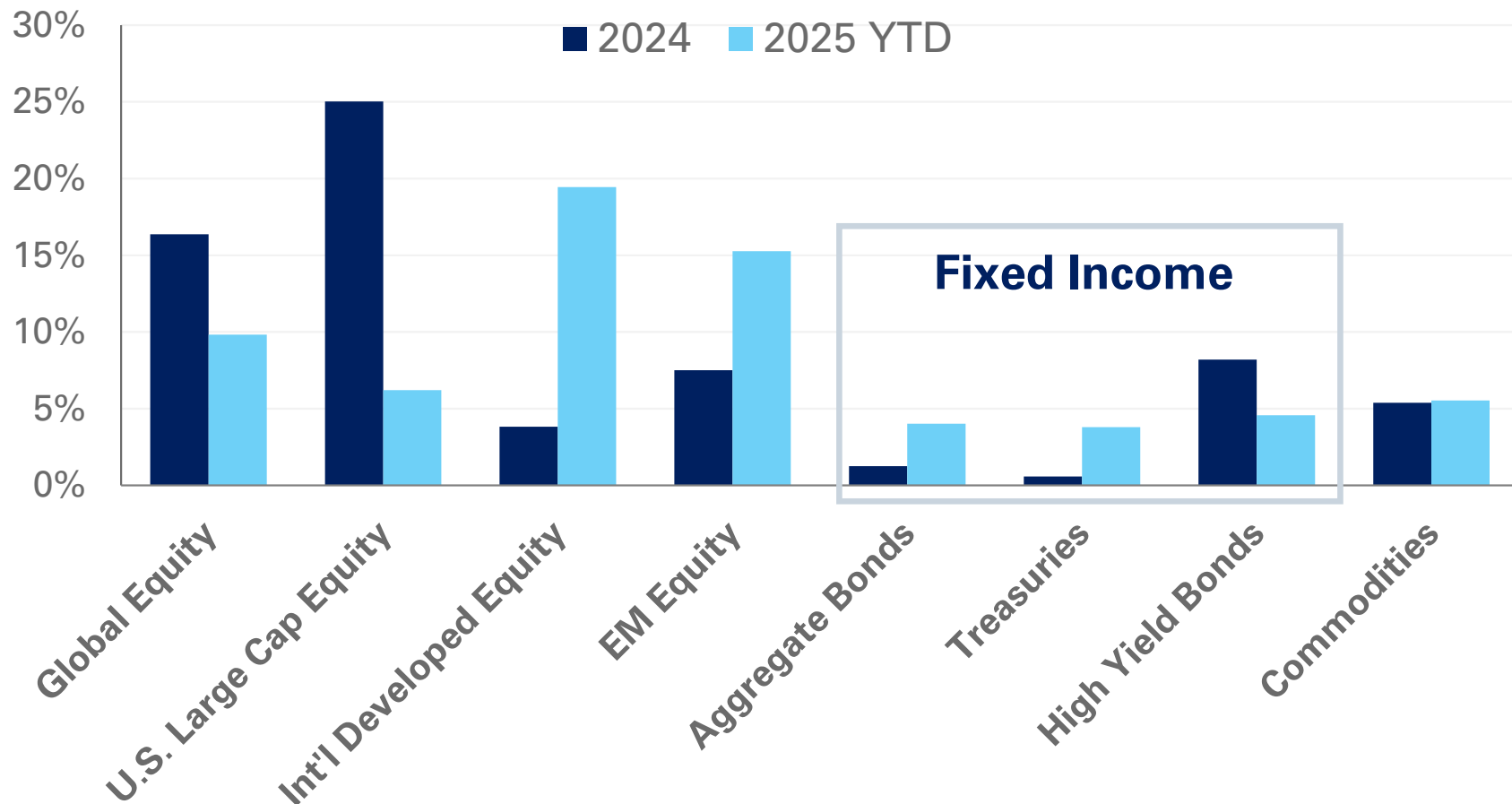
SSF CALCULATION BACKGROUND

The Office of the State Treasurer (“OST”) manages and invests the state’s excess cash in two fixed income portfolios—a smaller, short-term “liquidity portfolio” and a larger, longer-term “reserve portfolio,” collectively referred to as the state’s “total portfolio.” The total portfolio includes monies on deposit from the school districts and other sources that are accounted for in various special budgetary funds, referred to as School and Special Funds (“SSFs”). The Cash Management Policy Board (“CMPB”) determines the interest rate which SSFs on deposit with OST are paid.

