

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

**Board of Treasury Quarterly Meeting Minutes
Thursday, April 28, 2022**

The quarterly meeting of the West Virginia Board of Treasury Investments was held on Thursday, April 28, 2022, in the Treasurer's Conference Room, 315 70th Street, SE, Charleston, West Virginia. Keith Peck recorded the minutes.

ATTENDEES

Board Members Present:

Steve Bohman, proxy for Riley Moore
Dave Hardy

Lisa Hopkins, Committee Chair, via telephone
Mark Mangano, via telephone

BTI/ STO Staff Present:

Denise Baker
Shana Clay
Kara Hughes

Lindsay Marchio
Keith Peck
Karl Shanholtzer

Others Present:

Anoop Bhasin, Department of Revenue, via telephone
Jeff Boucek, Segal Marco Advisors, via telephone
Tom Cameron, UBS Global Asset Management
Alan Peak, Segal Marco Advisors, via telephone
Keith Reynolds, Segal Marco Advisors, via telephone
Samantha Strejcek, Maher Duessel, via telephone
Brian Strole, UBS Global Asset Management

AGENDA

- I. Call to Order
- II. Roll Call – Declare Quorum
- III. Approval of Minutes of the January 27, 2022 Board Meeting
- IV. Executive Director's Report
- V. Reports
 - a. Audit Committee
 - i. Report
 - b. Investment Committee
 - i. Report
 - c. Personnel and Governance Committee
 - i. Report

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

- VI. Old Business
- VII. New Business
- VIII. Next Board Meeting - (Tentatively Thursday, August 11, 2022)
- IX. Adjourn

MINUTES

I. Call to Order

Steve Bohman as proxy for Riley Moore, Committee Chair, called the meeting to order at 11:59 a.m.

II. Roll Call – Declare Quorum

A silent roll call was taken and a quorum declared.

III. Approval of Minutes of the January 27, 2022 Board Meeting– Tab 1

Dave Hardy moved to approve the January 27, 2022, minutes as printed. Mark Mangano seconded. Motion carried unanimously.

IV. Executive Director’s Report – Kara – Tab 2

Kara Hughes summarized the Executive Director’s Report, a copy of which is attached and made a part hereof. Kara explained the challenges that the BTI has been facing the past two quarters in managing the volatility and consequently participants’ reaction in the WV Short Term Bond Pool. BTI staff have been making extensive efforts to educate participants and stress the importance of the higher yields the Pool is earning. Kara also discussed the upcoming busy season in preparation of financial statements and the year end audit.

Dave Hardy recommended the Board approve the Executive Director’s Report. Mark Mangano seconded. Motion carried unanimously.

V. Reports

The chair moved to the next order of business regarding Committee Reports.

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

a. Audit Committee

Lisa Hopkins, Committee Chair, presented the Audit Committee Report. The Audit Committee met on Thursday, April 28, 2022. Actions taken were to:

- 1) Approve the January 27, 2022, Audit Committee Minutes
- 2) Accept the March 31, 2022 Operating Report
- 3) Accept the quarter ended March 31, 2022, Budget to Actual Report
- 4) Approve the FY 2023 Annual Budget
- 5) Approve the FY 2023 Administrative and Consultant Fee Schedules
- 6) Ratify the Purchasing Card Activity for the quarter ended March 31, 2022
- 7) Approve the Internal Audit Report

Lisa Hopkins moved that the Board accept the Audit Committee Report. Dave Hardy seconded. Motion carried unanimously.

b. Investment Committee

Dave Hardy, Committee Chair, presented the Investment Committee Report. The Investment Committee met on Thursday, April 28, 2022. Actions taken were to:

- 1) Approve the January 27, 2022, Investment Committee Minutes
- 2) Accept the quarter ended March 31, 2022, Loan Pool Report
- 3) Accept the Sterling Capital Due Diligence Report
- 4) Approve the modification to the investment guidelines for the WV Short Term Bond Pool contained in the Investment Policy Statement to increase the effective duration band from +/-20 percent of the effective duration of the benchmark index to +/- 30 percent.
- 5) Accept the UBS Global Asset Management Performance Report
- 6) Accept the Investment Consultant Performance Report for the quarter ended March 31, 2022.

