

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

October 20, 2021

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 James Carney Douglas Densmore David Von Moll	
Members Absent:	Craig Burns Lou Mejia	
Meeting Guests:	Grayson Smith Scott Detar Kevin Larkin Andrea Peeks Markita Heard Don Ferguson Bryce Lee Nelson Bush Dan Hess Patrick Mulloy Matthew Spiegle Stephanie Adams Neil Boege Raymonde Charles Leslie English Brad Jones Laura Lingo David Swynford Michael Tutor Stuart Williams	Auditor of Public Accounts Bank of America Bank of America House Appropriations Committee JPM Chase Office of the Attorney General Optimal Service Group PFM PFM RSM RSM Department of the Treasury Department of the Treasury Department of the Treasury Department of the Treasury Department of the Treasury Department of the Treasury Department of the Treasury Department of the Treasury Department of the Treasury Department of the Treasury

**Call to Order and Approval of Minutes**

Chairwoman Ganeriwala welcomed the Board members and called the meeting to order at 9:05 a.m.

Chairwoman Ganeriwala asked if there were any changes or revisions to the minutes of the July 28, 2021 meeting. No changes were noted. Chairwoman Ganeriwala asked for a vote of

approval of the minutes. Neil Amin moved for approval, David Von Moll seconded, and the motion carried unanimously.

### **Public Comment**

None

### **Action Items**

#### **Motion to Update the General Account Investment Guidelines**

Stuart Williams reviewed the proposed changes to the General Account Investment Guidelines Statement of Investment Policies and Goals. The Guidelines were last approved in 2017. There are three meaningful changes and several editorial changes. The three significant changes are:

- Removing the prohibition to buy SEC Rule 144A securities
- Adding World Bank as an investable security as indicated in the Code of Virginia
- Incorporating Fitch as an allowable rating agency

Two additional changes were identified after the Treasury Board meeting packet was distributed to the Board members. The additional changes are:

- Clarifying item 1 of Master File – Page 23 of 221 - clarify that we are referring to “SEC” Rule 2a-7. Staff will determine if CFR needs to be referenced.
- Clarifying Downgraded Securities (Out-of-Compliance) - at the bottom of Master File – Page 23 of 221 - clarify that the external manager shall notify the Treasury Investment Staff and the Investment Consultant in writing no later than three business days after the security fails to meet the credit quality limitations.

James Carney questioned the illiquidity of SEC Rule 144A securities. Neil Boege provided background information on SEC Rule 144A and stated that market conditions have changed to the extent that 144A securities are no longer considered as illiquid. This is not so much for the internal managers; it is more for the external managers. Manju commented that this change was the result of the National Association of State Treasurers lobbying Congress, the White House and SEC to allow governmental entities to be eligible to trade, buy and sell SEC Rule 144A securities.

Mr. Carney had a question regarding commercial paper. He asked in regards to security ratings, if anything over a year automatically flips to the long-term rating scale from the short-term rating scale. And, if that is the case, should there be a reference to long-term ratings in the guidelines. Mr. Boege responded that Treasury made these changes to be consistent with the Code of Virginia. In the Code of Virginia, investment in commercial paper is limited to 270 days to maturity, making any reference to long-term ratings irrelevant.

Mr. Von Moll asked if revised guidelines including the above two additional changes were distributed. Chairwoman Ganeriwala responded that the additional two changes were identified after the Treasury Board meeting packet was sent to the Board members.

Mr. Carney questioned item 3 under Prohibited Investments or Actions on Master File – Page 25 of 221. He asked if IOs and POs would eliminate the ability to do Treasury strips. Mr. Boege responded no. The references to IOs and POs in this section are not applicable to US Treasuries.

Chairwoman Ganeriwala asked for a motion to approve the updated guidelines with the additional two changes presented. Mr. Von Moll moved it; Mr. Carney seconded and the motion carried unanimously.

