



**MINUTES FROM THE INVESTMENT COMMITTEE  
OF THE PLANS MANAGEMENT BOARD  
November 17, 2020**

A meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on November 17, 2020, commencing at 10:00 a.m. Pursuant to Governor Carney’s Emergency Orders relating to the Covid-19 pandemic, the meeting was held telephonically, without a physical location. Members of the public were able to participate using the provided dial-in information.

Committee Members Represented or in Attendance:

Mr. Alan Colberg, Committee Chair

Mr. Robert Scoglietti, Director of Policy and External Affairs, Office of Management and Budget (on behalf of Mr. Michael Jackson, Director of Office of Management and Budget)

The Honorable Colleen C. Davis, State Treasurer

Mr. Sean McNeeley, Director of Bond Finance (on behalf of Secretary Rick Geisenberger, Secretary of Finance)

Mr. Todd Roselle, Committee Member

Mr. David Biddle, Committee Member

Others in Attendance:

Ms. Liza Davis, Deputy State Treasurer, Office of the State Treasurer (“OST”)

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice

Mr. John Meyer, Director of Contributions and Plans Management, OST

Mr. Daniel Madrid, Chief Operating Officer, OST

Mr. Mike Green, Investments and Operations Manager, OST

Mr. Dan Kimmel, Promotion and Outreach Manager, OST

Ms. Deborah Bradl, Executive Assistant, OST

Mr. Jordan Seemans, Director of Policy and Communications, OST

Mr. Earle Allen, Partner, Cammack Retirement Group (“Cammack”)

Mr. James Duffy, Research Associate, Cammack

Ms. Denise Burns, Vice President, Cammack

Mr. Rob Peel, Account Manager, Cammack

Ms. Heather Zakian-Institutional Portfolio Manager, Fidelity Investments, Inc. (“Fidelity”)

Mr. Roger Morrissette, Director, Retirement and Income Solutions, Fidelity

Mr. Dan Terio, Vice President, Investment Product, Fidelity

Ms. Jessica Bialas, Director, Investment Product, Fidelity

Ms. Melissa Ridolfi, VP College and Retirement Leadership, Fidelity

Ms. Lindsay Saienni, Reporter, Financial Investment News

**CALL TO ORDER**

The meeting was called to order at 10:06 a.m.

## **APPROVAL OF MINUTES**

**A MOTION was made by Mr. Scoglietti and seconded by Treasurer Davis to approve the minutes from the Committee meeting on August 18, 2020.**

**MOTION ADOPTED UNANIMOUSLY**

## **INTRODUCTIONS**

Mr. Meyer informed the Committee that Mr. Porter Schutt and Mr. Jose Echeverri have resigned from the Committee. Mr. Meyer welcomed Mr. Dave Biddle to the Committee. The Board approved Mr. Biddle's nomination to the Committee in September.

## **PRESENTATIONS**

### *Investment Performance on Deferred Compensation Plans – Cammack*

Mr. Allen reviewed the primary performance metrics for the deferred compensation plans. As of September 30, 2020, assets in the plans totaled approximately \$961.7 million, reflecting a quarterly increase of approximately \$56.2 million, a 6.2 percent change. Contributions to the plans for the quarter were approximately \$17.7 million. Mr. Allen indicated that the average weighted expense ratio of the funds was 0.32 percent, which is .04 percent less than the average NAGDCA survey result of similar sized plans.

Mr. Allen reviewed the different tiers of funds within the plans. As of September 30, 2020, Tier 1 held approximately 73 percent of the total assets (\$703.6 million). Eighty-nine percent of unique participants are invested in target date funds. Tier 1 received nearly 73 percent (\$13.0 million) of all new contributions in the third quarter. Most of the target date series vintages ranked in the top quartile for averaged annualized returns for the 3-, 5-, and 10-year performance periods. As of September 30, 2020, Tier 2 held approximately \$231.2 million, or 24 percent of total assets. Mr. Allen stated that Tier 2 received approximately 27 percent (\$4.7 million) of new contributions made during the third quarter. Tier 3 held approximately \$26.8 million, representing three percent of total assets as of September 30, 2020.

Ms. Burns reviewed the investment highlights and provided analysis of the investment options, noting initially that the S&P 500 had a strong third quarter. Performance in the bond market was positive across all sectors of the fixed-income markets during the third quarter. Ms. Burns reviewed the Voya Fixed Plus Account III. The crediting rate as of September 30, 2020 was 1.35%. Ms. Burns reviewed the Vanguard Federal Money Market Investor fund. Vanguard saw positive returns with a yield of five basis points. Ms. Burns stated the Templeton Global Bond R6 fund is pending removal on November 18, 2020.