Dave Hardy moved that the Board approve the Investment Committee Report. Mark Mangano seconded. Motion carried unanimously.

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

c. **Personnel and Governance Committee**

Steve Bohman as proxy for Riley Moore, Committee Chair, presented the Personnel & Governance Committee Report. The Personnel and Governance Committee met on Thursday, April 28, 2022. Actions taken were to:

1) Approve the Minutes of the January 27, 2022 Board Meeting

Dave Hardy moved that the Board approve the Personnel & Governance Committee Report. Mark Mangano seconded. Motion carried unanimously.

VI. Old Business

There was no old business.

VII. New Business


There was no new business.

VIII. Next Board Meeting - (Tentatively Thursday, August 11, 2022)

IX. Adjourn

There being no further business to bring before the Committee, Dave Hardy moved to adjourn. Mark Mangano seconded. Meeting adjourned at 11:58 a.m.

Approved by: _____


Steve Bohman, proxy for Riley Moore

Minutes approved: _____

8/17/22

(Date)

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

Audit Committee Meeting Minutes Thursday, April 28, 2022

The quarterly Audit Committee meeting of the West Virginia Board of Treasury Investments was held on Thursday, April 28, 2022, in the Treasurer's Conference Room, 315 70th Street, SE, Charleston, West Virginia. Keith Peck recorded the minutes.

ATTENDEES

Board Members Present:

Lisa Hopkins, Committee Chair, via telephone	Dave Hardy
Steve Bohman, proxy for Riley Moore	Mark Mangano, via telephone

BTI/ STO Staff Present:

Denise Baker	Lindsay Marchio
Shana Clay	Keith Peck
Diane Holcomb, via telephone	Karl Shanholtzer
Kara Hughes	

Others Present:

Anoop Bhasin, Department of Revenue, via telephone
Jeff Boucek, Segal Marco Advisors, via telephone
Tom Cameron, UBS Global Asset Management
Jeff Kent, Maher Duessel, via telephone
Alan Peak, Segal Marco Advisors, via telephone
Keith Reynolds, Segal Marco Advisors, via telephone
Rob Sabatino, UBS Global Asset Management, via telephone
Samantha Strejcek, Maher Duessel, via telephone
Brian Strole, UBS Global Asset Management

AGENDA

- I. Call to Order
- II. Roll Call – Declare Quorum
- III. Approval of Minutes of the January 27, 2022 Meeting
- IV. Review and accept the March 31, 2022 Operating Report
- V. Review and approve the Budget to Actual Report for the quarter ended March 31, 2022
- VI. Review and approve the FY 2023 Annual Budget

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

- VII. Review and approve the FY 2023 Administrative and Consultant Fee Schedules
- VIII. Ratify the Purchasing Card Activity for the quarter ended March 31, 2022
- IX. Report from Maher Duessel on the upcoming June 30, 2022 Audit
- X. Review and approve the Internal Audit Report
- XI. Old Business
- XII. New Business
- XIII. Next Board Meeting (Tentatively Thursday, August 11, 2022)
- XIV. Adjourn

MINUTES

I. Call to Order

Lisa Hopkins, Committee Chair, called the Audit Committee meeting to order at 10:09 a.m.

II. Roll Call – Declare Quorum

A silent roll call was taken, and a quorum was declared.

III. Approval of Minutes of the January 27, 2022 Meeting – Tab 3

Mark Mangano moved to approve the January 27, 2022, minutes as printed. Dave Hardy seconded. Motion carried unanimously.

