

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

May 20, 2009

9:00 a.m.

TREASURY BOARD CONFERENCE ROOM

James Monroe Building
101 N. 14th Street, 3rd Floor
Richmond, Virginia

Members Present: K. David Boyer, Jr.
Douglas W. Densmore
Robert C. Goodman, Jr.
David A. Von Moll
Janie Bowen

Members Absent: Manju Ganeriwala, Chairwoman
Dr. Kenneth N. Daniels

Others Present:	Janet Aylor	Department of the Treasury
	Jeanine Black	Department of the Treasury
	Belinda Blanchard	Department of the Treasury
	Tracy Clemons	Department of the Treasury
	Richard Davis	Department of the Treasury
	Tracey Edwards	Department of the Treasury
	Leslie English	Department of the Treasury
	Debora Greene	Department of the Treasury
	Howard Kaplan	Department of the Treasury
	Thelma Ingle	Department of the Treasury
	Margaret Layne	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Harold Moore	Department of the Treasury
	Webb McArthur	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Kathi B. Scearce	Department of the Treasury
	Evie Whitley	Department of the Treasury
	Robert S. Young	Department of the Treasury
	Nelson Bush	PFM Asset Managment
	Steve Johnson	Troutman, Saunders
	Richard Grattan	Wachovia Bank
	Darrell Kaiousicn	Wachovia Bank
	Jessica White	Wells Fargo Advisors
	Robin S. Wilcox	Wells Fargo Advisors
	T.C. Wilson	Wells Fargo Advisors
	Treasury staff and others attended	

Call to Order and Approval of Minutes

Mr. David Von Moll, stepped in as Acting Chairman for the Board due to Ms. Ganeriwala's absence from the meeting. Mr. Von Moll welcomed Board members and called the meeting to order at 9:00 a.m. Mr. Von Moll asked if there were any additions or revisions to the minutes of the April, 15, 2009 meeting. There being none, Mr. Boyer moved the approval of the minutes as submitted, Mr. Densmore seconded, and the motion carried unanimously.

Public Comment

None

Agenda Items**Resolution Of Treasury Board Of The Commonwealth of Virginia Providing For The Issuance Of Commonwealth Of Virginia General Obligation Bonds, Series 2009A**

Evie Whitley introduced Leslie English who reviewed the action item with the Board. Ms. English stated that the funds will finance up to \$70 million of capital costs for educational institutions, finance up to \$10 million for capital projects for park and recreational facilities on the Commonwealth as well as pay for the costs of issuing the Bonds. Ms. English stated that the refunding must be done at a 3% savings before issuance.

Mr. Densmore asked for an explanation of Section 3 and the bid structure. Steve Johnson from Troutman Saunders explained the details of the notice of sale to the Board

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

Motion Related to the Virginia Energy Leasing Program

Ms. Whitley stated that out of the original bids for the program a potential vendor was found. Negotiations were canceled when a contract could not be finalized with the vendor. Staff requested that a Request for Proposal (RFP) be redrafted with adjustments so as to minimize costs.

Mr. Densmore asked about the difficulties negotiating with the vendor. Ms. Whitley indicated that banks are scrutinizing deals more closely. Mr. Goodman asked for examples of the changes the bank had requested. Ms. Whitley reviewed several examples with the Board, none of which would be beneficial to the Commonwealth.

Mr. Boyer asked about a time frame for the RFP. Ms. Whitley indicated that staff should have the RFP out by next week with a three week open bid time.

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

Presentation

T.C. Wilson from Wells Fargo Advisors reviewed the Total Return Pool with the Board. He indicated that the portfolio is fully invested and that April was a good month for investments. He indicated that Merganser has done well in the portfolio. He stated that Income Research and Management was the second best performer in the portfolio. Mr. Wilson said that six of eight managers have hit their benchmarks in 2009. The diversification in the portfolio with managers who complement each other is why the portfolio is up from 1.5% to 3%.

