

OFFICE OF THE STATE TREASURER

STATE TREASURER'S INVESTMENT COMMITTEE (STIC) MEETING MINUTES
Wednesday November 12, 2008

The State Treasurer's Investment Committee (STIC) meeting convened at approximately 9:00 a.m. in the Bob Barth Conference Room at the Office of The State Treasurer, 2019 Galisteo St., Bldg. K, Santa Fe, New Mexico, on Wednesday, November 12, 2008.

I. CALL TO ORDER

Roll Call

Members Present:

The Honorable James B. Lewis, State Treasurer
Ms. Joelle Mevi, Chairperson Designee, Chief Investment Officer
Ms. Stephanie Schardin, Board of Finance Deputy Director
Mr. Steven Bohlin, Public Member

Members Absent:

Mr. Paul Cassidy, Public Member

Staff Present:

Mr. Mark Valdes, Deputy State Treasurer
Mr. Victor Vigil, Cash Management Bureau Chief
Ms. Randilynn Lord, Legal Counsel
Mr. Scott Newman, General Fund Portfolio Manager
Mr. Joaquin Lujan, BPIP Portfolio Manager
Mr. Arsenio Garduño, Collateral Manager
Ms. Cassandra Nacasio, Administrative Assistant

Guests:

Ms. Becky Gutierrez, LFC analyst
Mr. Norton Francis, LFC analyst
Mr. Gillis Lang, DFA analyst

Approval of November 12, 2008 Agenda

Member Bohlin motioned for approval of the agenda; seconded by Member-designee Schardin. The motion carried.

Approval of October 15, 2008 Minutes

Member Bohlin noted a correction to page two of the minutes and motioned for approval of the minutes as corrected; seconded by Member-designee Schardin. The motion carried.

II. INVESTMENT REPORTS- Month ending October 31, 2008

General Fund Report

Mr. Scott Newman presented a summarization of the market value, change in balance, investment activity, and interest earnings for the General Fund Investment Portfolio for the month ended October 31, 2008.

Mr. Newman informed the committee that approximately one half of the STO balances in The Reserve Primary fund, frozen on September 15th, were received on October 31, with interest for September 1 through 15th. October month-end account statements from the Reserve Primary fund reflect a reversal of the 97 NAV markdown and a beginning balance restatement to September 15th balances.

New MexiGROW Local Government Investment Pool (LGIP) Report

Chairperson designee Mevi presented a summarization of the market value, change in balance, investment activity, and interest earnings for the LGIP portfolio for the month ended October 31, 2008.

Bond Proceed Investment Pools (BPIP)

Mr. Joaquin Lujan presented a summarization of the market value, change in balance, investment activity, and interest earnings for the Tax-Exempt and the Taxable Bond Proceed Investment Pools for the month ended October 31, 2008.

Summary of Broker Participation

Chairperson designee Mevi presented a summarization of the broker participation for security purchases for October and the fiscal year to date, with additional breakdown by asset type and market.

Economic and Investment Outlook

Mr. Scott Newman presented a brief overview of recent economic events and indicators. Counterparty concerns appear to be debilitating any market rebound and have essentially frozen short-term lending among banks. Consumer spending is showing continuing signs of weakness. In response to converging market concerns, the Federal Reserve Bank reduced the target rate by 50 basis points to 1% during the month. The Emergency Economic Stabilization Act was passed by Congress in addition to the introduction of the Money Market Investor Funding Facility and the Commercial Paper Funding Facility during October.

STO believes that rates in the near term will remain level or decrease due to overall weakness in the economy.

Deputy Treasurer Valdes updates the committee on the status of the TRAN issuance. Revenue estimates are to be adjusted downward in December which may adversely impact STO's ability to issue at the State's current AA rating. The issuance will be delayed until late December or early January.

III. CASH MANAGEMENT & COLLATERAL REPORTS: September 30, 2008

Cash Management Report

Victor Vigil reported that, pursuant to section 8-6-3.1 NMSA 1978, the State Cash Manager shall submit to the State Board of Finance a report showing state fund balances in each financial institution established pursuant to this section. He presented

a summary of state agency accounts in each institution though the month ended September 30, 2008.

Mr. Vigil informed the committee that the Cash Management Division is working with Dept. of Health and Department of Game and Fish to consolidate their multiple bank accounts. Treasurer Lewis inquired on a timeline and Mr. Vigil informed him that the process was approximately 80% complete and should be finished completely within the next month.

Collateral Report

Mr. Arsenio Garduño reported that all financial institutions met their minimum collateral requirements for September 30, 2008. The ratio of collateral required by each institution is a result of a quarterly risk assessment analysis. Mr. Garduño also presented collateral by custodial bank as of September 30, 2008.

IV. STAFF REPORTS

None

V. COMMITTEE REPORTS

Discussion of put agreement between General Fund CORE and LGIP

Chairperson designee Mevi provided a follow-up document per discussion and recommendation at the October STIC meeting regarding the LGIP Reserve Primary Fund position sold to the General Fund CORE. Ms. Mevi presented the key elements of the agreement including principal amount, interest rate and maximum term. Committee discussion ensued and resulted in consensus of the document's sufficiency.

Additionally, Treasurer Lewis inquired of Norton Francis, LFC analyst, as to the frequency of Consensus Revenue Estimating group meetings. Mr. Francis informed the committee that Estimating group meets quarterly. He also provided a brief overview of the influences on NM economy and how revenue estimates will be effected for FY09. Treasurer Lewis commented to the committee about the importance of communication between STO and the LFC, DFA for purposes of assessing liquidity needs, cash flow modeling and projected revenue deficits.

VI. NEXT MEETING

The next STIC meeting will be held on Wednesday, December 10, 2008 at 9:00 a.m.

VII. ADJOURNMENT

Treasurer Lewis motioned to adjourn the meeting, seconded by Member Bohlin. The motion carried. The meeting adjourned at 9:55 a.m.

Respectfully submitted by:
Joelle Mevi, Investment Division Director