IV. Review and accept the March 31, 2022 Operating Report – Karl – Tab 4

Karl Shanholtzer presented the BTI's Operating Report for March 31, 2022. A copy of the Operating Report is attached and made a part hereof. Total assets under management were a record high of \$8,321,989,000. Year-to-date earnings were (\$13,171,000). Karl attributed this decrease in year-to-date earnings to the decrease in the market value of the Short Term Bond Pool where interest rates rose rapidly over the quarter. Net Assets of the Consolidated Fund increased \$433 million over the quarter ended March 31, 2022. This net increase was composed of increases in the amounts invested in the WV Money Market Pool (\$545 million) and the WV Government Money Market Pool (\$5 million). Offsetting these increases were decreases in the WV Short Term Bond Pool (\$105 million). These decreases were

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

primarily due to the withdrawal of \$60 million dollars by the Department of Environmental Protection and the West Virginia Lottery's withdrawal of their entire balance of \$32 million. Decreases also occurred in the WV Bank Pool (\$10 million), and the State Loan Pool (\$2 million). The remaining pools and accounts were little changed over the quarter.

Kara then explained she was taking a proactive approach to addressing the change in valuation with the Short Term Bond Pool by engaging directly with Mark Muchow from the WV Department of Revenue in conversations regarding performance and the posting of negative returns. Dave Hardy asked which pool the second disbursement of American Rescue Plan dollars would be invested. Kara replied that those dollars would be invested in the WV Money Market Pool. Dave then inquired about the current rate for the WV Money Market Pool which Karl stated was 46 basis points as of Wednesday, April 27, 2022.

Dave Hardy moved to recommend the Board accept the March 31, 2022, Operating Report. Mark Mangano seconded. Motion carried unanimously.

V. Review and approve the Budget to Actual Report for the quarter ended March 31, 2022- Kara - Tab 5

Kara Hughes presented a summary of the Budget to Actual Report for the quarter ended March 31, 2022. A copy of the Budget to Actual Report for the quarter ended March 31, 2022, is attached and made a part hereof. Kara reported that the BTI is under budget for the quarter ended March 31, 2022, by \$719,809.76. All Administrative Expense line items are under budget. All expenses this quarter were normal and recurring expenditures that included payments to the investment advisors, custodian, investment consultant, Bloomberg, and State Street Global (PAM accounting system). The Administrative Operating Budget for FY 2022 totals \$1,485,000. The percentage of the Administrative Operating Budget that has been used year-to-date is 51.53%.

Mark Mangano moved to recommend the Board accept the Budget to Actual Report for the quarter ended March 31, 2022. Dave Hardy seconded. Motion carried unanimously.

VI. Review and approve the FY 2023 Annual Budget – Karl - Tab 6 - Handout

Karl Shanholtzer presented an overview of the FY 2023 Annual Budget. The total Administrative Operating Budget for Fiscal Year 2023 is \$1,485,000. Expenses related to the investment advisors, custodian, Standard & Poor's pool ratings, Bloomberg, and investment consultant are not included in the administrative budget total. These

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

expenses are charged to the Consolidated Fund investment pools directly based upon contract specifications.

The Fiscal Year 2023 budget schedules reflect the expenditure schedule the BTI expects to submit to the WV State Budget Office. The areas that reflect changes from the prior year are salaries and benefits, professional services, computer supplies and equipment, and miscellaneous. Miscellaneous expenses were increased by \$175 for expected increases in postage and freight costs. Salaries and benefits were increased by \$24,825 to account for previous across-the-board payroll increases that were not included in prior budgets. Professional services were increased by \$5,000 for the BTI's share of costs related to implementation of the new records management/retention program for the STO. To cover the increases in these line items, computer supplies and equipment was decreased by \$30,000.

Mark Mangano moved to recommend the Board approve the FY 2023 Annual Budget. Dave Hardy seconded. Motion carried unanimously.

VII. Review and approve the FY 2023 Administrative and Consultant Fee Schedules – Kara - Tab 7

For FY 2023, the BTI is projecting that its trend of keeping expenses under budget will continue. The current projection indicates that expenses will be approximately \$426,000 under budget for the fiscal year. Projected administrative expenses for the year are \$1,058,759 versus the original appropriated budget of \$1,485,000.

The BTI has ended each of the past fifteen fiscal years with an excess cash balance. For FY 2023, the BTI expects to end the year with a cash balance of approximately \$1,417,000. Since the BTI is restricted to spending no more than the budget approved by the legislature, it is staff's recommendation to utilize \$712,000 of the cash balance towards the FY 2023 budget, thus reducing the administrative fee charged to participants. In addition, the Federal Reserve raised the target for the fed funds rate a quarter percentage point in March and is predicted to hike rates at each of the six remaining meetings this calendar year. As such, no Pools in the Consolidated fund will have fees waived for FY 2023.