Currently, the CMPB calculates the SSF rate using the 9-month return (rolling average) on the state’s liquidity portfolio. To protect SSF recipients and the State, the SSF rate has a “rate cap” and a “rate floor.” If the liquidity rate is more than the combined rate for the total portfolio, the rate cap is applied, and OST pays the combined rate for the total portfolio. The liquidity rate is typically less than the rate of return for the total portfolio, so the SSF cap is not often applied. Conversely, the rate floor stipulates that the SSF rate cannot go below zero. This means that SSFs are guaranteed not to lose money, even when the rate of return for the total portfolio is negative. The CMPB views this as an equitable approach.

MARKETS HAVE POSTED STRONG RETURNS IN 2025

MARKET INDEX RETURNS



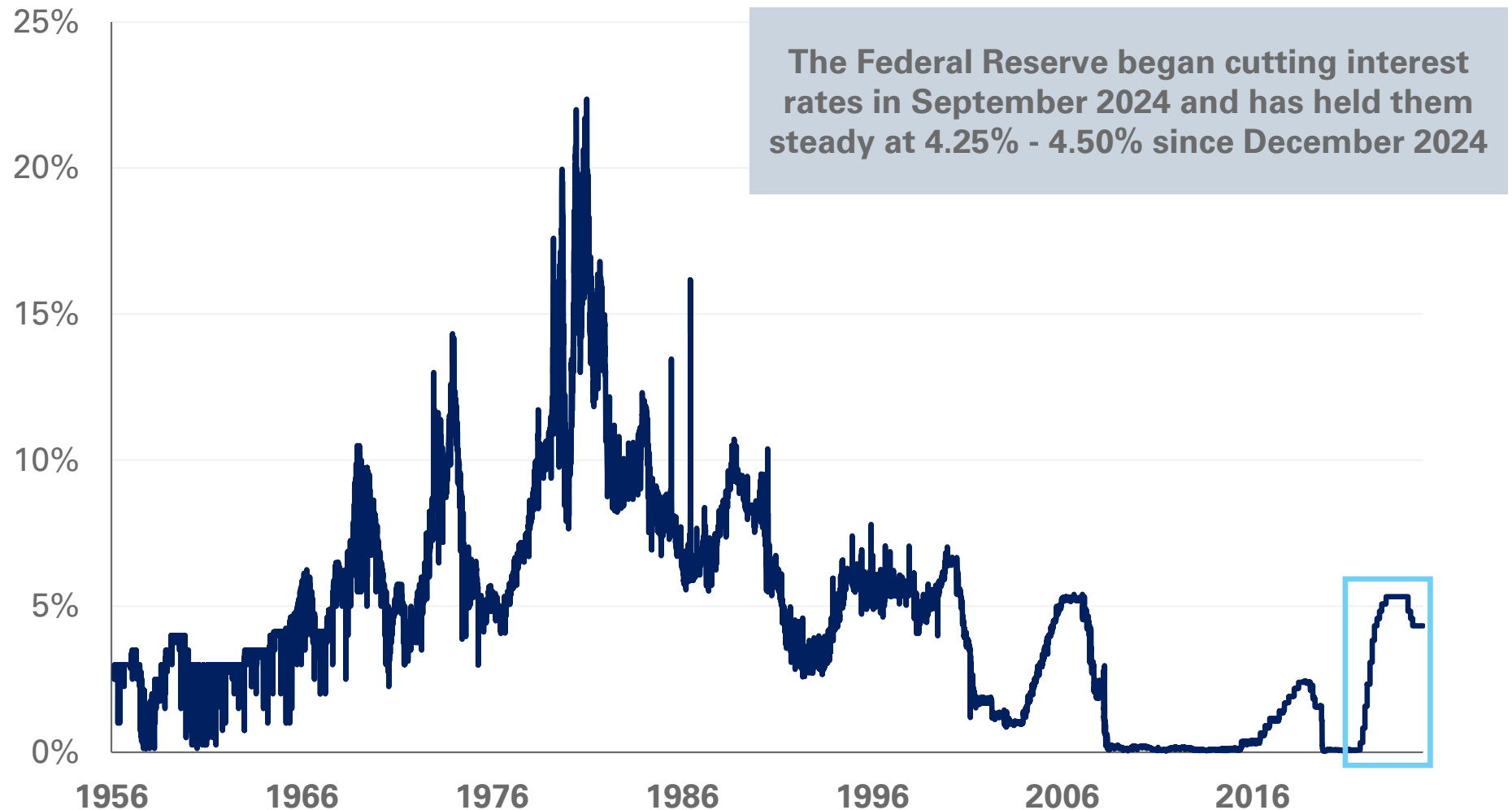
Notes: Year-to-date reflects returns 12/31/2024-06/30/2025

