

New Mexico State Treasurer's Office,

STIC Committee Meeting

Meeting Minutes

Wednesday, November 12, 2009

I. Call to order

Madame Chair, Sheila Duffy called to order the meeting of the **NMSTO- STIC Committee** at **9:02 AM** on **11/12/09** in **NMSTO- Bob Barth Conference Room**.

II. Roll call

The following Committee Members (CM) was present:

Honorable Treasurer James B. Lewis

Olivia Padilla-Jackson

Paul Cassidy, via teleconference

Sheila Duffy, Madame Chair

Steve Bohlin

Presenters

Arsenio Garduno, STO

Orlando A. Romero, STO

Scott Newman, STO

Other Attendees

Randilynn Lord, STO

Clarence Smith, STO

Kirene Bargas, STO

Mark Valdes, STO

Lang Gillis, DFA

Dan White, LFC

III.

Approval of Nov. 12, 2009 Agenda

Madame Chair, Sheila Duffy asked for a motion for approval of the Nov. 12, 2009 Agenda. The agenda was 1st approved by Honorable Treasurer James B. Lewis 2nd by CM Steve Bohlin. No questions or comments were made of the Agenda.

IV. Approval of minutes from Oct. 14 2009 meeting

Madame Chair, Sheila Duffy asked for a motion for approval or requested any changes of the Oct. 14, 2009 minutes.

CM Steve Bohlin suggested that changes submitted by Deanne Woodring be verified and revised if needed (Section 12), as such moved to have minutes approved.

The minutes were 1st approved by CM Steve Bohlin with changes and 2nd by CM Paul Cassidy.

V. Approval of minutes from Oct. 19 2009 Special STIC meeting

Madame Chair, Sheila Duffy asked for a motion for approval or requested any changes of the Oct. 19, 2009 minutes.

The minutes were 1st approved by CM Steve Bohlin and 2nd by CM Honorable Treasurer James B. Lewis.

VI. General Fund Investments, Scott Newman

The STIC binder General Fund contents were presented in its entirety.

Below is information presented during the presentation in addition to the STIC binder contents:

1. General Fund Market Value (m-o-m)
 - a. The increase appears to be affected by ARRA funds that are not core parts of the portfolio. These funds are pass through.

Scott Newman asked for any questions or comments. Here is the result of such request:

1. Madame Chair suggested to Scott Newman to discuss Variable Rate Notes (VRN). Scott Newman discussed the following:
 - a. There has been VRN exposure within the Core and BPIP portfolios. We are out of compliance in terms of our issuance. Policy indicates a 10% concentration in any portfolio. There has not been a discussion on how to get back into compliance. Majority of the VRN's are the TLGP paper. These are not performing well on a coupon basis. VRN's are the best source of liquidity if STO moves into a liquidity crunch. Scott Newman stood for any questions, comments, suggestions, and concerns.
 - i. CM Steve Bohlin noted that with the Investment Policy currently being worked on, the diversification of government guaranteed paper, yes we are out of compliance with the investment policy now, but as the

changes are implemented we would no longer be out of compliance.

- ii. CM Steve Bohlin posed the question: “what kind of liquidity needs do you foresee in the near future that would require the extra 13% in the overnight REPO? Causing a run on the bank of 55% of the portfolio.
 1. Scott Newman responded with: currently we are holding high balances because with ARRA funds received by STO we are unable to forecast what the liquidity needs are. Both Scott Newman and Orlando commented that there is not a good way right now to forecast the ARRA funds for proper investment.
 2. Discuss of future non-compliance issues were presented amongst STIC committee members, outlining future plans of implementing compliance officer to prevent non-compliance issues. Madame Chair assured committee that STO has already taken the appropriate steps of implementing a plan of action and will provide an update in a future STIC committee meeting.
 3. CM Steve Bohlin made a comment that SHARE has a fault in the compliance issue, as SHARE is unable to provide a compliance module within its system.
 4. Madame Chair suggested moving into LGIP to discuss the non-compliance issue there; CM Olivia Padilla-Jackson noted that Northern was to provide some sort of compliance module to STO. Has such been implemented? Both QED and SHARE are both after-the-fact tools and would not be able to provide the information. Madame Chair noted that the duties of compliance and portfolio managers need to be separated to take a proactive approach in investing.
 5. Mark Valdes provided a brief overview of the meeting between STO and NMDOT, indicating that the NMDOT road fund has a substantial amount of negative cash balance situation and felt that the meeting was productive and will continue to work with NMDOT to resolve the issues.