Consistent with the prior year, BTI staff are recommending consultant fees be allocated across the pools for which the consultant provides services. Although the consultant provides support services for the BTI as a whole, their analysis and reporting efforts are primarily limited to the WV Money Market, WV Government Money Market, WV Short Term Bond, State Loan, and WV Bank Pools. Presented below are the periodic fees to be applied to the pools:

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

A summary of the BTI's recommended fee schedule is as follows:

Administrative Fees for FY 2023

Pool	Annual Fee	Monthly Fee	Daily Fee
WV Money Market Pool	.012500%	.001042%	.000034%
WV Government Money Market Pool	.012500%	.001042%	.000034%
WV Short Term Bond Pool	.012500%	.001042%	.000034%
WV Bank Pool	.012500%	.001042%	.000034%
WV State Loan Pool	.012500%	.001042%	.000034%
School Fund	.012500%	.001042%	.000034%

Consultant Fees for FY 2023

Pool	Annual Fee	Monthly Fee	Daily Fee
WV Money Market Pool	\$111,394.00	\$9,282.83	\$305.19
WV Government Money Market Pool	4,164.00	347.00	11.41
WV Short Term Bond Pool	13,853.00	1,154.42	37.95
WV Bank Pool	1,017.00	84.75	2.79
WV State Loan Pool	2,072.00	172.67	5.68

Steve Bohman moved to recommend the Board approve the FY 2023 Administrative and Consultant Fee schedules. Dave Hardy seconded. Motion carried unanimously.

VIII. Ratify the Purchasing Card Activity for the quarter ended March 31, 2022 – Denise - Tab 8

According to P-card policies and procedures, if a spending unit is a board, a written report of Purchasing Card transactions must be provided to Board members to be approved or ratified at regularly scheduled meetings. Denise Baker provided a summary of the BTI Purchasing Card activity for the quarter ended March 31, 2022. The total amount of P-card transactions for the quarter ended March 31, 2022, was \$3,555.83.

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

Lisa Hopkins abstained from voting since the Auditor's Office administers the Purchasing Card program. Dave Hardy moved to recommend the Board ratify the Purchasing Card activity for the quarter ended March 31, 2022. Mark Mangano seconded. Motion carried unanimously.

IX. Report from Maher Duessel on the upcoming June 30, 2022 Audit – Jeff Kent, Partner, CPA- **Tab 9**

Jeff Kent presented the report from Maher Duessel on the upcoming June 30, 2022, Audit. Jeff's report covered the audit engagement deliverables, the audit approach, and the required communications for the performance of the audit. The audit planning will take place in May 2022 with the preliminary fieldwork conducted in June 2022. Final fieldwork for the audit will take place in July of 2022 and the final reporting and conclusion of the audit will take place between August through November 2022.

There was no Board action necessary for this agenda item.

X. Review and approve the Internal Audit Report – Shana – **Separate Booklet**

Shana Clay presented the Internal Audit Report. Shana updated the BTI on the significant audit activities for the testing completed for the months of January — March 2022. Internal Audit completed the following testing: Interest Income and Amortization Testing, Transaction Testing, Testing of Portfolio Compliance and S&P Surveillance Reports, Review of Month End Trial Balance, Income Distribution Testing, and Daily Cash Management Testing and Cash Monitoring. There were no significant exceptions noted with any of the completed testing. All internal controls, operations, and procedures are being correctly followed. Internal Audit participated in a Due Diligence visit to Sterling Capital in Charlotte, North Carolina on March 23, 2022. Internal Audit has been approved to sit for the Certified Internal Auditor Examination and has scheduled the first part of the exam for June 16, 2022.

Mark Mangano moved to recommend the Board approve the Internal Audit Report. Steve Bohman seconded. Motion carried unanimously.

XI. Old Business

There was no old business.

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

XII. New Business


There was no new business.

