

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

March 17, 2010

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
Janie E. Bowen
K. David Boyer, Jr.
Dr. Kenneth N. Daniels
Douglas W. Densmore
Robert C. Goodman, Jr.
David A. Von Moll

Members Absent: None

Others Present:	Janet Aylor	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Leslie English	Department of the Treasury
	Debora Greene	Department of the Treasury
	Thelma Ingle	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Kathi B. Scearce	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Robert Young	Department of the Treasury
	Donald Ferguson	Attorney General's Office
	Hope Broughman	Auditor of Public Accounts
	Nelson Bush	PFM Asset Management
	Neal Noyes	Tobacco Commission
	Ned Stephenson	Tobacco Commission
	Stephanie Wass	Tobacco Commission
	Darrell Katovisich	Wachovia Bank
	Brian Moore	Wells Fargo Advisors
	Treasury staff and others attended	

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:00 a.m. She asked if there were any additions or revisions to the minutes of the February 17, 2010 meeting. There being none, Mr. Densmore moved the approval of the minutes as submitted, Mr. Von Moll seconded, and the motion carried unanimously.

Public Comment

None

Agenda Items**Motion To Approve The Issuance Of A Request For Proposal (RFP) And Subsequent Hiring Of A Financial Institution To Provide Depository And Custody Services For The State Non-Arbitrage Program (SNAP)**

Robert Young, Deputy Treasurer, provided the Board with a handout of the Motion (Attachment A) and reviewed the Motion with the Board.

Mr. Goodman asked about the custody agreement, and Deputy Treasurer Young indicated that the custody agreement would be developed with the vendor chosen in accordance with SNAP requirements for custody.

Chairwoman Ganeriwala asked if there were any further questions. There being none, the Chairwoman asked for a motion to approve the Motion. Mr. Von Moll moved that the Motion be adopted. Mr. Boyer seconded, and the motion carried unanimously.

Presentation – Tobacco Indemnification and Community Revitalization Commission Report as of December 31, 2009 by The Optimal Service Group of Wells Fargo

Chairwoman Ganeriwala introduced the Executive Director of the Tobacco Indemnification and Community Revitalization Commission (TICR), Mr. Neal Noyes. In attendance with Mr. Noyes were Commission staff Stephanie Wass, Chief Financial Officer and Ned Stephenson, Deputy Executive Director.

Robin S. Wilcox and Brian Moore of The Optimal Service Group of Wells Fargo (The Optimal Service Group) reviewed the TICR portfolio for the 4th quarter ending December 31, 2009. Ms. Wilcox provided the Board with a handout on Fixed Income Sector Returns (Attachment B) and reviewed the Capital Markets portion of the presentation with the Board. A discussion ensued.

Mr. Moore reviewed the remainder of the portfolio with the Board. Mr. Goodman asked about the risks with SITS, and Mr. Moore remarked that SITS had improved. He stated that all risks were outlined in the presentation, and managers are operating within the Board's guidelines.

Dr. Daniels asked whether The Optimal Service Group was reviewing policy to predict current trends going forward. Mr. Moore indicated that they were reviewing, but that the economic environment had changed drastically, which would require managers to adapt and implement new strategies.

Chairwoman Ganeriwala asked what the current investment policy allowed for with regard to AA-rated securities in the TICR portfolio, and a discussion ensued. Mr. Wilhide provided a brief overview of TICR's investment policy and guidelines. He indicated that the current level of AA-rated securities was well below the level permitted in the guidelines. Mr. Wilhide also indicated that staff was reviewing the TICR investment guidelines for possible changes.

Judy Milliron distributed a TICR portfolio statistics handout (Attachment C) for Board review.

Mr. Von Moll asked about the recent legislation instructing the Joint Legislative Audit and Review Commission to review TICR investments. Mr. Stevenson indicated that the legislation was to review performance of economic development and education programs. However the legislation is not restrictive.

Staff Reports:

Debt Management

Ms. Whitley reviewed the Debt Calendar as of March 8, 2010, the MELP and VELP reports as of February 28, 2010. Ms. Whitley also reviewed a memorandum from the Department of State Police related to the February 17, 2010 action item for third party financing of helicopters.

Mr. Goodman inquired as to whether the transaction could be re-financed since there is no prepayment penalty, and Ms. Whitley indicated that staff would look into the possibility of doing so.