6. Madame Chair suggested that Scott Newman include the discussion on Straight-A funding before moving into the LGIP portfolio summary.
 - a. LGIP is also out of compliance with the Straight-A funding. S&P was notified and was told that because Straight-A funding is new there is still a 5% per issuance compliance level. The portfolio is currently over 24 % and will hold the positions until maturity.
 - b. CM Steve Bohlin asked for clarification of the non-compliance. Scot Newman provided details of the error.

No further discussion on General Fund.

VII. LGIP, Scott Newman

The STIC binder LGIP contents were presented in its entirety.

A few statements was added during the presentation of materials, here are the results:

Scott Newman noted that he would stand for any questions:

1. CM Steve Bohlin asked about the Stakeholder meeting.
 - a. Does participant want a short term investment pool or do they want something else?
 - i. The discussion led to Scott Newman, Sheila Duffy, Mark Valdes, and Honorable Treasurer of the insights of the meeting, and stand that the portfolio will continue the activities as it has in the past. No immediate changes will be implemented. A determination was made by Honorable Treasurer that instead of a separate Committee meeting, that 2 meetings a year of all stakeholders would be beneficial for the program.

No further discussion.

VIII. Tax-Exempt BPIP, Scott Newman

The STIC binder Tax-Exempt BPIP contents were presented in its entirety.

Scott Newman noted that he would stand for any questions; here is the result of such request:

There were no questions.

No further discussion.

IX. Taxable BPIP, Scott Newman

The STIC binder Taxable BPIP contents were presented in its entirety.

Scott Newman noted that he would stand for any questions; here is the result of such request:

1. CM Olivia Padilla-Jackson noted a press release from the Governors office indicating that there are no approvals to purchase Capital. Therefore the portfolios may see a decrease in reimbursements.

No further discussion.

X. Follow-up question from last month, Scott Newman and MC Sheila Duffy

Question was asked last month by CM Steve Bohlin of the duration of taxable portfolio versus the benchmark.

2. 1.37 yrs vs. 1.06 yrs.

XI. Broker Participation, Madame Chair Sheila Duffy & Scott Newman

The STIC binder Broker Participation contents were presented in its entirety.

MC SD noted that she would stand for any questions; here is the result of such request:

No further discussion.

XII. Economic Outlook, Scott Newman

The STIC binder Economic Outlook contents were presented in its entirety.

No further discussion.

XIII. September 30, 2009 Quarterly Report; follow –up discussion on benchmarks for GF Portfolio

The STIC binder September 30, 2009 Quarterly Report contents were presented in its entirety.

No further discussion.

No further discussion.

XIV. State Agency Deposit Balances

Orlando Romero, State Cash Manager presented the information outlined in the binder.

Orlando Romero also commented a response to a question that was asked at the last meeting of the Public Schools Authority. Discussion of the Public School Authority ability to have a separate account was in discussion by audience member, Orlando Romero and Olivia Padilla-Jackson.

No further discussion.

XV. Collateral Report July 31, 2009

Arsenio Garduno, Collateral Manager presented the information outlined in the binder.

No further discussion.

XVI. Investment Policy Review, Madame Chair Sheila Duffy

The investment policy review continues and should be ready for review and approval in first quarter of 2010. A public comment is needed so the STIC members will be notified as such. CM Olivia Padilla-Jackson requested that she have a look at the document before sending out for public comment. MC Sheila Duffy concurred. The review team is planning on meeting sometime this month.

No further discussion.

XVII. LGIP Stakeholder Meeting Comments

Comments were made throughout the meeting. It should be noted that the meeting was well organized and received positive compliments from attendees. The meeting provided teleconference capabilities, as well as, video conferencing of Deanne. A breakdown of the STO web site to provide details of where LGIP information is provided via web was provided.

No further discussion.

XVIII. Discuss LGIP Bank Account fee/ earnings

Madame Chair asked if the deputy Treasurer Mark Valdes would provide feedback and update of the LGIP bank account fee. Mark Valdes noted that negotiations and issues of the fee are still being worked on by B of A, STO,

and DFA. Olivia Padilla-Jackson had noted in prior months that B of A allowed for pass through FDIC charges. Discussion continued and explained that STO needs an appropriation in order to have these fees to be paid by LGIP participants.
No further discussion.

XIX. Question period

No further discussion.

XX. New business

Next Meeting- Wednesday, December 09, 2009 @ 9:00am at STO.

XXI. Adjournment

Sheila Duffy adjourned the meeting at **10:46am**. The adjournment was 1st approved by CM Olivia Padilla-Jackson and 2nd by The Honorable Treasurer James B. Lewis.

Minutes submitted by: Kirene M. Bargas, on November 16, 2009.

Minutes approved by: Sheila Duffy, on December 02, 2009.