Mr. Wilson also pointed out that government programs have made a difference in growing the portfolio. He also reviewed new charts that staff had requested be included for the Board's benefit. Mr. Goodman asked about corporate bonds, and Mr. Wilson stated that the Board's Investment Guidelines restrict investing in these bonds.

Mr. Wilson also reviewed the TCR portfolio, stating that it is in compliance with policy. He stated that there is a \$20 million drawdown in the SIT portfolio. Managers continued to do well and SIT is up 3.4% this quarter. Western was terminated as of March 1, 2009 and Denver Investment Advisors took over the portfolio previously by Western.

A brief discussion on the bond market and trends ensued. Mr. Wilson stated that he expects the bond market to continue showing gains.

Staff Reports:

Debt Management

Ms. Whitley reviewed the Debt Calendar as of May 11, 2009, the MELP and VELP reports as of April 30, 2009.

Mr. Boyer asked what other states been looked at by staff with regard to the energy programs. Ms. Whitley indicated that they reviewed states with AAA ratings. Mr. Goodman asked about the rate spread between AAA and AA. Ms. Whitley indicated that the difference was minimal and that reputation makes for a bond demand.

Security for Public Deposits

Ms. Reiter reviewed the Security for Public Deposits report for the month ending March 31, 2009. Ms. Reiter indicated that five banks were added to the IDC rankings and that 20% of the banks fell below the IDC rank.

Ms. Reiter reviewed the Collateral Value Summary (Attachment A) with the Board. Mr. Densmore asked for a record of what banks fall into different categories. Ms. Reiter

acknowledged that the State Treasurer had notified the Board of the Silverton Bank issue. She indicated that the FDIC contacted Treasury about the bank and that they feel confident they will have a buyer for the bank. They asked Treasury to send follow-up correspondence to qualified depositors updating them on the situation.

Discussion ensued related to the FDIC's bridge bank and the escrow agent agreements being honored by the bridge bank.

Ms. Reiter reported that staff had forwarded follow-up questions to JP Morgan for them to include in their report for their June presentation. She indicated that Virginia's Bankers Association and some of the larger banks had been invited to come to the meeting to offer comments.

She indicated that they had hired a summer intern, Web McArthur, who is a third year law student. He will do research related to different public depositories items.

State Non-Arbitrage Program (SNAP)

Belinda Blanchard introduced Nelson Bush who reviewed the SNAP report for the month ending April 30, 2009. Mr. Nelson shared with the Board that the program has received the Lipper Award for Financial Management and Performance for the third year in a row out of 171 other funds. Mr. Bush indicated that the number one Institutional Money Market won the five and ten year awards. He also announced that there will be an event with regard to their new investment manager and will provide more detail in follow-up communication.

Investments

Ms. Blanchard reviewed the Investment Report for May 2009. She indicated the new Director of Cash Management and Investments (CMI), Tim Wilhide, would start with Treasury in June. Robert S. Young, Deputy State Treasurer indicated that Mr. Wilhide had been in touch with staff, and were looking forward to his joining the Treasury team. Mr. Boyer requested a copy of Mr. Wilhide's resume. Ms. Blanchard also indicated that CMI had hired a credit analyst.

Mr. Blanchard indicated that the Treasurer had sent a message to the Board regarding Aberdeen. The manager addressed Treasury's concerns in a letter that pointed out that while their performance was disappointing, their strategy was overpowered by the market. This performance since 2007 is comparable to Dodge and Cox in 2008. They stated that with cash infusions, interest rate cuts and bank liquidity they believe their performance will improve. Ms. Blanchard handed out a one-month TED spreadsheet to illustrate the performance levels. (Attachment B)

Acting Chairman Von Moll asked if there was any further business to come before the Board. There being none, the Acting Chairman asked for a motion to adjourn. Mr. Boyer moved the approval of the moved adjournment, Mr. Densmore seconded, and the motion carried unanimously. Meeting adjourned at 10:25 a.m.

Other Business:

None

Respectfully submitted,

Manju Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board

DRAFT

Attachment "A"
Attachment "B"
Attachment "C"
Attachment "D"

Documents are available for review at

The Department of the Treasury

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