Sources: S&P, Russell, MSCI, JPM, Bloomberg, FactSet



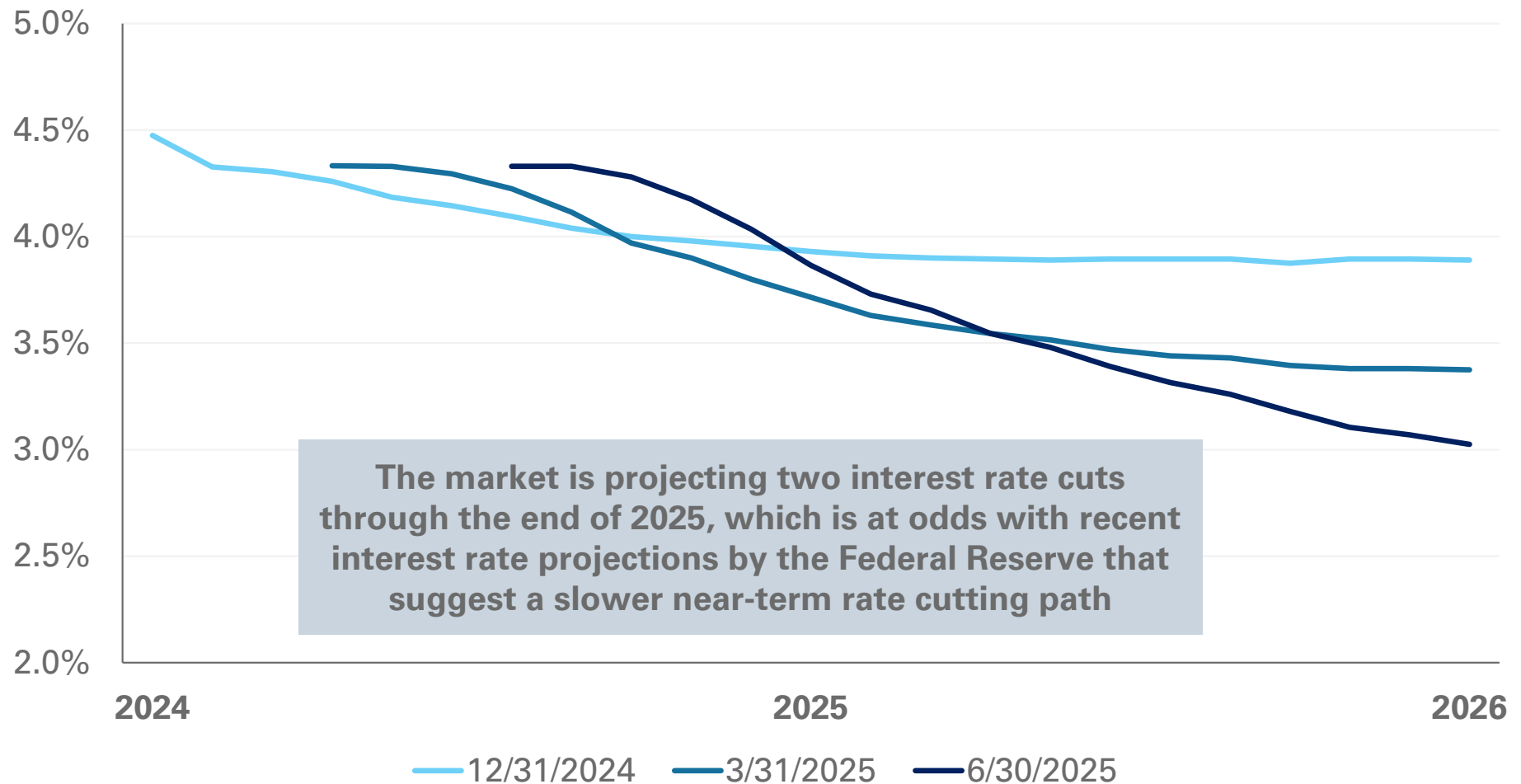
A LONG-TERM HISTORY OF INTEREST RATES

FED FUNDS EFFECTIVE RATE LONG-TERM HISTORY (1954-PRESENT)

