

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

December 18, 2015

9:00 a.m.

Treasury Board Conference Room

James Monroe Building  
101 N. 14<sup>th</sup> Street, 3<sup>rd</sup> Floor  
Richmond, Virginia

Members Present: Manju S. Ganeriwala, Chairwoman  
Neil Amin  
Lou Mejia  
David Von Moll

Members Absent: William Harrison, Jr.  
Craig Burns  
Douglas Densmore

Others Present:	Kristin Reiter	Department of the Treasury
	Janet Aylor	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Debora Greene	Department of the Treasury
	Brandy Mikell	Department of the Treasury
	Belinda Blanchard	Department of the Treasury
	Neil Boege	Department of the Treasury
	Judy Milliron	Department of the Treasury
	John Ockerman	Department of the Treasury
	Michael Walsh	Department of the Treasury
	Leslie English	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Jay Mahone	Department of the Treasury
	Harold Moore	Department of the Treasury
	Brian Deveney	Auditor of Public Accounts
	Michael Boles	PFM Group
	Nelson Bush	PFM Group
	Bill Zuk	J.P. Morgan
	Robert Mejia	
	James Johnson	Optimal Service Group
	T.C. Wilson	Optimal Service Group
	Karen Hawkrigde	Optimal Service Group
	James Johnson	Optimal Service Group
	Patrick Dixon	Wells Fargo
	Quentin Jefferies	Department of Planning & Budget
	John Crooks	Department of Planning & Budget

## **Call to Order and Approval of Minutes**

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:07 a.m. She indicated that there was no quorum, so a vote on the minutes was delayed.

## **Public Comment**

None

## **Action Items**

None

## **Board Briefing**

### **PFM Asset Management's Evaluation of Wells Fargo and US Bank as SNAP Custodians**

Mr. Wilhide introduced Nelson Bush of PFM to discuss his evaluation of Wells Fargo and US Bank as Custodians.

Mr. Bush informed the Board of the three banks that hold contracts as part of the SNAP program. The PFM Funds Board of Trustees has two of these contracts, one with Wells Fargo for Custody Securities, and one with U.S. Bank for Cash Management. The Department of Treasury has a contract with U.S. Bank.

Mr. Bush said PFM was very satisfied with the service provided from both Wells Fargo and U.S. Bank.

As a result of the 2015 fee negotiations with the banks, it is estimated that the fee savings will translate into about \$1,500/ year for SNAP Investors. The savings are primarily related to the cash management fees charged by US Bank for the wires, and ACH's initiated by SNAP Investors. The fee savings are volume dependent but based on historical volumes, the savings will be about \$1,500 per year in total.

## **Staff Reports**

### **Debt Management**

Janet Aylor reviewed the Debt Calendar as of December 7, 2015. She informed the Board that December and January were very quiet months as there were no Bond sales scheduled. She said the calendar would fill up with spring issues after the state budget was approved. Ms. Aylor also reviewed the leasing reports as of November 30, 2015. New vehicles for the Virginia State Police were leased through the Master Lease Program this month. There were no transactions in the Energy Lease Program.

Chairwoman Ganeriwala asked Ms. Aylor to discuss the highlights in Governor McAuliffe's introduced budget. Ms. Aylor informed the Board that the Governor proposed a \$2.45 billion

budget with several new initiatives including \$100 million for new research. The VCBA package includes \$1 billion of which, \$220 million is for Community colleges for workforce initiatives.

She also informed the Board that there would long term lease coming before the Board in the early part of 2016 for the Port of Virginia.

Mr. Von Moll asked if this was a Capital Lease. Ms. Aylor said it was.

Mr. Amin arrived at 9:27. Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the November 18, 2015 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Von Moll moved for approval of the Minutes, Mr. Mejia seconded, and the motion carried unanimously.

### **Security for Public Deposits**

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended October 31, 2015. Ms. Reiter reported that no banks were undercollateralized for the month. She informed the Board of Union First Market bank changing its name to Union Bank and Trust. Ms. Reiter also noted that Shore Bank merged into Bank of Hampton Roads.