XIII. Next Board Meeting (Tentatively Thursday, August 11, 2022)

XIV. Adjourn

There being no further business to bring before the Committee, Dave Hardy moved to adjourn. Steve Bohman seconded. The meeting adjourned at 10:42 a.m.

Approved by: _____


Lisa Hopkins, Chair

Minutes approved: _____


(Date)

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

Investment Committee Meeting Minutes Thursday, April 28, 2022

The quarterly Investment Committee meeting of the West Virginia Board of Treasury Investments was held on Thursday, April 28, 2022, in the Treasurer's Conference Room, 315 70th Street, SE, Charleston, West Virginia. Keith Peck recorded the minutes.

ATTENDEES

Board Members Present:

Dave Hardy, Committee Chair
Steve Bohman, proxy for Riley Moore

Lisa Hopkins, via telephone
Mark Mangano, via telephone

BTI/ STO Staff Present:

Denise Baker
Shana Clay
Diane Holcomb, via telephone
Kara Hughes

Jared Hunt
Lindsay Marchio
Keith Peck
Karl Shanholtzer

Others Present:

Anoop Bhasin, Department of Revenue, via telephone
Jeff Boucek, Segal Marco Advisors, via telephone
Tom Cameron, UBS Global Asset Management
Jeff Kent, Maher Duessel, via telephone
Francois Otieno, Segal Marco Advisors, via telephone
Alan Peak, Segal Marco Advisors, via telephone
Keith Reynolds, Segal Marco Advisors, via telephone
Rob Sabatino, UBS Global Asset Management, via telephone
Samantha Strejcek, Maher Duessel, via telephone
Brian Strole, UBS Global Asset Management

AGENDA

- I. Call to Order
- II. Roll Call – Declare Quorum
- III. Approval of Minutes of the January 27, 2022 Board Meeting
- IV. Review and approve the Loan Pool Report
- V. Update on Legislation
- VI. Review and approve the Contracts report and take action if necessary

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

- VII. Report on Sterling Capital Due Diligence and take corrective action if necessary
- VIII. Review and approve Investment Policy update
- IX. Report on UBS Global Asset Management Performance and take corrective action if necessary
- X. Review Investment Consultant Report and take corrective action if necessary - Quarter Ended March 31, 2022
- XI. Old Business
- XII. New Business
- XIII. Next Board Meeting (Tentatively Thursday, August 11, 2022)
- XIV. Adjourn

MINUTES

I. Call to Order

Dave Hardy, Committee Chair, called the Investment Committee meeting to order at 10:43 a.m.

II. Roll Call – Declare Quorum

A silent roll call was taken, and a quorum declared.

III. Approval of Minutes of the January 27, 2022 Board Meeting – Tab 10

Lisa Hopkins moved to approve the January 27, 2022, minutes as printed. Mark Mangano seconded. Motion carried unanimously.

IV. Review and approve the Loan Pool Report – Denise – Tab 11

Denise Baker provided an overview of the Loan Pool Report as of March 31, 2022. Denise reported the Net Asset Value of the State Loan Pool as of March 31, 2022, as follows:

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

<u>Type</u>	<u>Net Asset Value</u>
WVEDA Revolving Loan	\$107,693,557.35
WVEDA Revolving Broadband Loan	\$9,685,644.96
Dreyfus Government Cash Management	<u>\$51,360.41</u>
Total	\$117,430,562.72

As of March 31, 2022, there were 62 loans in the WVEDA Revolving Loan program. The portfolio review shows 95.65% of the loans in good standing, and the remaining 4.35%, in various delinquent periods. There was one new draw for the quarter.

01/12/2022 Eastern WV Regional Airport Authority Martinsburg, WV \$800,000.00

As of March 31, 2022, the WVEDA Revolving Broadband Loan program held three loan commitments in Traditional Broadband Loan Insurance (BLINS) projects and four loan commitments in Rural Digital Opportunity Fund (RDOF) BLINS projects. As of March 31, 2022, the EDA had submitted "Notice of Intent" memos totaling \$44,086,969.48. There was one draw for the quarter.