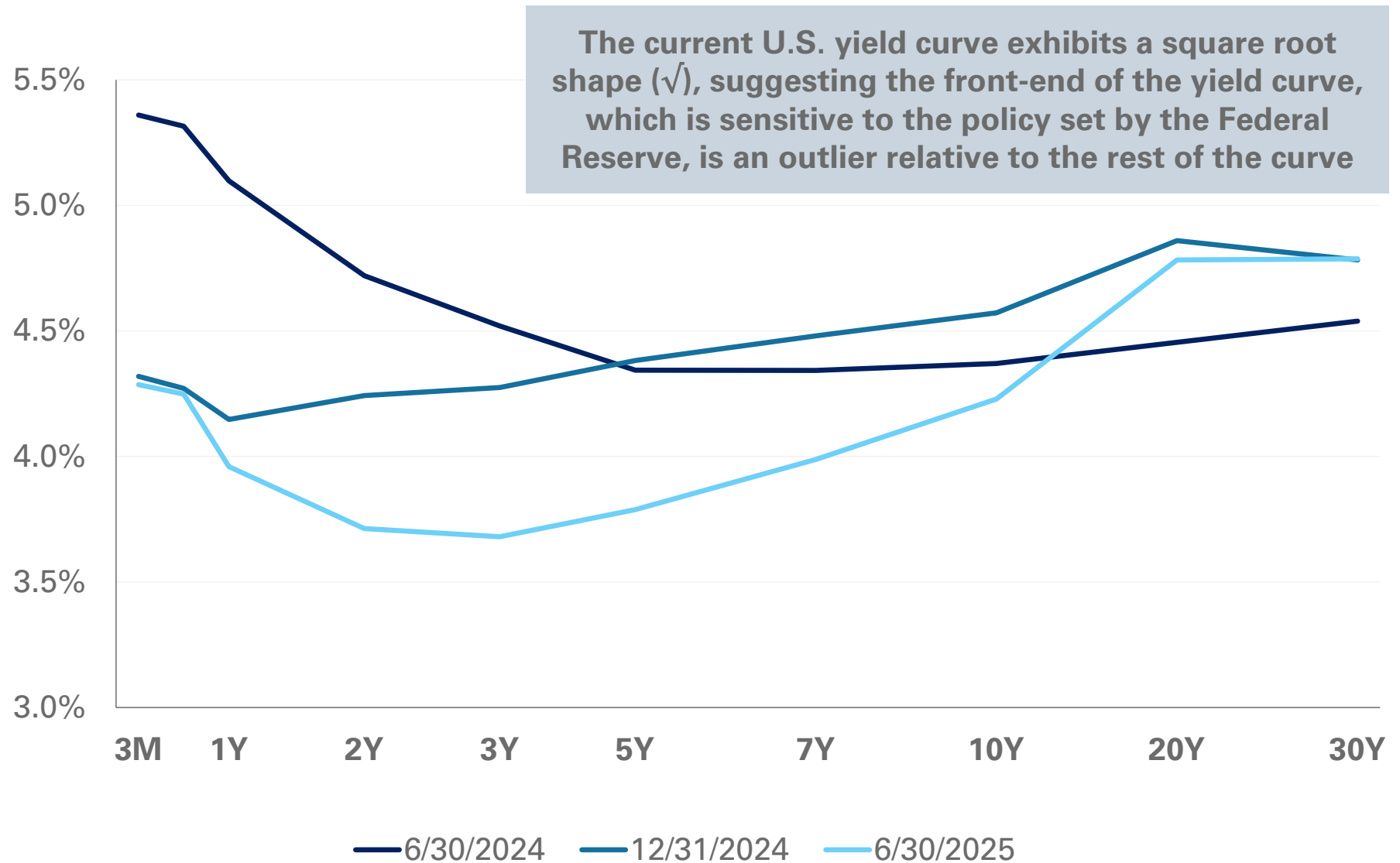


MARKET INTEREST RATE EXPECTATIONS TODAY

FEDERAL FUND FUTURES



THE U.S. TREASURY YIELD CURVE



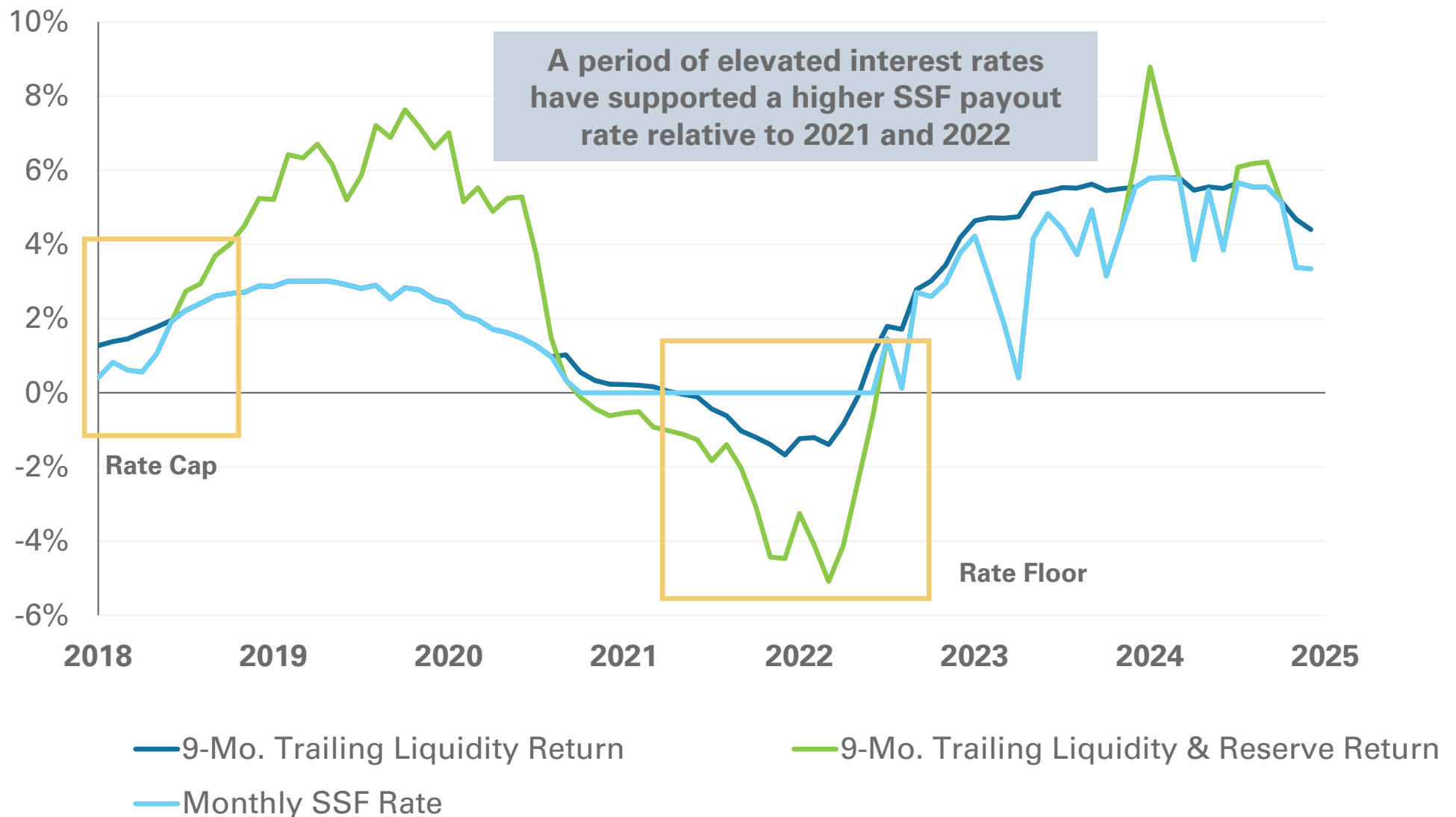
SSF CALCULATION METHODOLOGY

**SSF Rate = 9-Month Rolling Average Return on the
State's Liquidity Portfolio**

**The “rate cap” is applied if the liquidity rate is greater
than the total portfolio rate. OST will pay the
combined rate for the portfolio.**

