**MINUTES FROM MEETING OF**

**THE CASH MANAGEMENT POLICY BOARD**

**OFFICE OF THE STATE TREASURER, CONFERENCE ROOM**

**April 14, 2015**

A meeting of the Cash Management Policy Board was held on Tuesday, April 14th, 2015 at 10:00 AM in the Conference Room of the Office of the State Treasurer

Located at 820 Silver Lake Blvd., Suite 100, Dover, Delaware.

Board Members in Attendance:

Mr. John Flynn, Chairman, Cash Management Policy Board (telephonically)

The Honorable Jeff Bullock, Secretary of State (telephonically)

The Honorable Ken Simpler, State Treasurer (telephonically)

The Honorable Tom Cook, Secretary, Department of Finance (telephonically)

Mr. Michael Morton, Controller General (telephonically)

Board Members Not in Attendance:

Mr. Warren Engle, Chair, Banking Subcommittee

Mr. Mike Karia, Co-chair, Investment Subcommittee

Mr. Dave Marvin, Chair, Investment Subcommittee

Others in Attendance:

Laura Gerard, Deputy Attorney General, OST Counsel (telephonically)

Ed Black, Deputy Attorney General, Cash Management Policy Board Counsel (telephonically)

Mr. Chip Kurtzman, Director, Credit-Suisse North America (telephonically)

Mr. Bill Lane, Vice President, Credit-Suisse North America (telephonically)

Mr. Steve McVay, Director of Finance & Investment Services, Office of the State Treasurer

Mr. Jeff Hoover, Investment Manager, Office of the State Treasurer

Ms. Martha Sturtevant, Executive Assistant to the State Treasurer

**CALLED TO ORDER**

Mr. Flynn called the meeting to order at approximately 10:03 AM.

**APPROVAL OF PRIOR MINUTES**

Referencing the February 27th meeting, Mr. Flynn asked Mr. McVay if he had forwarded the annual report to the Governor and Joint Finance Committee at that time as stated in the minutes. Mr. McVay agreed it was stated incorrectly and OST would make the correction to the minutes.

A MOTION was made by Mr. Flynn to approve the February 27th, Public and Executive meeting minutes.

MOTION ADOPTED UNANIMOUSLY

 **CREDIT-SUISSE PORTFOLIO PROJECTIONS**

Mr. Kurtzman reviewed the First Quarter portfolio performance report (dated 4/14/15) noting no significant changes. A decline in yield had occurred since 12/31/14, due to a reduction in short term market rates.

Mr. Flynn asked if it was accurate that Credit-Suisse projections were less than current Federal Reserve forecasts, Mr. Lane confirmed. Mr. Flynn asked about the impact of the forecast and credit duration. Mr. Lane said that the managers with shorter durations and accessing more floating rate securities are better protected in a rising rate environment.

**CASH MANAGEMENT POLICY BOARD - POLICY GUIDELINES PROPOSAL**

Mr. Lane reviewed the changes to the Policy Guidelines and summarized the three key changes: permit longer maturities of floating rate securities, slightly modify the acceptable credit quality to include A- ratings allowing access to additional industries, and to adjust Guidelines for Commercial Paper from A1/P1 to A2/P2.

Mr. Simpler said that the moves are small but adds diversification benefits to the portfolio. He added that the mandate on the Board is security above liquidity and yield. Mr. Bullock added that he agrees.

A MOTION was made by Mr. Simpler and seconded by Mr. Cook to approve recommendations put forward by the Investment Subcommittee to amend the Statement of Objectives and Guidelines as proposed.

MOTION ADOPTED UNANIMOUSLY

Mr. Flynn and Mr. Simpler requested Mr. Black review the Statement of Investment Guidelines and offer recommendations to make sure the intent is clear. Mr. Black said he would like the opportunity after OST has given the first look. Mr. Simpler said that OST would be happy to take the lead in reviewing.

**CREDIT-SUISSE CONTRACT EXTENSION & SCOPE OF SERVICES for ADVISOR RFP**

Mr. Simpler reviewed the contract extension & Scope of Services adding that the Investment Subcommittee has unanimous approval, but he wanted to provide an opportunity for the Board to request revision or amendment.

Mr. Bullock asked Mr. Simpler if the Board needed an advisor. Mr. Simpler acknowledged that there was a period of time that the Board went without an advisor and the cost of our current advisor could be improved upon, but asked that he felt the environment we are heading into is unusual and that value is added by having an advisor with a global view. He said the Subcommittee agreed that future Boards actions may be reviewed with more scrutiny and having an advisor shows due diligence. Mr. Simpler said that the OST will complete RFP’s for the managers and custodian over the next 18-24 months and having an advisor would also be beneficial to the process.

Mr. Flynn said that the Subcommittee was unanimous that the Board needed an advisor. The Investment Subcommittee was not unanimous if the advisor should set benchmarks, but agreed with Mr. Simpler it was worthwhile to have a financial advisor.

A MOTION was made by Mr. Simpler and seconded by Mr. Cook to extend Credit-Suisse through the calendar year.

MOTION ADOPTED UNANIMOUSLY

A MOTION was made by Mr. Simpler and seconded by Mr. Cook to approve the Scope of Services for the advisor RFP.

MOTION ADOPTED UNANIMOUSLY

**NEW BUSINESS**

Land & Water Mr. Hoover gave a review of the 16 responses received for the RFP. He plans to review finalists on April 16th. An overview was given of the review committee and a timeline for a target date approval of July 1, 2015.

EPX Mr. McVay gave an update on the performance of EPX and described the due diligence that OST has taken to insure there are no concerns.

Electronic Collections Banking Services RFP’s Mr. McVay said they had 8 responses and the evaluation panel had a group of finalists make presentations. Panel and banking subcommittee to present vendor award recommendation at May meeting.

Schedule of Future Board Meetings Mr. Flynn provided an overview of the proposed schedule noting the obligation of the Board to hold four meetings each year, and suggested two telephonic and two in person: August 11th, November 10th, and May 10th, 2016 have been proposed, all Tuesdays at 10 AM for consistency. Mr. Flynn stated he was conflicted on August 11th, and proposed a change to Wednesday, August 12th after he reviews it with Mr. Marvin. Mr. Cook and Mr. Bullock will need to call in on May 12th due to a conflict.

Appointment. Mr. Simpler added that he would like to have a fifth appointed member to the Board. Mr. Cook said it is under discussion with a sense of urgency, and that they are actively seeking to fill the 5th seat on the Board.

**PUBLIC COMMENTS**

No public present for comment.

**ADJOURNMENT**

A MOTION was made by Mr. Simpler to adjourn the meeting at 11:09 AM

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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John Flynn

Chair, Cash Management Policy Board