01/03/2022 MicroLogic Inc RDOF \$1,003,605.00

Kara stated she contacted Caren Wilcher for the status of the delinquent borrowers in the Revolving Loan Program. As of March 31, 2022, there were three borrowers in past due status, including Maple Mfg, LLC dba Maple Ind., LLC, River Expeditions, Inc., and Summit Point Ventures, LLC. One borrower, Vertex Non-Profit Holdings, Inc., has the status of the WVEDA loan receivable as the outstanding principal balance. Dave Hardy asked for further clarification about the status of Vertex Non-Profit Holdings, Inc. Kara stated that the borrower maintains the I-79 Technology Park Research Center in Fairmont, WV and further explained the financial status in detail. Steve Bohman moved to recommend the Board accept the quarter ended March 31, 2022, Loan Pool Report. Lisa Hopkins seconded. Motion carried unanimously.

— WEST VIRGINIA —

BOARD OF TREASURY INVESTMENTS

V. Update on Legislation – Kara – Tab 12

Kara Hughes presented an informational update on the 2022 Legislative Session. Kara stated that the Consolidated Fund was affected by SB 2001 which passed in the 2022 Second Extraordinary Session. Kara further explained that SB 2001 accomplished two things: it terminated the BTI's Revolving Loan program made to the EDA and subsequently created a BTI Revolving Loan Program to the Department of Transportation ("DOT"). The bill terminated the EDA Revolving Loan Program by providing a one-time appropriation from FY 2022 revenue surplus. SB 2001 requires EDA to pay the BTI the entire outstanding balance of the Revolving Loan Program within 30 days of receiving revenue surplus.

Kara also explained that SB 2001 requires the BTI to make available to the DOT a revolving loan up to \$200M from the Consolidated fund. The loan is to be short term in nature and is to be reimbursed by the federal government pursuant to the Infrastructure Investment and Jobs Act. SB 2001 is effective upon passage.

There was no Board action necessary for this agenda item.

VI. Review and approve the Contracts report and take action if necessary – Kara – Tab 13

Kara Hughes presented the Contracts report. Kara explained the three contracts up for renewal and the purpose of the contracts: (1) Arbor Research & Trading, LLC, (2) Bloomberg, and (3) Federated Hermes, Inc.

Steve Bohman moved to recommend the Board accept the Contracts report. Mark Mangano seconded. Motion carried unanimously.

VII. Report on Sterling Capital Due Diligence and take corrective action if necessary – Kara – Tab 14

Prior to the presentation of this report on Sterling Capital Due Diligence, UBS financial advisors were recused from the meeting for the duration of the report. Francois Otieno with Segal Marco Advisors provided a report on Sterling Capital Due Diligence. The key observations from the report are summarized as follows:

- While there has been a recent ownership change, Segal Marco Advisors (Segal) likes the fact that Sterling will continue to operate independently with minimal impact on the team and the investment process. In addition, Segal favors the fact

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

that Short Term bond strategies by far represent the majority of the firm's fixed income assets.

- Pete Brown and Alex Harshberger serve as the lead and back-up portfolio managers, respectively, on the West Virginia BTI portfolio. While Brown assumed the leadership of the portfolio in 2018, he is a talented portfolio manager with deep fundamental credit research background and a veteran of the Sterling's fixed income team. To that end, Brown brings significant institutional knowledge to the relationship which Segal thinks is valuable. Harshberger complements Brown in that she adds a quantitative perspective to the portfolio management process given her actuarial background.
- The West Virginia Short Term Strategy takes a risk-controlled approach while maintaining flexibility around portfolio duration (plus/minus 20% of the Index) to guard against unforeseen macro events or uncertain market environments. Segal is also supportive of expanding the duration band to plus/ minus 30% of the index for some additional flexibility. As such, Segal sees the Strategy as most appropriate for an investor seeking a diversified short duration fixed income mandate that will effectively protect on the downside in depressed environments, while capturing more of the upside than peers in growth scenarios.
- The investment process—which combines top-down and bottom-up—has been sound and consistently executed for many years in spite of the firm's ownership change, a true testament to the firm's cohesive team and culture. In Segal's view, Sterling has maintained a strong focus on continuity and preserved a risk-controlled approach to managing the Strategy.
- In Segal's opinion, Sterling employs ample operational and compliance capabilities. Having employees be required to undergo training on an annual basis, along with the constant oversight from the six-person compliance department, promotes regulatory adherence.
- The Strategy has been successful in exceeding the return of the benchmark by an average of 20 to 30 basis points over the past three years. Key performance drivers included duration and yield curve positioning as well as sector allocation and security selection. Unlike many Short-Term Strategies managed by competitors, Segal likes the fact that this strategy generates its returns from a variety of sources.
- Management fees for the West Virginia BTI separately managed Short-Term portfolio are very attractive relative to the peer group. Additionally, the fees are well below Sterling's standard fee schedule, which Segal views favorably.