Ms. Burns next reviewed the JP Morgan US Small Company R6 fund. Ms. Burns stated that, year-to-date, this fund is doing well versus the benchmark and peers.

Finally, Ms. Burns discussed the PIMCO Total Return Institutional fund. Ms. Burns noted that, during the February 2020 meeting, Cammack discussed potentially placing this fund on watch due to a manager change. Ms. Burns noted the Board decided not to place the fund on watch at that time. Ms. Burns recommended that the fund not be put on watch at this time.

Ms. Burns reviewed the investment analysis regarding American Funds Target Date Retirement fund. This fund has a “glide path within a glide path” approach and uses fixed income to help participants balance the dual goals of building and preserving wealth while effectively managing market and longevity risks.

Mr. Allen reviewed the self-directed brokerage option with the Committee. Mr. Allen stated allocations to this option increased by approximately \$7.3 million, which was an increase of .5 percent as of September 30, 2020. This accounted for approximately 2.8% of total assets in the State of Delaware Deferred Compensation Plans

Finally, Ms. Burns reviewed the asset allocation structure with the Committee. The current investment options for Tier I, Tier II and Tier III are consistent with most retirement plans. Ms. Burns also stated that the current architecture is sufficient for diversification.

#### *Investment Performance on College Investment Plan – Cammack*

Mr. Duffy reviewed third quarter plan performance for the 529 plan. Third quarter plan assets as of September 30, 2020 were approximately \$688.3 million, with approximately 74 percent of assets (\$510.4 million) in the age-based option and approximately 26 percent of assets (\$177.9 million) allocated to static portfolios.

Mr. Duffy updated the Committee on the level of growth for the blend age-based option, which hold. This option \$3.6 million as of September 30, 2020. Mr. Duffy stated the active age-based category holds the majority of assets.

Mr. Duffy noted that all age-based options and all age bands outperformed their benchmark for the quarter. Mr. Duffy also noted that all age-based options have been repositioned within the moderate-high equity risk peer group.

Mr. Duffy commented that, relative to asset allocation, Fidelity remains ahead of peers in terms of progressive glidepath construction. Performance [of what] has been strong for the quarter. Finally, Mr. Duffy noted that Morningstar has a new methodology in rating 529 plans. He stated that Morningstar is placing more emphasis on fees over performance, which could continue to affect the rating of the State’s plan.

## **DISCUSSION AND ACTION ITEMS**

### *Watch List Recommendations*

Mr. Meyer reported that there are no watch list recommendations for the quarter.

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

Mr. Meyer presented the IPS draft to the Committee. Mr. Meyer thanked the Committee for their feedback. The Committee discussed the IPS document. Mr. Biddle had questions about § VI – specifically, whether the underlying assets would be reviewed and monitored. Mr. Staib suggested further discussion with Cammack to clarify this section. Mr. Colberg suggested changes regarding the language in this section as well. Mr. Meyer stated that he will discuss with Cammack and Mr. Staib and share a revised draft with the Committee Chair prior to the Board meeting.

**A MOTION was made by Mr. Scoglietti and seconded by Mr. Biddle to recommend that the Board adopt the College IPS, subject to changes discussed by the Committee.  
MOTION ADOPTED UNANIMOUSLY**

[Treasurer Davis left the meeting]

*Recommendation Regarding Changes to the College Plan Investment Management Agreement*

Mr. Meyer led a discussion regarding changes to the Fidelity Investment Management Agreement. In 2021, Fidelity will be reducing its program management fee for the blend options. The Investment Management Agreement will be revised and presented at the December Board meeting.

**A MOTION was made by Mr. Biddle and seconded by Mr. Roselle to recommend that the Board adopt the changes to the Fidelity Investment Management Agreement  
MOTION ADOPTED UNANIMOUSLY**

*Report Regarding RFPs and Contract Extensions*

Mr. Meyer reported that the Audit and Governance Committee had recommend to the Board that it extend the current Voya recordkeeping contract through December 31, 2021, contingent upon an opinion of the Deputy Attorney General that the extension is permissible under the procurement code.

**PUBLIC COMMENTS**

No members of the public made a comment.

**NEXT MEETING**

The next meeting of the Board is scheduled for December 8, 2020.

The next meeting of the Committee is scheduled for February 16, 2021.

**ADJOURNMENT**

**A MOTION was made by Mr. Colberg and seconded by Mr. Scoglietti to adjourn the meeting at 11:34 a.m.**

**MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

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Alan Colberg  
Chair for the Investment Committee