

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

August 19, 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
Craig Burns
Douglas Densmore
Lou Mejia
David Von Moll

Members Absent: William Harrison, Jr.

Others Present:	Kristin Reiter	Department of the Treasury
	Janet Aylor	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Harold Moore	Department of the Treasury
	Brandy Mikell	Department of the Treasury
	Debora Greene	Department of the Treasury
	John Ockerman	Department of the Treasury
	Brad Jones	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Jeffrey Halun	Department of the Treasury
	Leslie English	Department of the Treasury
	James Mahone	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Kathy Green	Department of the Treasury
	David Jonas	Department of the Treasury
	Belinda Blanchard	Department of the Treasury
	Nelson Bush	PFM Group
	Craig Robinson	PFM
	Bill Zuk	J.P. Morgan
	Kristy Scott	Auditor of Public Accounts
	Brian Moore	Optimal Service Group
	Joe Montgomery	Optimal Service Group
	Karen Hawkrigde	Optimal Service Group
	William Derry	Troutman Sanders
	Patrick Dixon	Wells Fargo
	Don Ferguson	Office of the Attorney General
	Kevin Larkin	Bank of America

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:02 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the July 22, 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 of the Treasury Board Authorizing Amendments to Master Resolutions of Virginia Polytechnic Institute and State University

Janet Aylor reviewed the request for authorization of amendments to the Master Resolutions of Virginia Polytechnic Institute and State University. She explained that Virginia Tech is one of four charter universities that have the ability to issue bonds secured by revenues of the University without General Assembly or Treasury Board approval, If the Treasury Board resolution is approved, VA Tech would no longer have to seek Treasury Board approval for its stand alone revenue bond issues and Treasury would also no longer be the paying agent for future stand alone VA Tech bonds issues. This type of amendment has already been made for the University of Virginia, another of Virginia's Charter Universities.

Janet Aylor introduced Bill Deery of Troutman Sanders, who was representing Virginia Tech to review the resolution.

Chairwoman Ganeriwala asked if any of the 2004 bonds were outstanding. Mr. Deery informed the Board that there were outstanding bonds that will be redeemed and retired. She then asked if Virginia Tech was redeeming the outstanding bonds to save money. Mr. Deery responded that they were trying to avoid having to obtain the consent of the Treasury Board. Ms. Ganeriwala asked what the original maturity was of the Bonds. Mr. Deery replied that it was 12 years, 2016. Finally, Chairwoman Ganeriwala asked if the resolution was supposed to be approved by the Board of Visitors first. Janet Aylor said the normal protocol is for the Board of Visitors to vote first, but the VA Tech Board of Visitors is not meeting until August 31 and the University is going to market with the new bonds on September 1, so there was not enough time to do so. The vote by Treasury Board is contingent on the approval of the VA Tech Board of Visitors.

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

Board Briefing

Optimal Services Group of Wells Fargo Advisors – Second Quarter Performance Reports for the Extended Duration Credit Portfolio and TICR Investment Portfolio

Joe Montgomery, Brian Moore, and Karen Hawkrigde briefed the Board on the General Account External Manager's investment performance for the 1st Quarter of 2015 and the Quarterly Investment Manager Performance of TCR Endowment for taxable and tax-exempt portfolios.

Ms. Hawkrigde then briefed the Board on the TCR tax exempt and TCR taxable portfolios. The TCR taxable portfolio was valued at \$279 million and had nearly a \$1.8 million unrealized gain. The portfolio return in the 2nd quarter was (.4)% year to date net of fees, matching the benchmark. The TCR tax exempt portfolio was valued at \$191.7 million and had \$1.5 million of unrealized gains. The 2nd quarter return was (.7)%, slightly trailing the benchmark of (.5)%.

Mr. Moore then briefed the Board on the General Account extended duration portfolios. The portfolio was valued at \$1.2 billion and had a \$20.7 million unrealized gain. The portfolio was down 0.9% in the 2nd quarter net of fees, trailing the benchmark by 10 basis points.

Mr. Mejia asked how the next quarter was looking. Mr. Moore replied that rates on U.S. Treasury securities were now coming down again while risk spreads on corporate bonds were up in July. Conditions seem to be improving.

