

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

June 17, 2015

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
Neil Amin
William Harrison, Jr.
Lou Mejia
David Von Moll

Members Absent: Craig Burns
Douglas Densmore

Others Present:	Kristin Reiter	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Bill Watt	Department of the Treasury
	Harold Moore	Department of the Treasury
	Brandy Mikell	Department of the Treasury
	Debora Greene	Department of the Treasury
	Michael Walsh	Department of the Treasury
	Leslie English	Department of the Treasury
	Brad Jones	Department of the Treasury
	John Ockerman	Department of the Treasury
	Kathy Green	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Caitlin Kilpatrick	Department of Planning and Budget
	Quentin Jeffries	Department of Planning and Budget
	Kristy Scott	Auditor of Public Accounts
	Stephanie Kim	TICR
	Evan Feinman	TICR
	Patrick Dixon	Wells Fargo Bank
	T C Wilson	Optimal Service Group
	Brian Moore	Optimal Service Group
	Karen Hawkrige	Optimal Service Group
	Nelson Bush	PFM Group
	Craig Robinson	PFM Group
	Don Ferguson	Office of the Attorney General
	Spencer Anderson	Office of the Attorney General
	Paul Clifford	Income Research and Management
	Wesly Pate	Income Research and Management
	Brian Houle	Income Research and Management

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

Public Comment

None

Action Items**Resolution Approving the Creation of a Local Government Investment Pool Reserve**

Tim Wilhide reviewed the Resolution to create a Local Government Investment Pool (LGIP) Reserve Fund and gave details as to why the Reserve was being requested. The purpose of the Reserve is to have it available under certain circumstances to support the operational expenses of the LGIP and to mitigate loss of income or principal. Five other states currently have a Reserve. Mr. Mejia asked if any other states had used their Reserve. Mr. Wilhide responded that they had not. Mr. Harrison asked what would be the source of the income to fund the Reserve. Mr. Wilhide responded that fee income net of annual operating expenses generated by the LGIP would be used for funding. Mr. Von Moll asked how the Reserve would be used in the event of income losses. Mr. Wilhide responded that it would work the same way as it would for loss of principal. Chairwomen Ganeriwala asked Mr. Wilhide to give examples of how the Reserve would be used, and Mr. Wilhide did so. Mr. Wilhide also noted that staff will develop a Reserve policy during the next few months and will review that policy with the Board. Mr. Harrison noted that the Resolution did not state that the Reserve would be used to cover operating expenses and suggested amending the Resolution to include such language. The Board agreed to add the language to the Resolution.

Chairwoman Ganeriwala asked if there were any further questions. There being none, the Chairwoman asked for a motion to approve. Mr. Harrison moved approval of the amended Resolution. Mr. Amin seconded, and the motion carried unanimously.

Resolution of the Treasury Board Relating to the Tobacco Indemnification and Community Revitalization Endowment

Chairwoman Ganeriwala introduced attendees from the Tobacco Indemnification and Community Revitalization (TICR) Commission, Stephanie Kim and Evan Feinman. Tim Wilhide reviewed the Resolution and gave details as to why it was needed. The TICR Commission requested 15% of the Endowment be paid to the TICR Fund, which requires a 2/3 vote of the TICR Commission. Mr. Harrison noted that the Resolution did not state that a 2/3 majority of the TICR Commission had voted in favor of the Resolution. Mr. Harrison suggested amending the Resolution to add language

stating that 2/3 of the TICR Commission had voted in favor of the Resolution. The Board agreed to the amendment.

Chairwoman Ganeriwala received an emergency phone call and had to leave the Treasury Board Meeting and Mr. Von Moll assumed the Chair in her absence. The presence of a quorum was noted by Counsel.

Mr. Von Moll asked if there were any further questions. There being none, Mr. Von Moll asked for a motion to approve the amended Resolution. Mr. Harrison moved approval of the amended Resolution. Mr. Mejia seconded, and the motion carried unanimously.

Board Briefing

Income Research & Management Briefing on the Nature of the Chicago Related Bonds in the Tax Exempt TICR Portfolio

Paul Clifford, Matt Drasser, Brian Houle, and Wesly Pate of Income Research and Management (IR &M) briefed the Board on the Chicago related bonds in the Tax Exempt TICR Portfolio. Mr. Clifford began by giving a general overview of the firm. IR & M is an independent firm with over \$50 billion in assets under management. Mr. Drasser then reviewed strategies of the firm that are designed to build high quality investments. They partner with their clients to build portfolios that meet their needs. Mr. Houle and Mr. Pate went over the actual securities in the portfolio that were Chicago related. Each of the Chicago related securities in the TICR Portfolio are separate legal entities from the City of Chicago and are unaffected by the City's pension situation which prompted the downgrades. Moody's is the only rating agency that downgraded the securities held in the TICR Portfolio. Mr. Harrison asked them if Moody's has been criticized for the downgrades since the other rating agencies had not. Mr. Houle responded that yes, Moody' has been heavily criticized for this downgrade . Mr. Mejia asked if IR & M were considering purchasing more of the Chicago related securities. Mr. Houle responded that they have diversification constraints and they were very close to the highest level of diversification for these securities. Mr. Amin asked what the duration for these bonds was. Mr. Pate responded that they ranged from 4 to 9 years.

Chairwoman Ganeriwala returned to the meeting.

Staff Reports

Debt Management

Leslie English reviewed the Debt Calendar as of June 1, 2015. She noted sales for the Virginia Public School Authority and the Virginia College Building Authority were coming up next month. Ms. English also gave the Final Financing Summary for the Virginia Public Building Authority sale that was done in May. Ms. English reviewed the leasing reports as of May 31, 2015.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended April 30, 2015. Ms. Reiter reported that one bank; Virginia National Bank was undercollateralized for the month. There was one new qualified public depository added, Capital Bank N.A. of Raleigh, N.C. Ms. Reiter noted that the IDC ratings were unchanged from last month.

Investments

Tim Wilhide reviewed the SNAP report as of May 31, 2015. The fund's assets were valued at \$3.3 billion and the yield was unchanged from last month at 0.17%.

Mr. Wilhide also reviewed the Investment reports for the month ended May 31, 2015. The General Account portfolio was \$5.8 billion, an increase of roughly \$300 million from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.27%, down one basis point from the month prior. Mr. Wilhide explained that the Extended Duration portion of the portfolio had a negative yield of 0.60%, and the composite yield was .09% for the month. The year to date composite yield was 0.82%.

Mr. Wilhide then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of May. He then presented the LGIP portfolio report to the Board for the month of May. The LGIP portfolio was up \$86 million from the month prior and is valued at \$2.8 billion. The average yield on the portfolio was 17 basis points, same as the month prior. The average maturity was 48 days, up two days from the previous month.

Other Business

None.

Mr. Von Moll stated the next meeting of the Board would be on July 22, 2015. He then asked for a motion to adjourn. Mr. Harrison moved for adjournment, Mr. Amin seconded, and the motion carried unanimously. The meeting adjourned at 10:16 a.m.

Respectfully submitted,

Michael R. Tutor, Secretary
Commonwealth of Virginia Treasury Board