Kara Hughes concurred with Francois' report.

Steve Bohman moved to recommend the Board accept the Sterling Capital Due Diligence Report. Mark Mangano seconded. Motion carried unanimously.

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

VIII. Review and approve Investment Policy update – Karl – Tab 15

Karl Shanholtzer provided a summary of the Investment Policy update involving an investment policy modification of the WV Short Term Bond Pool duration band. Karl stated the current investment guidelines for the WV Short Term Bond Pool require the portfolio manager to maintain the portfolio effective duration within +/-20 percent of the benchmark duration. Karl further explained that during the recent due diligence meeting with Sterling Capital, the BTI discussed the current duration restrictions in the investment guidelines for the pool and whether Sterling believed the restrictions were in line with standard practice. According to Sterling, the firm typically uses a duration band of +/-30 percent of a portfolio's benchmark. Based on these discussions, staff believe it would be prudent to modify the current investment guidelines to incorporate the wider effective duration band. Accordingly, the BTI recommended the following change to the WV Short Term Bond Pool investment guidelines:

- Increase effective duration band from +/-20 percent of the effective duration of the benchmark index to +/-30 percent.

Dave Hardy asked whether the duration band of +/-20 or +/-30 was more common. Karl replied that the duration band of +/-30 was more common. Dave Hardy then asked Kara if she agreed with the recommendation of increasing the effective duration band to +/-30. Kara agreed with the recommended increase. Mark Mangano asked in what environments, given the increase in volatility, would this be a detrimental policy change. Francois Otieno responded to this question by explaining that Sterling will make duration band shifts incrementally as opposed to a rapid shift, so this would limit the overall risks of the increase. Karl added that this change would provide marginal flexibility to the portfolio manager.

Mark Mangano moved to recommend the Board approve the modification to the investment guidelines for the WV Short Term Bond Pool contained in the *Investment Policy Statement* to increase the effective duration band from +/- 20 percent of the effective duration of the benchmark index to +/-30 percent. Steve Bohman seconded. Motion carried unanimously.

IX. Report on UBS Global Asset Management Performance and take corrective action if necessary – Tom Cameron – Tab 16

Tom Cameron with UBS Global asset Management provided an overview of the firm's business structure. Brian Strole and Robert Sabatino presented a general market review

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

and outlook, WVBTI Government Money Market Pool Portfolio Review, and a WVBTI Money Market Pool Portfolio Review.

Steve Bohman moved to recommend the Board accept the UBS Global Asset Management Performance Report. Mark Mangano seconded. Motion carried unanimously.

X. Review Investment Consultant Report and take corrective action if necessary - Quarter Ended March 31, 2022 – Jeff Boucek – Segal Marco Advisors - Tab 17

