

TREASURY BOARD  
 COMMONWEALTH OF VIRGINIA  
 December 14, 2016  
 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  
 Douglas Densmore  
 Lou Mejia

Members Absent: Craig Burns  
 David Von Moll

Others Present: Helen Henson	Auditor of Public Accounts
Mary DiMartino	JPMorgan
Vasyl Zuk	JPMorgan
Karen Hawkridge	Optimal Service Group
James Johnson	Optimal Service Group
Brian Moore	Optimal Service Group
T.C. Wilson	Optimal Service Group
Craig Robinson	PFMAM
Kathleen Bowe	PFM Group
Nelson Bush	PFM Group
Patrick Dixon	Wells Fargo Bank
Janet Aylor	Department of the Treasury
Leslie English	Department of the Treasury
Deborah Greene	Department of the Treasury
Kathy Green	Department of the Treasury
Brandy Mikell	Department of the Treasury
James Mahone	Department of the Treasury
Harold Moore	Department of the Treasury
John Ockerman	Department of the Treasury
Kristin Reiter	Department of the Treasury
Tim Wilhide	Department of the Treasury

**Call to Order and Approval of Minutes**

Chairwoman Ganeriwala welcomed Board members and called the meeting to order at 9:01 a.m. She then recognized Mr. Amin for being a Richmond Times Dispatch Person of the Year Honoree.

Chairwoman Ganeriwala asked if there were any changes or revisions to the Minutes of the October 19, 2016 meeting; there being none, Chairwoman Ganeriwala asked for a vote of

approval. Mr. Densmore moved for approval of the Minutes, Mr. Mejia seconded, and the motion carried unanimously.

### **Public Comment**

None

### **Action Items**

None

### **Board Briefing**

#### **Optimal Services Group of Wells Fargo Advisors – 3<sup>rd</sup> Quarter Performance Reports for the Extended Duration Credit Portfolio and TICR Endowment Portfolios**

T.C. Wilson, Brian Moore, and Karen Hawkrigde briefed the Board on the General Account External Managers' investment performance for the 3<sup>rd</sup> quarter of 2016 and the Quarterly Investment Manager Performance of TICR Endowment for taxable and tax-exempt portfolios for the 3<sup>rd</sup> quarter of 2016.

Mr. Moore then briefed the Board on the General Account extended duration portfolios. The portfolio was valued at \$1.2 billion and had earned income of 31.5 million. The portfolio was down 1.6% in November and down 1.7% fiscal year-to-date. The benchmark was -1.8%

Ms. Hawkrigde briefed the Board on the TICR tax exempt and TICR taxable portfolios. The portfolio return for the month was -1.3 % and down -1.5% fiscal year-to-date.

Chairwoman Ganeriwala asked if the markets have priced in the pending increase in interest rates by the Federal Reserve. T.C. Wilson believed that the market has already factored it in, as it also expected that rates will rise next year.

Mr. Densmore asked if there was a repeat in the economic conditions from the early 1980's how it would affect the portfolio. Mr. Wilson said that inflation would erode the value of bonds in the portfolio, but the duration is already low. In addition, they do not anticipate a significant rise in inflation over the next 1 to 2 years.

Mr. Amin asked what the current yield was on the extended duration portfolio. Mr. Wilhide replied that it was two percent.

Mr. Amin then asked if there were any floating rate bonds in the portfolio. Mr. Wilhide said there are very few.

### **SNAP Conversion Update**

Nelson Bush of PFM updated the Board on the status of the SNAP conversion. He informed the Board that the new fund is up and running. Assets began movement into the new SNAP fund on December 2, 2106 and cash management services was initially used by participants on December 5.

There are two outstanding items; the development of a file transmission wire initiation process to automate participant redemptions, and the development of file transmission automated clearing house initiation to automate participant redemptions.

Mr. Bush noted that there are only 6 of 129 participants for whom PFM is waiting to receive final re-papering forms.

Chairwoman Ganeriwala asked as to why 6 localities had still not completed the repapering process. Mr. Bush noted that revenue bond trust indentures for these localities will not allow them to move the money into the new fund until their governing bodies adopt a new resolution.

Mr. Bush noted that as of December 12, 2016 the SNAP fund has current assets of \$2.95 billion and the current yield is 0.63%

In response to a question from Chairwoman Ganeriwala. Mr. Bush noted that the language says "the permitted investments include:" The new SNAP fund is not on that list.

Mr. Densmore asked if we are ensuring that bond councils for these localities get the new language for their trust indentures. Mr. Bush said that PFM was giving them the language. He is fairly confident they will all have the new language going forward.

Chairwoman Ganeriwala asked Mr. Bush if PFM attended the Virginia Resources Authority conference. Mr. Bush said they have attended many conferences, but not that specific one.

Mr. Mejia asked if PFM knew of any instance where a transition such as this would ever happen again. Mr. Bush did not know of any specific reason other than federal rule changes.

Mr. Mejia followed up asking if there were lessons learned from this process to make the transition smoother if it had to be done again. Mr. Bush and Mr. Wilhide said they will be better prepared after going through this the first time.

### **Financial Disclosure Statements**

Bill Watt reminded the Board members that they must file their Financial Disclosure Statements online by January 17, 2017. In addition, they are required to take the Conflict of Interest Training every 24 months, meaning each of them would need to re-take the training in the coming year.

### **Staff Reports**

#### **Debt Management**

Janet Aylor reviewed the Debt Calendar as of December 1, 2016. She informed the Board that there were a few issues coming in the next few months, and the calendar would start to fill. Ms. Aylor also reviewed the leasing reports as of November 30, 2016. A fleet of vehicles for Department of Forestry and computer equipment for Christopher Newport university were

leased through the Master Lease Program this month. There was no activity in the Energy Lease Program.

### **Security for Public Deposits**

Kristin Reiter reviewed the Security for Public Deposits (SPDA) Report for the month ended October 31, 2016. Ms. Reiter reported that no banks were undercollateralized for the month. Ms. Reiter noted that the IDC ratings have not been updated from what was reported last month using IDC's 2<sup>nd</sup> quarter final 2016 ratings.

In November, banks are able to make a change in collateral from opt-out to pooled. At this time, Fulton Bank has indicated their desire to change. Beginning in January there will now be 70 pooled banks and 32 opt out banks in the program. Ms. Reiter indicated that banks had to be rated above average in the IDC ratings for two consecutive quarters to change.

### **Investments**

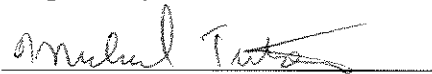
Mr. Wilhide reviewed the Investment reports for the month ended November 30, 2016. And the LGIP portfolio. The LGIP portfolio was in compliance for all measures for the month. The LGIP portfolio was up \$198 million from the month and is valued at \$3.2 billion. The average yield on the portfolio was 54 basis points, and the average maturity was 36 days.

Mr. Densmore asked Mr. Wilhide if he had any concerns with our portfolios going forward with the pending rise in interest rates by the Federal Reserve. Mr. Wilhide said he had no concerns and thinks the market has factored this in already.

### **Other Business**

Chairwoman Ganeriwala stated the next meeting of the Board would be on January 18, 2017. She then adjourned the meeting at 10:37 a.m.

Respectfully submitted,



Michael R. Tutor, Secretary  
Commonwealth of Virginia Treasury Board