Mr. Densmore pointed out that the financing should have been bid separately from the purchase. Mr. Von Moll asked if Treasury could inform state agencies to issue separate proposals in the future. Ms. Whitley indicated staff would talk with the Department of General Services since they worked with State Police on their RFP. Treasurer Ganeriwala requested staff to review the enrolled budget bill and contact any agencies with similar authorizations to urge them to consult with Treasury before moving forward with the procurement.

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits report for the month ending January 31, 2010. Ms. Reiter stated that the current report was the first month of reporting under the Opt-Out Guidelines which became effective January 1, 2010. She indicated that the information reported monthly would be separately reported for pooled and opt-out banks. She reported that two pooled banks were undercollateralized in January.

The IDC rankings were updated from last month's report using IDC's 4th quarter 2009 rankings. Four pooled banks were removed from the banks ranked below average. Seven pooled banks were added to the listing of banks ranked below average. She indicated that the lag time between quarterly IDC ranking reports had now been reduced to two and a half months.

Mr. Densmore requested that staff look at the frequency of banks flip-flopping between being ranked below average one quarter then average the next quarter, allowing their collateral requirement to be lowered one quarter just to be increased the next. Ms. Reiter indicated staff had considered a more restrictive policy requiring banks to be ranked average or above for at least two or more quarters after being ranked below average before allowing the banks' collateral requirement to be lowered. Mr. Densmore asked that staff consider such a policy and provide a recommendation to the Board.

Ms. Reiter updated the Board on the review of the SPDA Public Deposit Security Agreement (Agreement). The Treasury Board had asked that the Agreement be reviewed to ensure that the language in the Agreement is up-to-date, provides a perfected security interest in the securities pledged as collateral, addresses changes in the nature of the securities held as collateral (book-entry instead of physical) and addresses the electronic reporting and record-keeping currently used. Ms. Reiter indicated that Treasury staff had revised the Agreement based on a review of similar agreements used by other states, the public deposit security agreement recommended by the Government Finance Officers Association, and in consideration of the Board's comments about needed revisions. The revised Agreement was presented to the Attorney General's office for review and comment based on the legal nature of many of the Board's concerns. The General Assembly session has delayed review of the Agreement. Don Ferguson stated he will review the Agreement. Mr. Ferguson also indicated that outside counsel might be hired to assist in the matter.

Mr. Densmore asked if there were any other issues of which the Board should be apprised and could assist. Ms. Reiter indicated that staff was still waiting to receive the request for subcontracting of escrow agent services from Community Bankers' Bank (CBB) since the take over of the operations of Independent Bankers' Bank (IBB), CBB's business partner, by the FDIC in December 2009. TIB-The Independent BankersBank of Irving Texas (TIB) that bought IBB continues to hold SPDA collateral for those banks that used CBB and IBB as escrow agent. At this time, Treasury Board has no contractual agreement with TIB with regard to the collateral, other than the purchase and assumption agreement that TIB signed with the FDIC. Treasury Board is waiting for CBB to request that the Treasury Board approve their subcontracting with

another bankers' bank to assist with performing the SPDA escrow agent functions. Mr. Densmore suggested that CBB come before the Treasury Board at its April meeting and update the Board on the situation if there is no change by the next Board meeting.

State Non-Arbitrage Program (SNAP)

Mr. Wilhide reviewed the SNAP report for the month ending February 28, 2010.

Investments

Mr. Wilhide reviewed the Investment Report for March 2010. He indicated that there continues to be encouraging signs of economic recovery. Mr. Wilhide stated that the housing market appears to be slowly improving along with other economic indicators.

Staff provided a handout of the General Account Investment Portfolio Report (Attachment D), a handout of the General Account Investment Income (Attachment E) and a handout of the Extended Duration Credit Portfolio Report (Attachment F). Mr. Wilhide briefly reviewed the reports.

Chairwoman Ganeriwala asked if there was any further business to come before the Board. There being none, the Chairwoman asked for a motion to adjourn. Mr. Boyer moved the approval of the moved adjournment, Mr. Von Moll seconded, and the motion carried unanimously at 10:24 a.m.

Other Business:

None

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board

Attachment "A"
Attachment "B"
Attachment "C"
Attachment "D"
Attachment "E"
Attachment "F"

Documents are available for review at

The Department of the Treasury