

TREASURY BOARD  
COMMONWEALTH OF VIRGINIA

July 22, 2015

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  
Craig Burns  
William Harrison, Jr.  
Lou Mejia  
David Von Moll

Members Absent: Douglas Densmore

Others Present:	Kristin Reiter	Department of the Treasury
	Janet Aylor	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
	Michael Walsh	Department of the Treasury
	John Ockerman	Department of the Treasury
	Brad Jones	Department of the Treasury
	Judy Milliron	Department of the Treasury
	Deidre Jett	Department of the Treasury
	Nelson Bush	PFM Group
	Mary DiMartino	J.P. Morgan
	Vince Jannetti	J.P. Morgan
	Kristy Scott	Auditor of Public Accounts
	Brian Moore	Wells Fargo Advisors
	Scott Detar	Bank of America Merrill Lynch
	Don Ferguson	Office of the Attorney General
	Emmanuel Olojede	Office of the Attorney General

**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 June 17, 2015 meeting; there being none, Chairwoman Ganeriwala asked for a vote of approval. Mr. Amin moved for approval of the Minutes, Mr. Von Moll seconded, and the motion carried unanimously.

Chairwoman Ganeriwala welcomed Janet Aylor in her new role as Director of Debt Management for the Department of Treasury.

### **Public Comment**

None

### **Action Items**

#### **Resolution Approving Terms and Structure of Virginia College Building Authority 21<sup>st</sup> Century College and Equipment Programs Revenue Bonds, Series 2015D**

Michael Walsh reviewed the Resolution approving the terms and structure of the Virginia College Building Authority 21<sup>st</sup> Century College and Equipment Programs Revenue Bonds, Series 2015D. The proceeds of the Notes are being used primarily to finance \$214.6 million in certain ongoing capital projects at public institutions of higher education, \$57.6 million to acquire equipment at certain public institutions of higher education, and to pay the costs of issuing the bonds. The Bonds are scheduled for sale by competitive bidding on July 28, 2015. The estimated true interest cost as of July 21, 2015 is 3.21%.

Mr. Walsh informed the Board that \$434 million in bonds were sold in April for the Capital program, of which \$290 million has already been spent, leaving a \$144 million balance. He then introduced Ellen Valentine, Bond Counsel from Kutak Rock, who reviewed the resolution.

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**

#### **Denver Investments Briefing on Performance in the TCR Taxable Portfolio**

Mark McKissick briefed the Board on Denver Investment's performance. He informed the Board that Denver investments has been a manager since 2009. When they started, they had over \$200 million under management. Currently they are managing about \$100 million for the Commonwealth.

Mr. McKissick acknowledged that they were trailing the one year benchmark but explained the company does not manage to be ahead in every period, and look towards gains over the long run. They do not risk extreme volatility with their portfolio. He mentioned that they are doing better than the benchmark over the 3 and 5 year time frames. The duration of the portfolio is 3.38, under the benchmark of 4.13.

Mr. Amin asked Mr. McKissick if he foresaw any changes in strategy going forward. Mr. McKissick replied that they would be sticking with their current strategy as they are comfortable with the position they are in.

Mr. Harrison asked if Denver Investments were under performing in fixed income investments across the board in all of their portfolios. Mr. McKissick replied they have a small underperformance.

Mr. Harrison asked if they were restricted or constrained by the Board's guidelines. Mr. McKissick said it is a required to be a higher quality portfolio than most managed by Denver, but he didn't feel overly restricted by this requirement

Chairwoman Ganeriwala asked the duration of the portfolio. Mr. McKissick did not have the exact number but said it was in the mid-three-year range. She followed up asking if rates were to rise, how the portfolio would perform. Mr. McKissick said the absolute performance would be negative. Their forecast is that rates may increase in the near term but the increase will be modest.

Mr. Amin asked Mr. Wilhide if he believed the portfolio should have more Treasury and Government securities and so better reflect the portfolio's benchmark index. Mr. Wilhide answered that staff is comfortable with the risks allowed by the Endowment guidelines. He noted that it is customary in actively managed assignments to allow managers leeway in overweighting or underweighting certain sectors in the benchmark index; otherwise the portfolios would be passively managed index replications. He noted that although managers have the flexibility to set the sector overweights or underweights, the portfolio must still maintain an average AA rating, effectively limiting risk.

## **Staff Reports**

### **Debt Management**

Janet Aylor reviewed the Debt Calendar as of July 6, 2015. She informed the Board of the pricing of the Virginia College Building Authority and the Virginia Resources Authority bonds next Tuesday, the 28<sup>th</sup>. Ms. Aylor also reviewed the leasing reports as of June 30, 2015. New vehicles for the Virginia Department of Emergency Management and the Department of Military Affairs 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 May 31, 2015. Ms. Reiter reported that she had no updates this month. No banks were undercollateralized for the month, the IDC ratings have not been updated and there were no other major changes.

### **Investments**

Tim Wilhide reviewed the SNAP report as of June 30, 2015. The fund's assets were valued at \$3.5 billion, up \$250 million from the month prior. The monthly yield was 16 basis points, down 1 basis point from the month prior. There were \$532 million in new bond issuances for the month.

Mr. Wilhide also reviewed the Investment reports for the month ended June 30, 2015. The General Account portfolio was \$5.7 billion, roughly the same from the month prior. The average

yield on the Primary Liquidity portion of the General Account was 0.29%, up two basis points from the month prior. Mr. Wilhide explained that the Extended Duration portion of the portfolio had a negative yield of 8.08% as a result of rising rates in the bond market during June. This resulted in the composite yield being a negative 1.50% for the month. The year-to-date composite yield was 0.62%.

Mr. Wilhide then reviewed the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month of April. He then presented the LGIP portfolio report to the Board for the month of June. The LGIP portfolio was up \$600 million from the month prior and is valued at \$3.3 billion. The average yield on the portfolio was 17 basis points, unchanged from the month prior. The average maturity was 50 days, up two days from the previous month.

### **Other Business**

None.

Chairwoman Ganeriwala stated the next meeting of the Board would be on August 19, 2015. She then asked for a motion to adjourn at 10:00 a.m. Mr. Harrison moved for adjournment, Mr. Von Moll seconded, and the motion carried unanimously.

Respectfully submitted,

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Michael R. Tutor, Secretary  
Commonwealth of Virginia Treasury Board