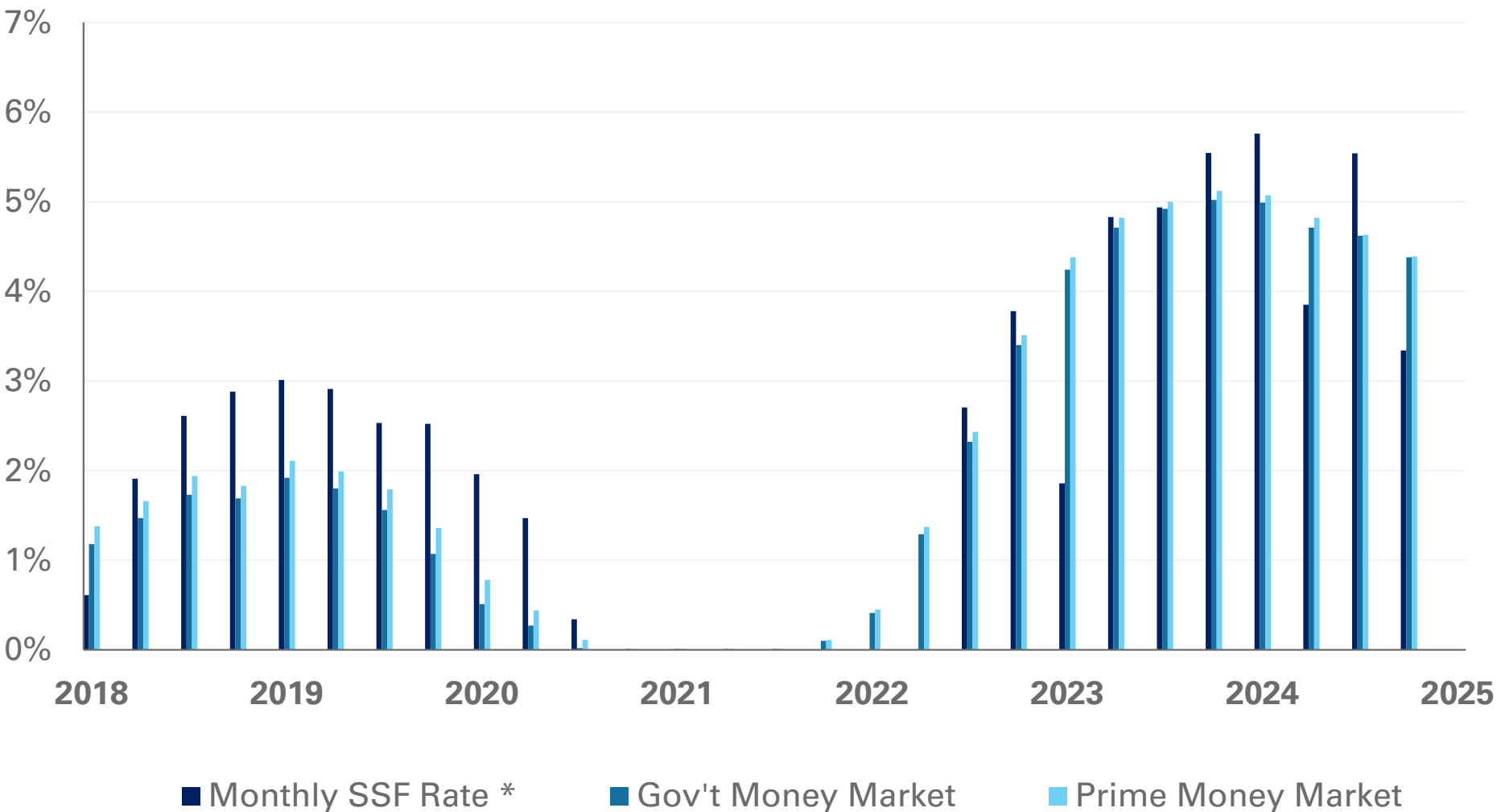
**The “rate floor” stipulates that the SSF rate cannot
go below zero.**