Ms. Reiter noted that there was no change in IDC ratings and they were still using IDC's 2<sup>nd</sup> quarter final 2015 ratings. She also updated the Board on the open enrollment period held in November. There opt out banks switched to the pooled bank program. (Cardinal, Bank of Hampton Roads, and Old Point National Bank).

### **Investments**

Mr. Wilhide reviewed the SNAP report as of November 30, 2015. The fund's assets were valued at \$3.2 billion, unchanged from the month prior. The monthly yield was 21 basis points, down one basis point from the month prior. There were \$213 million in new bond issuances for the month.

Mr. Wilhide also reviewed the Investment reports for the month ended November 30, 2015. The General Account portfolio was \$5.3 billion, down \$227 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.39%, up three basis points from the month prior. Mr. Wilhide explained that the Extended Duration portion of the portfolio had a negative yield of 1.05% as a result of rising rates in the market. This resulted in the composite yield being 0.06% for the month.

Mr. Wilhide then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of November. The LGIP portfolio was up \$109 million from the month prior and is valued at \$2.9 billion. The average yield on the portfolio was 23 basis points, up one basis point from the month prior. The average maturity was 28 days, down nine days from the previous month.

Mr. Wilhide then presented a comparison of General Fund Portfolio Management by State in response to a question by Mr. Amin during the October 25 Board meeting.

Mr. Wilhide said Treasury staff conducted a survey of the states. In total, Treasury staff was able to find information on forty six states. Most data was as of June 30, 2015.

States with liquidity and extended duration portfolios: Including Virginia, 35 states use extended duration strategies to add yield to the portfolios. From the information available, it appears that eleven use both internal and external managers, similar to the approach used by Virginia Treasury. Eighteen states manage the portfolios internally. It appears that three states delegate all portfolio management to external managers. The management of the remaining three states is unclear. It appears all states use actively managed strategies. Eighteen states split the General Account into separate liquidity and extended duration portfolios. The yields on these portfolios range from a low of .23% yield to maturity to a high of 5.47%. For purposes of comparison, the yield to maturity of the combined portions of the Virginia General Account was 0.65% on June 30, 2015.

The maturities measured in years also differ. The average of those states reporting term to maturity is 1.64 years and the terms range from 0.1 year to 6.92 years.

States with Liquidity only portfolios: Ten states oversee Liquidity only portfolios. The yield was available for all portfolios. Yields range from 1bp for two portfolios to a high of 24 bps on one portfolio. The average was 9 bps. By comparison, the Virginia Primary Liquidity portfolio yield at June 30, 2015 was 29 bps.

The days to maturity were unavailable for 5 portfolios. The average for the remaining five was 66 days. The maturity range was 4 to 110 days.

Mr. Von Moll asked what Mr. Wilhide's takeaway was. Mr. Wilhide was surprised by the consistency in strategy. He said other states were doing very similar things with their investment strategies and the amount of states with active management surprised him.

Chairwoman Ganeriwala asked if Treasury should look at its internally and externally managed split. Mr. Wilhide replied that Treasury needs a lot of cash on hand two times per month, and that placing more than 25% of portfolio balances in the extended duration pool would make it difficult to meet the large cash outflows without greatly changing the maturity profile of the internally managed portfolio. He informed the Board that it is something that can be looked at down the road.

Mr. Amin asked if other states were similar to Virginia. Mr. Wilhide said that Virginia may have the same general strategy as the majority of other states, but each state has very different cash flow cycles and requirements and this makes it difficult to directly compare portfolio management.

### **Other Business**

Chairwoman Ganeriwala stated the next meeting of the Board would be on January 20, 2015. She then asked for a motion to adjourn at 9:56 a.m. Mr. Von Moll moved for adjournment, Mr. Mejia seconded, and the motion carried unanimously.

Respectfully submitted,

---

Michael R. Tutor, Secretary  
Commonwealth of Virginia Treasury Board