

TREASURY BOARD
COMMONWEALTH OF VIRGINIA

July 21, 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
K. David Boyer, Jr.
Craig Burns
Robert C. Goodman, Jr.
David A. Von Moll

Members Absent: Dr. Kenneth N. Daniels
Douglas W. Densmore

Others Present:	Janet Aylor	Department of the Treasury
	Sherwanda Cawthorn	Department of the Treasury
	Tracy Clemons	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
	Margaret Layne	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Sharon Price	Department of the Treasury
	Kristin Reiter	Department of the Treasury
	Kathi B. Searce	Department of the Treasury
	Tim Wilhide	Department of the Treasury
	Robert Young	Department of the Treasury
	David Rasnic	APA
	Josette Levine	J. P. Morgan
	Vasyl Zuk	J. P. Morgan
	William Crotty	J. P. Morgan
	Thomas Daly	J. P. Morgan
	David Staples	OSG – Wells Fargo Advisors
	T. C. Wilson	OSG – Wells Fargo Advisors
	Nelson L. Bush	PFM Group
	Patrick Dixon	Wachovia
	Darrell Katovsich	Wachovia
	Treasury staff and others attended	

Call to Order and Approval of Minutes

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:03 a.m. She asked if there were any additions or revisions to the minutes of the June 16, 2010 meeting. There being none, Mr. Goodman moved the approval of the minutes as submitted, Mr. Boyer seconded, and the motion carried unanimously.

The Chairwoman introduced Craig Burns, Acting Tax Commissioner, as a new member to the Board, and she asked him to share his background.

Chairwoman Ganeriwala announced that the Secretary of the Commonwealth was finalizing Board appointments, and she indicated that she wanted to take a moment to thank the current Board members for their service and contributions they had made in various issues the Board had undertaken over the last several years, including changes to the Securities for Public Deposit Act as well as revisions to the Investment Guidelines.

Mr. Goodman conveyed comments and compliments to the Board and staff for their efforts in ensuring the Commonwealth's monies are well managed. He cited some of the issues addressed during his term including changing the investment reporting system, increasing transparency of fees relating to investments and bonds, focusing on the risks and rewards of investments, improving oversight of lease financing transactions and increasing the efficiency of processes related to public deposits. He stated that he believed the current Board has provided the Commonwealth with great value with the noted changes.

Mr. Von Moll expressed his gratitude for Mr. Goodman's service, and Chairwoman Ganeriwala again emphasized her appreciation for the contributions of all Board members.

Mr. Boyer stated that it had been an honor and pleasure to serve on the Board, and that the Board has had many successes in the decisions it has made. He stated that the Treasury Board has shown that Virginia is a leader in finance, and he appreciated the opportunity to serve.

Mr. Von Moll left the meeting at 10:20 a.m.

Public Comment

None

Agenda Items

There were no action items.

Staff Reports:**Debt Management**

Janet Aylor reviewed the Debt Calendar as of July 12, 2010, the MELP and VELP reports as of June 30, 2010.

Leslie English reviewed the energy projects financing procurement and contract award. Mr. Von Moll asked what the criteria were for the award. Ms. English stated that experience, price, and SWAM participation were the criteria used.

Security for Public Deposits

Kristin Reiter reviewed the Security for Public Deposits report for the month ending May 31, 2010. She stated there were no changes in IDC rankings during the month of May.

Ms. Reiter reviewed the stress tests on the collateral pool that the Board requested at the June meeting (Attachment A). Ms. Reiter indicated that the figures provided were as of May 31, 2010. She stated that 79 banks participated in the pool, holding \$1.36 billion in public deposits, net of FDIC. This represents only 28% of total public deposits in the Commonwealth, the rest of the public deposits being held by opt-out banks. Of the banks in the pool, twenty-eight of them are ranked below average and are required to pledge collateral at 100%.

Ms. Reiter stated that the stress test looked at the possibility of failure of the two largest banks in the pool, Towne Bank and StellarOne Bank, which hold public deposits net of FDIC of \$367 million or 27% of pooled deposits. Ms. Reiter stated that most banks under the stress test would still be fully collateralized in the event Towne Bank and StellarOne failed. She indicated that the stress test showed that the pool itself is in a strong position in the event of a large bank failing as most banks in the pool are significantly over collateralized.

Ms. Reiter reviewed the Undercollateralized Pooled Deposits (Attachment B). She stated that banks are required to report their public deposit accounts to Treasury Board quarterly. Public depositories are audited once a year by either their internal audit department or their external auditor to ensure compliance with the Security for Public Deposits Act, to include auditing procedures to ensure all public deposit accounts are properly reported to Treasury Board.

State Non-Arbitrage Program (SNAP)

Tim Wilhide reviewed the SNAP report for the month ending June 30, 2010. Mr. Wilhide introduced Nelson Bush from PFM Assets Management to review recent SEC rule changes that affect SNAP participants. Mr. Bush provided a handout (Attachment C) of the rule changes. The amendments to the rule apply to all registered money market funds, and the amendments are designed to limit fund risks and increase disclosure. Most of the required changes were in place in May 2010.

Mr. Bush stated that the SNAP portfolio has routine weekly stress tests on valuations, which show that net asset values are \$1 a share. This process has been in place for some time.

Mr. Bush indicated that it is unlikely that the SEC has finished adjusting the rules and regulations with regard to money market funds.

Investments

LGIP

Mr. Wilhide stated that the LGIP must also adhere to the new SEC rules relative to new GASB requirements. The LGIP has implemented the new liquidity, maturity and stress testing requirements. He provided the Board with a draft of a report (Attachment D) that staff will begin adding to the Board packet next month to indicate the LGIP's conformity with the new requirements.

General Account

Mr. Wilhide reviewed the Investment Report for July 2010. Mr. Wilhide stated that the economy has slowed down, and it is believed the Fed will stay its course for the present with no expected changes.

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. Goodman moved the approval of the moved adjournment, Mr. Boyer seconded, and the motion carried unanimously. The meeting adjourned at 10:07 a.m.

Other Business:

None

Respectfully submitted,

Manju S. Ganeriwala, Chairwoman
Commonwealth of Virginia Treasury Board

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

Documents are available for review at

The Department of the Treasury