HISTORICAL RETURNS



Note: Starting 5/31/2022, nine-month trailing annualized return calculation used – previously represented a trailing 12-month calculation

COMPARING THE SSF RATE TO COMPARABLE FUNDS



Notes: *Lesser of One-Year Liquidity Return or One-Year Liquidity and Reserve Return, not to fall below zero. Government Institutional Money Market Fund Universe averaged 666 Funds with \$5.71 Trillion. Returns are Universe Median, reported quarterly. Prime (Tier 1) Institutional Money Market Fund Universe averaged 150 Funds with \$1.22 Trillion. Returns are Universe Median, reported quarterly.

Sources: eVestment, NEPC



COMPARING THE SSF RATE TO COMPARABLE FUNDS

	1-Yr Liquidity Return ¹	1-Yr Liquidity & Reserve Return ¹	9-Mo. Liquidity Return ¹	9-Mo. Liquidity & Reserve Return ¹	Monthly SSF Rate*	Gov't Money Market	Prime Money Market
12/31/2020	1.47%	5.28%			1.47%	0.27%	0.44%
3/31/2021	1.02%	0.34%			0.34%	0.02%	0.11%
6/30/2021	0.23%	-0.62%			0.00%	0.01%	0.01%
9/30/2021	0.16%	-0.93%			0.00%	0.01%	0.01%
12/31/2021	-0.11%	-1.27%			0.00%	0.00%	0.00%
3/31/2022	-1.03%	-2.03%			0.00%	0.01%	0.01%
6/30/2022			-1.68%	-4.47%	0.00%	0.10%	0.11%
9/30/2022			-1.40%	-5.09%	0.00%	0.41%	0.45%
12/31/2022			1.03%	-0.65%	0.00%	1.29%	1.37%
3/31/2023			2.78%	2.70%	2.70%	2.32%	2.42%
6/30/2023			4.18%	3.78%	3.78%	3.40%	3.51%
9/30/2023			4.71%	1.86%	1.86%	4.24%	4.38%
12/31/2023			5.44%	4.83%	4.83%	4.71%	4.82%
3/31/2024			5.63%	4.94%	4.94%	4.92%	5.00%
6/30/2024			5.54%	6.29%	5.54%	5.02%	5.12%
9/30/2024			5.79%	5.76%	5.76%	4.99%	5.07%
12/31/2024			5.51%	3.85%	3.85%	4.71%	4.82%
3/31/2025			5.54%	6.22%	5.54%	4.62%	4.63%
6/30/2025			4.40%	3.34%	3.34%	4.38%	4.39%

1. Starting 5/31/22, nine-month annualized return used.

Notes: *Lesser of One-Year Liquidity Return or One-Year Liquidity and Reserve Return, not to fall below zero. Government Institutional Money Market Fund Universe averaged 666 Funds with \$5.71 Trillion. Returns are Universe Median, reported quarterly. Prime (Tier 1) Institutional Money Market Fund Universe averaged 150 Funds with \$1.22 Trillion. Returns are Universe Median, reported quarterly.

Sources: eVestment, NEPC



CONCLUSION

- **Market interest rate expectations reflect an accelerated path for Fed easing – diverging from more hawkish short-term rate expectations expressed in the Fed’s dot plot**
- **NEPC expects the Fed will be easing policy in the near-term given the subdued inflation backdrop and mounting pressure from ongoing policy uncertainty and a new Fed Chair expected in 2026**
 - With that said, we remain biased to a higher rate environment than the market is expecting in the near-term
 - As such, the current yield environment remains supportive for fixed income returns given an elevated carry and a positive SSF payout rate
 - Interest rate volatility can persist related to policy uncertainty and expected Treasury bond issuance as the government funds growing deficits and higher interest expenses
- **NEPC’s expected returns have declined modestly for fixed income asset classes, but remain an attractive risk-adjusted investment option - even with expectations for lower interest rates**
- **At this time, NEPC is recommending no change to the current SSF rate methodology**

INFORMATION DISCLAIMER

Past performance is no guarantee of future results.

The goal of this report is to provide a basis for monitoring financial markets. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

This report is provided as a management aid for the client's internal use only. This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

