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MANAGEMENT POLICY BOARD MINUTES**

The Cash Management Policy Board held a meeting on December 2, 2010 at 10:00AM in the Buena Vista Conference Center, New Castle, Delaware.

In Attendance:

Members: Mr. John V. Flynn, chairman (by phone)
Mr. David F. Marvin, co-chairman
Mr. Harold L. Slatcher
Honorable Velda Jones-Potter, State Treasurer
Honorable Thomas Cook, Secretary of Finance
Honorable Jeffery W. Bullock, Secretary of State

Guests: Nick Adams, State Treasurer's Office
Stephen McVay, State Treasurer's Office
Stephanie Scola, Department of Finance
Ann Marie Johnson, Deputy Attorney General
Chip Flowers, State Treasurer Elect

CALL TO ORDER:

Mr. Marvin called the meeting to order at 10:04 AM.

APPROVAL OF THE MAY 4, 2010 MEETING MINUTES:

Mr. Slatcher made the motion to accept the minutes. Mr. Cook seconded the motion. The motion was carried with no objections.

WILMINGTON TRUST ("WTC") PRESENTATION

Dominick D'Eramo, Cynthia Corliss and Rosemary Hoffman represented the bank. The presentation regarded the recent proposed acquisition by M&T Bank corporation, scheduled to be completed during the second quarter of 2011. Mr. D'Eramo explained that impetus for the transaction was to gain both the clients and fee income from WTC's wealth management services. All current WTC wealth management personnel are to be retained (in response to Mr. Marvin's inquiry) and the WTC name will still be used for these services. At present, existing clients have stayed with WTC and the wealth management group is in the process of hiring additional personnel. Mr. Flowers asked whether any covenants in the merger agreement would impact current wealth management services, Ms. Corliss responded there were none. Also, based on Mr. Flower's inquiries, the STO will receive the acquisition proxy statement when available and the resulting combination has already been rated "A" by Standard and Poor's. The bank personnel departed after the presentation.

After discussion, the Board agreed that WTC deserved the opportunity continue as investment manager based on both their historical and current portfolio performance and service to state. Mr. Bullock expressed concern over litigation preventing the sale from occurring as planned.

UPDATE ON INVESTMENT PERFORMANCE RESULTS:

Mr. Marvin reviewed the October 31, 2010 results, stating that the positive returns were a result of our conservative investment policy and had allowed the State to avoid losses during recent years. He noted the State's quick response on exiting securities lending and our sale of BP securities. Mr. McVay notified the Board that all investment managers had standing instructions to sell securities downgraded below our rating guidelines. Mr. Marvin noted that the liquidity portfolio managed by WTC had consistently outperformed the other liquidity portfolios. Mr. McVay indicated this was due to the WTC portfolio having a much greater average maturity (almost double the other portfolios). Mr. McVay cited the performance of the Schroder managed portfolios (both intermediate and special funds) which had much better returns due to higher average maturity. Mr. Marvin cautioned that while true, we did not have any similar portfolio or benchmark for comparison.

Mr. McVay cited the improved performance of the BNYM managed portfolio. At the last meeting, their poor performance relative to other liquidity portfolio was noted. It was later determined the portfolio was being managed as a "cash" portfolio. BNYM was instructed to managed the portfolio under the "liquidity" portfolio guidelines. This portfolio's performance is expected to in line with similar managed portfolios by the next meeting.

Finally, Mr. McVay explained that investment returns had declined since the last meeting, due to continued low market rates (in the less than two year portion of the market) and how this impacts the reinvestment of higher yielding maturities when they matured.

UPDATE ON BANKING/INVESTMENT SERVICES CONTRACTS:

Mr. McVay provided the Board with an update and recommendations on major banking services contracts. Mr. McVay requested permission to publish RFPs for both the Direct Deposit of Payroll & pension (currently administered by Wells Fargo and expiring 06/30/11) and the Corporate Franchise Tax lockbox contract (currently administered by Bank of America and expiring 12/31/11). The Board was made aware that the Corporations Division was seeking an "in-house" payment solution and that the lockbox RFP *may not* be needed. Mr. Slatcher made the motion to approve publishing of the Payroll/Pension RFP and Mr. Marvin seconded it. Mr. Marvin made the motion to approve publishing of Corporations' Lockbox RFP and Mr. Cook seconded it. Both motions carried with no objections.

Mr. McVay added that the State Treasurer's Office would publish (in January) RFP's for 1) Payroll and Pensions Direct Deposit and 2) Credit card processing (permission given at May meeting). The lockbox RFP to be published only if needed.

Ann Marie Johnson informed the Board that both the PNC Disbursements and the BNYM Custody agreement renewals were nearly completed and would be done prior to year end. Mr.

Flowers expressed concern over the five year contract renewals for both of the contracts. Mrs. Johnson said the State had termination (without reason) rights in both contracts.

Mrs. Jones-Potter expressed her gratitude toward the Board for their guidance during her tenure and thanked all the members for their service to the State.

There were no members of the public present. Mr. Marvin made a motion to adjourn. Mr. Flynn seconded the motion and it carried with no objections. The meeting was adjourned at 11:04 AM.

Respectfully submitted,

Velda Jones-Potter

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