## **Board Briefings**

### **PFM Asset Management LLC's Presentation of the SNAP Fund Annual Report**

Dan Hess, Managing Director of PFM Asset Management LLC, provided an overview of the PFM Asset Management SNAP Fund Annual Report and indicated it was a good year for the program. The audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial statements discussed in the Annual Report present, in all material aspects, the financial position of the Virginia State Non-Arbitrage Program – (SNAP) Fund Portfolio at June 30, 2021, and the changes in its net position for the year then ended, are in conformity with accounting principles generally accepted in the United States of America. Total assets at June 30, 2021 were \$4.83 billion, down from \$4.85 billion in 2020.

Chairwoman Ganeriwala observed the noticeable difference in investment income from 2020 to 2021 and questioned what contributed to the drop. Mr. Hess responded that the rate environment was the main cause for the drop.

Chairwoman mentioned that the purchase of PFM Assets by US Bancorp should be finalized in the fourth quarter of 2021.

### **SNAP Program Audit Report for FY2021**

RSM Partner Patrick Mulloy reviewed the SNAP Program Audit Report for FY 2021. Mr. Mulloy provided an overview of the plan and its scope. He discussed RSM's responsibilities with regard to the financial statement audit as well as observations arising from the audit that are significant and relevant to the Treasury Board's responsibility to oversee the financial reporting process. He also reviewed required communications. RSM Manager Matthew Spiegle reviewed RSM's summary of significant accounting estimates. There were no issues found.

## **Staff Reports**

### **Debt Management**

Bradley Jones reviewed the Debt Calendar as of October 1, 2021.

Mr. Jones also reviewed the leasing reports as of September 30, 2021. He informed the Board that the Department of General Services purchased fleet vehicles in September and there was \$57.8 million available on the current line of credit. There was no activity with the Energy Lease Program.

## **Security for Public Deposits**

Laura Lingo reviewed the Security for Public Deposits (SPDA) Report for the month ended August 31, 2021. Ms. Lingo reported that no banks were undercollateralized for the month. CornerStone Bank is no longer below average. This depository will be removed from the below average listing if the rating is average or above on the 3<sup>rd</sup> quarter report. Virginia National Bank was ranked below average by IDC. IDC's were updated and 2<sup>nd</sup> quarter 2021 ratings were being used for August 2021.

Ms. Lingo reported that the regular monthly compliance reports are include in the packet.

Ms. Lingo informed the Board members that phase two of the SPDA regulations revision process began on October 8. Staff in the Office of the Attorney General are currently reviewing Form TH-02 and the proposed regulations.

## **State Non-Arbitrage Program**

Nelson Bush reviewed the SNAP report as of September 30, 2021. The fund's assets were valued at \$5.3 billion. The monthly yield was .0593%, slightly lower from August's yield of .0640%. The weighted average maturity of the fund was 55 days. There were \$1.11 billion in new bond issuances for the month.

## **Investments**

Neil Boege reviewed the Investment reports for the month ended September 30, 2021. The General Account portfolio was valued at \$21.4 billion. The average yield on the Primary Liquidity portion of the General Account was 0.22%, no change from the month prior. The Extended Duration portion of the portfolio had a yield to maturity of 1.25 %. This resulted in the composite yield being 0.39% for the month.

Mr. Boege then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of September. The LGIP portfolio was valued at \$8.02 billion. The average gross yield on the portfolio was .10%, no change from the month prior. The average maturity was 43 days, down two days from the previous month.

Finally, Mr. Boege reviewed the LGIP Extended Maturity portfolio. The LGIP Extended Maturity portfolio was in compliance for all measures for the month of September. The net asset value gross yield to maturity was 0.25%, no change from the month prior. The average duration was 1.10 years.

## **Other Business**

The meeting adjourned at 10:03 a.m.

Respectfully submitted,

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Vernita Boone, Secretary  
Commonwealth of Virginia Treasury Board