



## MEMORANDUM

To: Plans Management Board Members  
From: John Meyer, Director of Contributions and Plan Management  
Sent: December 8, 2020  
Subject: **December Meeting- Committee Reports, Discussions and Action Items**

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The Plans Management Board (“Board”) will meet on December 8, 2020. The Board will receive reports from the Audit and Governance Committee (“AGC”), the Investment Committee (“IC”) and updates from the Office of State Treasurer (“OST”). The AGC assembled virtually on November 10, 2020. The AGC received updates on an audit report item regarding participant uncashed checks, the annual Morningstar rating of 529 plans, the draft outline of the vendor management policy, and discussed the status of the recordkeeper agreement for the deferred compensation plans. The IC convened virtually on November 17, 2020. In addition to the quarterly investment reports presented by Cammack, the IC discussed the draft investment policy statement for the college investment plans and reviewed proposed changes to the Investment Management Agreement with Fidelity. The committees and OST will present the following items to Board:

### **Morningstar 529 Plan Rating**

In October 2020, the rating agency Morningstar published the firm’s annual ratings of 529 plans. Morningstar changed the rating criteria, which resulted in numerous plans being downgraded and some plans being upgraded. The Delaware plan and Fidelity’s three other state plans were downgraded back to Bronze (after being upgraded to Silver in 2019). The primary reason for the Fidelity downgrades relates to pricing. There was a positive development for Delaware in terms of ratings related to fiduciary oversight, primarily due to the retention of Cammack as the consultant for the plan. More information is available [here](#).

**Action Item:** No Board action required.

### **2020 Board Meeting Calendar**

The Board and committee schedule for 2021 is posted [here](#). OST will circulate calendar invites to members.

**Action Item:** No Board action required.

### **Deferred Compensation Plans RFP and Recordkeeper Contract Extension**

The AGC discussed the recordkeeper contract with Voya for the deferred compensation plans. In March 2020, the Board approved the final one-year extension remaining on the initial agreement with Voya. The decision to extend the contract was based on positive performance from Voya over the initial term. The extension is set to expire in May 2021. The AGC discussed a consensual extension through December 31, 2021 to allow for a comprehensive RFP to be issued for the program. The AGC discussed the future staggering of contract expirations for the deferred compensation and college investment plans to allow for adequate time for issuing future RFPs for both programs. The AGC approved a recommendation that the Board extend the current Voya contract through December 31, 2021, contingent upon an opinion of the Deputy Attorney General that the extension is permissible under the procurement code. OST has since received a favorable opinion regarding the extension.

**Action Item:** Motion to extend the current Voya contract through December 31, 2021.

### **Recommendations Regarding College Plan Investment Policy Statement (“IPS”)**

The IC, in consultation with Cammack and the Deputy Attorney General, developed an IPS for the college investment plan. The IPS memorializes the investment philosophy of the Board as it relates to the plans and establishes rules, criteria and process for investment-related decisions. The IPS will guide decision-making related to the selection, monitoring, and removal of investment options. At the November meeting, the IC discussed the IPS and addressed questions as to whether a fund’s underlying assets would be reviewed and monitored. Changes have been made to clarify that the underlying assets will be subject to review. The [IPS](#), as revised, is presented to the Board for approval.

**Action Item:** Motion to approve the IPS for the college investment plan.

### **Revised Investment Management Agreement (“IMA”) for the College Investment Plan**

Fidelity is proposing to lower (from .1% to .08%) the program management fee for the age-based blend portfolios. This change requires a revision to Schedule B of the IMA and will be effective in March 2021. The IC recommends approval of this change to the IMA.

**Action Item:** Motion to approve revised IMA.

### **2020 Plan Budget Update**

In March 2020, the Board approve the administrative budget for the deferred compensation and college investment plans. Through November 2020, the plans have operated within budget parameters. More information on the budget versus actuals can be found [here](#).

**Action Item:** No Board action required.