



**MINUTES FROM THE MEETING OF
THE CASH MANAGEMENT POLICY BOARD
FEBRUARY 5, 2016**

A Telephonic meeting of the Cash Management Policy Board was held February 5, 2016 at 10:00 AM
Public met in the Office of the State Treasurer
Located at 820 Silver Lake Boulevard, Dover, DE 19904

Board Members in Attendance:

Mr. John Flynn, Chairman (Telephonically)
Mr. Warren Engle, Chair, Banking Subcommittee (Telephonically)
Ms. Lynda Messick (Telephonically)
The Honorable Ken Simplier, State Treasurer
Mr. Dave Marvin, Chair, Investment Subcommittee (Telephonically)

Board Members Not in Attendance:

The Honorable Jeff Bullock, Secretary of State
The Honorable Tom Cook, Secretary of Finance
Mr. Michael Morton, Controller General
Mr. Mike Karia, Co-Chair, Investment Subcommittee

Others in Attendance:

Ms. Laura Gerard, Deputy Attorney General, OST Counsel (Telephonically)
Mr. Frank Broujos, (Telephonically)
Mr. Steve McVay, Director of Finance & Investment Services, Office of the State Treasurer
Mr. James DiDonato, Office of the State Treasurer
Ms. Martha Sturtevant, Executive Assistant to the State Treasurer
Mr. Kevin Leonard, Partner, NEPC
John Krimmel, Partner, NEPC

CALLED TO ORDER

Mr. Flynn called the meeting to order at 10:00 AM.

APPROVAL OF MINUTES

A MOTION was made by Ms. Messick seconded by Mr. Engle to approve the minutes from the meeting of the Cash Management Policy Board on November 12, 2015.
MOTION ADOPTED UNANIMOUSLY.

A MOTION was made by Ms. Messick seconded by Mr. Engle to approve the minutes from the Executive Session of the Cash Management Policy Board on November 12, 2015.
MOTION ADOPTED UNANIMOUSLY.

NEPC INTRODUCTION

Mr. Krimmel and Mr. Leonard representing NEPC presented to the Board their plan for the upcoming year.

Mr. Krimmel stated NEPC has reviewed the original and draft revision of the Investment Guidelines and would be making recommendations on best practices they would like to suggest be adopted. He added that NEPC would review asset allocation and cash flow, custodial services and a full architecture review.

Mr. Leonard then reviewed NEPC plans for an upcoming RFP. Mr. Flynn asked to review timeline and quarterly schedule. Mr. Krimmel said the investment policy and governance documents would be available for review with the Investment Sub-Committee and for vote before the May Board meeting. He said architectural review benchmarks would be available before the August meeting.

INVESTMENT SUB-COMMITTEE

PERFORMANCE REVIEW

Mr. Krimmel said NEPC was in the process of gathering data to design a comprehensive quarterly report, but was able to present to the Board a flash report.

Mr. Krimmel said liquidity/reserve reflect negative returns as a result of the last quarter and early first quarter and noted declining oil prices and credit spreads had widened. He said reserve managers did well in a negative environment.

In the Endowment Fund, he added managers were also managing well as compared to the benchmark, 60% MCSI World Index. Mr. Krimmel said NEPC would better understand the performance once they have all the data loaded and reconciled with custodial records. Mr. Marvin said analytics would be difficult in the last few months and added more meaningful differentiation in returns would come from the 3 and 5 year numbers.

QUARTERLY PERFORMANCE REPORTING

Mr. Simpler asked the Board what they would like to see in the new reports. Mr. Marvin asked Mr. Leonard to provide recommendations for the report to the Investment Subcommittee.

Mr. Marvin discussed price controls and noted historical patterns of the 1950's and projected interests rates would rise marginally. He provided his long-term view of the portfolio. He noted safety and security of investments was the priority for the state's portfolio.

RFP CUSTODY SERVICES

Mr. McVay reviewed the upcoming RFP and asked the Board for any concerns. Mr. Leonard reviewed the timing of a transition. Mr. Simpler asked Mr. Flynn for his thoughts regarding the timing and the RFP selection committee. Mr. Flynn suggested the Investment Subcommittee act as the selection committee and that recommendations could be presented at a special telephonic meeting between the scheduled August and November Board meetings.

EXTENTION OF INVESTMENT MANAGER CONTRACTS

Mr. McVay recommended extending the nine contracts of the fixed income managers to allow time for NEPC to evaluate the architecture of manager lineup. He noted he had spoken to Mr. Morton, Mr. Cook and Mr. Bullock. He noted Mr. Morton and Mr. Bullock were comfortable with the Board acting in their absence.

A MOTION was made by Mr. Marvin and seconded by Mr. Engle to extend the nine fixed income contracts to May 15, 2017.

MOTION ADOPTED UNANIMOUSLY.

BANKING SUBCOMMITTEE

MERCHANT SERVICES & DIRECT DEPOSIT RFP UPDATE

Mr. Engle said the RFP would be ready by the end of the month and the Direct Deposit RFP is currently under review by the Department of Technology and Information.

Mr. Flynn asked about having the option for a single vendor processing both merchant and direct deposit services and if vendors might bid on both scenarios. Mr. DiDonato indicated no, and that the RFPs were for stand-alone services.

EPX UPDATE

Mr. Engle noted that Bancorp announced its earnings and EPX had been providing performance reports voluntarily, but would no longer be doing so. Therefore, Mr. Engle said it would be incorporated into the RFP that privately held entities would need to agree to provide quarterly reports.

OLD BUSINESS

Mr. Simpler noted the Morgan Stanley Land and Water fund was out of compliance (current non-domestic equity exceeds allocation limit) and suggested NEPC provide feedback. Mr. Krimmel indicated mutual funds can move out of compliance and it could be addressed in the Investment Policy Statement and would be addressed in the policy review. Mr. Flynn requested it be ready for Board discussion by August.

NEW BUSINESS

FUTURE MEETINGS

Mr. Flynn reviewed the proposed calendar. No noted conflicts by the Board members present.

PUBLIC COMMENTS

No public present for comment.

ADJOURNMENT

A MOTION was made by Mr. Flynn to adjourn the meeting at 10:54 AM.

MOTION ADOPTED UNANIMOUSLY.

Respectfully submitted,

John Flynn
Chairman, Cash Management Policy Board