

## **DRAFT CASH MANAGEMENT POLICY BOARD MINUTES**

The Cash Management Policy Board (the “Board”) held a meeting on August 2, 2011 at 9:30AM in the Buena Vista Conference Center, New Castle, Delaware.

**In Attendance:**

**Members:** Mr. John V. Flynn, chairman (chair)  
Mr. David F. Marvin, co-chairman  
Honorable Chipman Flowers, State Treasurer  
Honorable Thomas Cook, Secretary of Finance  
Honorable Jeffery W. Bullock, Secretary of State  
Honorable Russell Larson, Controller General  
Mr. Mike Karia  
Mrs. Margaret Iorii  
Mr. Warren Engle

**Guests:** Erika Benner, Delaware State Treasury  
Stephen McVay, Delaware State Treasury  
Zafar Chaudhry, Delaware State Treasury  
Elio Battista, Deputy Attorney General  
Clark Collins, Esq., Counsel to Delaware State Treasury  
Omar Masood, Delaware State Treasury  
Brian Boyle, Delaware State Treasury

**CALL TO ORDER:**

Mr. Flynn called the meeting to order at 9:32 AM.

Mr. Flynn dispensed with the approval of June 13, 2011 minutes until next meeting. Minutes are to be provided to Board when public notice of meeting is posted to allow for adequate review.

**HOUSEKEEPING ITEMS**

The following items were clarified by Mr. Flynn for the Board:

- Confirmed that Margaret Iorii as member of the Investment Subcommittee;
- Confirmed that Mike Karia as co-chair of the Investment Subcommittee; and
- Clarified current members of the two standing subcommittees as follows:

<b><u>Investment Subcommittee</u></b>	<b><u>Banking Services Subcommittee</u></b>
David Marvin (chair)	Warren Engle (chair)
Mike Karia (co-chair)	Thomas Cook (co-chair)
John Flynn	John Flynn
Chipman Flowers	Chipman Flowers
Thomas Cook	
Margaret Iorii	

- Mr. Flynn stated that every proposed investment guideline change should be submitted to the investment subcommittee prior to being presented to the entire Board. Mr. Karia has developed a form to address guideline changes and will distribute the form subsequent to the meeting. Mr. Flynn stated that written procedures were created formalizing this process. Treasurer Flowers questioned whether any written procedures outlining the process and procedures of the Board existed and if not, such procedures should be submitted in writing for Board approval.

#### BOARD ACTIONS REQUIRING A VOTE

1. Mr. Flynn stated there was confusion on the Board regarding which version (by date) of the Cash Management Policy was current and made the motion to adopt the policy that was in place as of December 31, 2010. Treasurer Flowers disagreed and stated that the policies in effect were adopted in March 2011 at the request of certain members of the Board to permit Wilmington Trust to hold state funds in violation of then existing Cash Management Policy. Treasurer Flowers stated that the Delaware State Treasury did not review the prior guidelines, since no prior notice was given that some members of the Board were contemplating this action. Further, Treasurer Flowers stated that changing the guidelines without posting public notice and without following the procedures proposed by Mr. Flynn was improper. After much discussion a vote was taken, Secretary Cook seconded and the motion passed by a 8 to 1 vote (Treasurer Flowers opposed).
2. Ms. Iorii motioned to ratify the actions taken by Treasurer Flowers at the February 18, 2011 special Board meeting with respect to the Wilmington Trust credit rating downgrade and safeguarding the State's assets held by that institution. Treasurer Flowers seconded the motion which was passed by unanimous vote.
3. Mike Karia made a motion to ratify the raising of \$200 million cash by the Delaware State Treasury as a precaution to insure liquidity in the case of a United States government debt default and/or a loss of the US "AAA" credit rating. Mr. Engle seconded and the motions passed with 7 yes votes and two abstentions (Mr. Marvin and Ms. Iorii).
4. Dave Marvin motioned that the two investment policy guideline changes recommended by the investment subcommittee be adopted. These were voted on separately as follows:
  - Investments in corporate bonds and debentures must be at least "A" by both S&P and Fitch and "A2" by Moody's (any downgrade from these ratings by a single rating agency will result in noncompliance and immediate sale – no split ratings are allowed). Mr. Engle seconded motion. After discussion, motion passed unanimously.
  - The countries of Australia, New Zealand, Sweden and Norway added as allowable countries pertaining to the purchases of allowable non-domestic bank securities and corporate bonds. Also, name of current allowable country of "Holland" changed to

“Netherlands.” Treasurer Flowers seconded the motion, motion was passed unanimously.

NOTE: Elio Battista will amend investment policy to reflect these changes. Treasurer Flowers stated that there may be legal issues surrounding the investment guidelines being implemented without public comment and will reserve implementation until clarification is received.

5. Dave Marvin motioned that all current investment manager contracts be extended one year and that a Request for Proposal be published for an additional “intermediate” portfolio manager. Mr. Karia seconded the motion. After discussion, motion was approved 8 to 1 (Treasurer Flowers voted no). Treasurer Flowers stated that he did not believe that the Board had the legal authority to undertake this action and will seek legislative guidance prior to implementation. Mr. Karia will be the lead investment subcommittee member regarding vendor recommendation(s) by Treasury.

There was no banking subcommittee report. However, members of the banking subcommittee will comprise the evaluation committee for the current RFP for the Division of Corporations lockbox (current contract expires December 31, 2011). Also, a representative (to be name) from Corporations will be on the evaluation committee.

There were no members of the public present. Mr. Flynn made a motion to adjourn. Motion carried with no objections. The meeting was adjourned at 11:56 AM.