

STATE BOARD OF FINANCE
May 12, 2015 – 9:30 AM
Summary Minutes

Location:

Via videoconference at the following locations:

Guinn Room
101 N. Carson Street
Carson City, NV 89701

Governor's Office Conference Room
555 E Washington Avenue, Suite 5100
Las Vegas, NV 89101

Governor Sandoval called the meeting to order at 8:30 A.M.

Board members present:

Governor Brian Sandoval – Las Vegas
Treasurer Dan Schwartz – Las Vegas
Controller Ron Knecht – Carson City
Steve Martin – Las Vegas
Dave Funk – Carson City

Others present:

Tara Hagan – Senior Deputy Treasurer
Pam Jurgensen – Investment Deputy Treasurer
Dennis Belcourt – Deputy Attorney General

Agenda Item 1 – Public Comment.

There were no public comments in either Carson City or Las Vegas.

Agenda Item 2 – For possible action – Approval of the Board of Finance minutes from the meeting held on January 11, 2015.

Steve Martin moved to approve the minutes. Treasurer Schwartz seconded the motion. Motion passed unanimously.

Agenda Item 3 – For possible action – Discussion and possible action regarding collateralized bank deposits for the Local Government Pooled Investment Fund (LGIP).

Dennis Belcourt, Deputy Attorney General, gave an update to the Board on the Office of the Attorney General's opinion concerning whether a demand deposit bank account is a permitted investment vehicle for monies in the LGIP and whether or not a demand deposit bank account is permitted as a temporary deposit location for monies in the Fund pending investment or distribution thereof.

Mr. Belcourt explained that although the primary purpose of the LGIP is to invest, there are also instances where funds may be in a transitional state. Therefore, the Attorney General's opinion is

that during these transitional periods, the monies may be held in a demand deposit account as long as the monies are insured and collateralized. Governor Sandoval asked if the money would be deposited in one specific bank account or several ones. Dennis Belcourt and Treasurer Schwartz responded that the bank that has been approved is Washington Federal.. Governor Sandoval also requested clarification on how long the monies could be held in the collateralized bank account. Dennis Belcourt explained that the time frame could vary on the financial circumstances but essentially the monies had to be held temporarily with no intent of leaving the monies in the collateralized bank account permanently. Pam Jurgensen, Investment Deputy Treasurer, explained that the State Treasurer's intent is to hold the funds in the collateralized bank accounts until market conditions change and they are able to obtain a higher rate. The monies may also be taken out of the account if the participants withdraw any of the funds or if Washington Federal decides to close the collateralized accounts. She explained that \$17 million dollars would be deposited into the collateralized bank account with Washington Federal and that the Board of Finance will receive quarterly reports on this matter. Pam Jurgensen stated that the current short term rates of return for unsecured investments are anywhere between 1 (0.0001%) and 10 basis points (0.0010%). In contrast, Washington Federal is offering 15 basis points (0.0015%) in a collateralized account. Governor Sandoval asked if there were any terms or limitations on how soon the monies could be taken out of the account. Pam Jurgensen responded that whenever they needed to withdraw money from the account, they just had to give Washington Federal a 24 hour notice.

Controller Knecht moved to approve Agenda Item 3. Steve Martin seconded the motion. Motion passed unanimously.

Agenda Item 4 – Receive report regarding the Request for Proposal for institutional investment managers for various State portfolios, including a status update and selection process overview.

Tara Hagan, Senior Deputy Treasurer, explained that the State Treasurer's Office conducted a Request for Proposal for institutional asset management services for the fixed income and equity portions for all investment portfolios currently managed and/or overseen by the Treasurer's Office which include the LGIP and the General Portfolio. The RFP allowed firms to bid on single portfolio, multiple portfolios, or security types. Tara Hagan stated that 15 firms bid to manage all or a portion of the General Portfolio and 7 firms bid to manage the LGIP Portfolio. The evaluation committee included Tara Hagan, Al Kramer and Pam Jurgensen. In accordance to Nevada Revised Statute (NRS) 333, Treasurer Schwartz was not involved in the process. The screening process included both quantitative and qualitative factors.

The finalists included Atlanta Capital, Chandler, Chicago Equity Partners, CS McKee, FTN, Governmental Portfolio Advisors, MacKay Shields and Western Assets. Staff recommended the Treasurer enter into two separate contracts for the management portion of the General Portfolio. Staff recommends Chicago Equity Partners and Western Asset Management. For the LGIP portfolio, Staff recommends the Treasurer enter into a contract with FTN Financial. Tara Hagan explained that the costs associated with the managers include annual costs of \$66,000 for the

LGIP Portfolio and approximately \$900,000 for the General Portfolio. These are asset based fees; therefore, the costs will increase as the assets increase. Ms. Hagan also explained that the Board of Finance will receive reports in which they'll be able to see the performance of the individual managers compared to the contractual benchmark. She mentioned that although the contracts are for four years, the Treasurer does have the opportunity to review the managers after one year. The contracts also include the customary 30 day out-clause for convenience for either party. If the managers do not meet the contractual benchmarks, the Portfolios will be managed internally again. Dave Funk inquired about early exit fees to which Ms. Hagan responded that there are no early exit fees. Governor Sandoval asked why Staff decided not to do the RFP process through Purchasing. Ms. Hagan replied that the Treasurer's office often seeks an waiver when bidding on investment management contracts. She noted this is primarily due to the fact that the Purchasing Division doesn't have the expertise or experience with these types of contracts. Treasurer Schwartz asked if Staff had decided on a new benchmark. Tara Hagan responded that at the time of the meeting a benchmark hadn't been decided.

Agenda Item 5 – Public Comment.

There were no additional Board comments or public comments in Las Vegas or Carson City.

Steve Martin motioned to adjourn the meetings. Treasurer Schwartz seconded the motion. The meeting adjourned at 10:00 AM.