Jeff Boucek presented a market analysis of the current market environment. Keith Reynolds presented a summary of assets and their performance for the quarter ended March 31, 2022. As of March 31, 2022, total assets in the West Virginia Board of Treasury Investments Portfolio totaled \$8.1 billion. Assets in the Money Market Pool increased \$543.3 million during the quarter. The Government Money Market Pool increased \$5.1 million. Short-Term Bond Pool assets decreased \$105.0 million and the CD pool decreased \$10.1 million. The West Virginia Money Market Pool led the return of the benchmark index by 1 basis point for the quarter. Longer-term results also have the fund ahead of its benchmark for the 1, 3, and 5 year periods ending March 31st. The West Virginia Government Money Market Pool slightly outpaced the benchmark during the quarter. The pool trailed its benchmark over the 1-year period, but led the benchmark over the 3 and 5 year periods ending March 31st. The West Virginia Short Term bond Pool outperformed its benchmark index by 38 basis points for the quarter. Longer term results for the pool were above-benchmark for the 1 and 3 year periods ending March 31st. The West Virginia Bank Pool outperformed its benchmark index by 5 basis points for the quarter. It led the benchmark for the 1, 3, and 5 year periods ending March 31st. As of March 31, 2022, there were no securities in the portfolios that do not meet the minimum credit quality restrictions contained in the Investment Policy Statement.

Steve Bohman moved to recommend the Board accept the Investment Consultant Performance Report for the quarter ended March 31, 2022. Mark Mangano seconded. Motion carried unanimously.

XI. Old Business

There was no old business.

XII. New Business

There was no new business.

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

XIII. Next Board Meeting (Tentatively Thursday, August 11, 2022)

XIV. Adjourn

There being no further business to bring before the Committee, Steve Bohman moved to adjourn. Mark Mangano seconded. The meeting adjourned at 11:55 a.m.

Approved by: _____


Dave Hardy, Chair

Minutes approved: _____


(Date)

— WEST VIRGINIA —
**BOARD OF TREASURY
INVESTMENTS**

**Personnel & Governance Committee Meeting Minutes
Thursday, April 28, 2022**

The quarterly Personnel & Governance Committee meeting of the West Virginia Board of Treasury Investments was held on Thursday, April 28, 2022, in the Treasurer's Conference Room, 315 70th Street, SE, Charleston, West Virginia. Keith Peck recorded the minutes.

ATTENDEES

Board Members Present:

Steve Bohman, proxy for Riley Moore
Dave Hardy

Lisa Hopkins, Committee Chair, via telephone
Mark Mangano, via telephone

BTI/ STO Staff Present:

Denise Baker
Shana Clay
Kara Hughes

Lindsay Marchio
Keith Peck
Karl Shanholtzer

Others Present:

Anoop Bhasin, Department of Revenue, via telephone
Jeff Boucek, Segal Marco Advisors, via telephone
Tom Cameron, UBS Global Asset Management
Jeff Kent, Maher Duessel, via telephone
Alan Peak, Segal Marco Advisors, via telephone
Keith Reynolds, Segal Marco Advisors, via telephone
Rob Sabatino, UBS Global Asset Management, via telephone
Samantha Strejcek, Maher Duessel, via telephone
Brian Strole, UBS Global Asset Management

AGENDA

- I. Call to Order
- II. Roll Call – Declare Quorum
- III. Approval of Minutes of the January 27, 2022 Board Meeting
- IV. Old Business
- V. New Business
- VI. Next Board Meeting – (Tentatively Thursday, August 11, 2022)
- VII. Adjourn

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

MINUTES

I. Call to Order

Steve Bohman as proxy for Riley Moore, Committee Chair, called the meeting to order at 11:57 a.m.

II. Roll Call – Declare Quorum

A silent roll call was taken, and a quorum declared.

III. Approval of Minutes of the January 27, 2022 Board Meeting – Tab 18

Dave Hardy moved to approve the January 27, 2022, Personnel and Governance Committee Minutes as printed. Mark Mangano seconded. Motion carried unanimously.

IV. Old Business

Kara Hughes stated she would be sending out a reminder email to Board members who have not yet submitted their evaluations.

V. New Business

There was no new business.

VI. Next Board Meeting – (Tentatively Thursday, August 11, 2022)

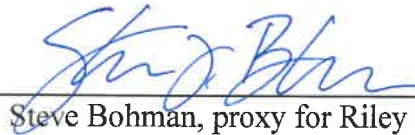
WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

VII. Adjourn

There being no further business to bring before the Committee, Dave Hardy moved to adjourn. Mark Mangano seconded. The meeting adjourned at 11:58 a.m.

Approved by:



Steve Bohman, proxy for Riley Moore

Minutes approved:

8 / 17 / 22

(Date)