

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

August 20, 2014

9:00 a.m.

Treasury Board Conference Room
James Monroe Building
101 N. 14th Street, 3rd Floor
Richmond, Virginia

Members Present: Manju S. Ganeriwala, Chairwoman
Douglas Densmore
Lou Mejia
David Von Moll

Members Absent: William W. Harrison, Jr.
Craig Burns
Neil Amin

Others Present:

Craig Robinson	PFM Asset Management
Nelson Bush	PFM Asset Management
Karen Hawkridge	Optimal Service Group
Brian Moore	Optimal Service Group
James Johnson	Optimal Service Group
Patrick Dixon	Wells Fargo
Don Ferguson	Office of the Attorney General
Brian Deveney	Auditor of Public Accounts
Belinda Blanchard	Department of the Treasury
Tracey Edwards	Department of the Treasury
Debora Greene	Department of the Treasury
Kathy Green	Department of the Treasury
Gloria Hatchel	Department of the Treasury
Andrew Hendrix	Department of the Treasury
Deidre Jett	Department of the Treasury
Brandy Mikell	Department of the Treasury
Judy Milliron	Department of the Treasury
Harold Moore	Department of the Treasury
John Ockerman	Department of the Treasury
Kristin Reiter	Department of the Treasury
Michael Walsh	Department of the Treasury
Bill Watt	Department of the Treasury
Evie Whitley	Department of the Treasury
Tim Wilhide	Department of the Treasury

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:03 a.m. Chairwoman Ganeriwala introduced the two new Board members that were appointed on July 25, Douglas Densmore and Lou Mejia.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the July 16, 2014 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Von Moll moved for approval of the Minutes, Mr. Densmore seconded, and the motion carried unanimously.

Public Comment

None

Action Items

None

Board Briefing

Presentation by The Optimal Service Group - Extended Duration and Credit Portfolio Evaluation for Periods Ending June 30, 2014 and Tobacco Indemnification and Community Revitalization Endowment (Taxable & Tax-Exempt) Portfolio Evaluation for the Periods Ending June 30, 2014

Brian Moore and Karen Hawkrigde of Optimal Service Group first presented results of the Extended Durations and Credit Portfolio (EDCP). The EDCP returned 3.5% gross of fees for the Fiscal year, beating its benchmark of 3.4%. Mr. Moore and Ms. Hawkrigde next presented results of the Tobacco Indemnification and Community Revitalization Endowment (TICR) Taxable Portfolio. This portfolio returned 3.8% gross of fees for the year, beating its benchmark of 2.3%. Results of the TICR Tax Exempt Portfolio were presented next. The one year result for this Portfolio is 4.1% gross of fees, lagging its benchmark of 4.3%. The Optimal representatives agreed to present all returns net of fees in future reports.

Mr. Densmore asked Mr. Moore and Ms. Hawkrigde what their concerns were about any of the portfolios. Mr. Moore answered that he was concerned about the duration of the portfolios being too long.

Staff Reports

Debt Management

Evie Whitley reviewed the Debt Calendar as of August 4, 2014. She noted the Virginia Public Building Authority issue that was approved in May was being sold next week. She also noted a Virginia Public School Authority issue was scheduled for September along with sales for the Virginia Resources Authority and the Virginia Housing Development Authority. Ms. Whitley

pointed out that Virginia College Building Authority and the Virginia Public School Authority planned to sell bonds in October. She reviewed the leasing reports as of June 31, 2014.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended June 30, 2014. Ms. Reiter reported that one bank, Union First Market, was undercollateralized for the month. There were no new qualified public depositories. One bank merger was reported. Colonial Virginia Bank was acquired by Xenith Bank effective 6/30/14. Ms. Reiter also presented Quarterly Statistical deposit data for the banks. Mr. Densmore asked if there had been a decline in the banks participating in the program. Ms. Reiter answered no, but the mergers were causing a decrease in the total number of banks.

State Non-Arbitrage Program

Tim Wilhide reviewed the SNAP report dated June, 2014. The monthly distribution yield was down three basis points from June at 0.12%, outperforming the benchmark of 0.02%. Balances were down approximately \$109,000,000 from the previous month to \$3.4 billion. New bond issues added to the SNAP Fund totaled \$122,000,000.

Investments

Mr. Wilhide gave a brief summary to the board of the SEC's decision affecting LGIP's. The SEC in its published comments regarding the recent adoption of new standards for Money Market Funds (MMFs) noted that it has no direct supervisory role regarding LGIPs which are governed by GASB. Therefore, LGIPs must await GASB's ruling regarding whether LGIPs, if managed as "2a-7" like SEC funds, are required to adopt the daily mark to market and use of fund "gates and fees" in the event of a liquidity crisis. Mr. Wilhide noted the accounting burden and fund access issues these standards would impose on LGIPs, especially for the participants. GASB is understood to be addressing the issue by late 2014 and The Virginia LGIP will await GASB's ruling before considering any course of action with respect to managing the impact on the fund.

Mr. Wilhide reviewed the Investment reports for the month ended July 31, 2014. The General Account portfolio was \$5.5 billion, up \$25 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.22%, down 0.04% from the previous month. The Extended Duration portion of the portfolio had an annualized yield of negative 1.73% for the month, bringing the composite yield to negative 0.21% for the month. The year to date composite yield is negative 0.21%. Mr. Mejia asked how the outside managers were handled, i.e. can you get rid of them. Mr. Wilhide answered that yes, they can be terminated. Mr. Densmore asked what the managers thought of their benchmark. Mr. Wilhide answered that the managers did not want to make changes to the benchmark.

Mr. Wilhide then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of July 2014. He then presented the LGIP portfolio report to the Board for the month of July. The LGIP portfolio was down \$57 million from the month prior and is valued at \$3.2 billion. The average yield on the portfolio was 14 basis points, up one basis point from the month prior. The average maturity was 77 days, two days less than the previous month.

Other Business

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on September 17, 2014. Chairwomen Ganeriwala asked for a motion to adjourn. Mr. Von Moll moved for adjournment, Mr. Densmore seconded, and the motion carried unanimously. The meeting adjourned at 10:36 a.m.

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board