Mr. Amin asked why there are different Managers in each duration bucket. Mr. Moore responded that it is done for diversification purposes. They try to find managers that are complimentary to one another.

Mr. Amin followed up as to why Goldman is a manager in the EDCP, but not in the TCR portfolio. Tim Wilhide responded that Goldman inherited the portfolio through its acquisition of Dwight Asset Management and the managers are all procured at different times.

Staff Reports

Debt Management

Chairwoman Ganeriwala introduced the two new staff members in the Division of Debt Management, Jay Mahone and David Jonas.

Janet Aylor reviewed the Debt Calendar as of August 3, 2015. She informed the Board of a Virginia Public School Authority issue coming in October and a Virginia College Building Authority and Virginia Resources Authority issues coming in November. The Virginia Public School Authority QZAB issue on the calendar for October, will likely be completed in November or December. Ms. Aylor also reviewed the leasing reports as of July 31, 2015. A new vehicle for the Virginia Department of Emergency Management and new vehicles for the Department of General Services were leased through the Master Lease Program this month. There were no transactions in the Energy Lease Program.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended June 30, 2015. Ms. Reiter reported that no banks were undercollateralized for the month. Ms. Reiter

noted that the IDC ratings have been updated from what was reported last month using IDC's 1st quarter final 2015 ratings. She informed the Board of the banks no longer ranking below average that have been removed from the list; Citizens National Bank, Frontier Community Bank and Virginia Partners Bank. In addition, New Horizon Bank and TruPoint Bank have been added to the list of pooled banks ranked below average by IDC.

Ms. Reiter then summarized quarterly statistical data for the Board. As of June 30, 2015, 111 public depositories held public deposits net of FDIC of \$8.8 billion. \$6.6 billion (75%) of the deposits were held by 37 opt-out banks; \$2.2 billion (25%) were held by 74 pooled depositories. The state's four largest public depositories held 64% of public deposits net of FDIC.

Ms. Reiter informed the Board that there were no significant changes in balances, or in securities pledged as collateral during the last quarter.

Mr. Densmore asked if the four largest public depositories have held 64% of the public deposits net of FDIC consistently. Ms. Reiter said they have. He then asked if there were concerns on the liquidity of collateral. Ms. Reiter responded saying fewer and fewer banks are ranked below average and they are now in better financial condition than years past.

Mr. Densmore asked if Dodd Frank was affecting liquidity of the banks. Mr. Wilhide said that Dodd Frank has generally impaired liquidity in the marketplace, so there has to be some affect.

Mr. Mejia asked the reason why banks were late reporting each month. Kathy Green responded that most of the time they are only a few hours late or missed the deadline due to new staff or computer systems being down. Treasury will follow up with a letter to these banks letting them know of the Board's concern.

Investments

Tim Wilhide reviewed the SNAP report as of July 31, 2015. The fund's assets were valued at \$3.5 billion, unchanged from the month prior. The monthly yield was 18 basis points, up two basis points from the month prior. There were \$146 million in new bond issuances for the month.

Mr. Wilhide also reviewed the Investment reports for the month ended July 31, 2015. The General Account portfolio was \$5.6 billion, \$38 million less from the month prior. The average yield on the Primary Liquidity portion of the General Account was 0.29%, unchanged from the month prior. Mr. Wilhide explained that the Extended Duration portion of the portfolio had a yield of 5.34% as a result of falling rates in the bond market during July. This resulted in the composite yield being 1.37% for the month.

Mr. Wilhide then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of June. He then presented the LGIP portfolio report to the Board for the month of June. The LGIP portfolio was down \$200 million from the month prior and is valued at \$3.1 billion. The average yield on the portfolio was 19 basis points, up two basis points from the month prior. The average maturity was 49 days, down one day from the previous month.

Other Business

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on September 16, 2015. She then asked for a motion to adjourn at 10:00 a.m. Mr. Von Moll moved for adjournment, Mr. Amin seconded, and the motion carried unanimously.

Respectfully submitted,

Michael R. Tutor, Secretary
Commonwealth of Virginia Treasury Board