



**MINUTES FROM THE INVESTMENT COMMITTEE
OF THE PLANS MANAGEMENT BOARD
NOVEMBER 20, 2018**

A meeting of the Investment Committee (the "Committee") of the Plans Management Board (the "Board") was held on November 20, 2018, 10:00 a.m., at the Blue Ball Barn Conference Center, located at 1914 W. Park Drive, Wilmington, Delaware 19803.

Committee Members Represented or in Attendance:

Mr. Alan Colberg, Committee Chair
Mr. Todd Roselle, Committee Member
Mr. Porter Schutt, Committee Member
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)
Ms. Stephanie Scola, Director of Bond Finance, Department of Finance (on behalf of Mr. Richard Geisenberger, Secretary of Finance)
The Honorable Kenneth Simpler, State Treasurer
Mr. Jose Echeverri, Committee Member

Committee Members Not Represented or in Attendance:

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. John Meyer, Director of Contributions and Plans Management, Office of the State Treasurer ("OST")
Mr. Mike Green, Investments and Operations Manager, OST
Mr. Dan Kimmel, Promotion and Outreach Manager, OST
Ms. Susan Steward, Economic Policy Advisor, OST
Mr. Earle Allen, Partner, Cammack Retirement Group ("Cammack")
Ms. Denise Burns, Vice President, Head of Investments, Cammack
Ms. Marie Villeneuve, Consultant, Cammack
Mr. Andrew Dierdorf, Portfolio Manager, Fidelity Investments ("Fidelity")
Ms. Melissa Ridolfi, Vice President of Retirement and College Products, Fidelity
Mr. Justin Rozzero, Director-529 Product and Relationship Manager, Fidelity
Mr. Roger Morrisette, Retirement and College Leadership Squad Member, Fidelity
Mr. Peter Walsh, Institutional Portfolio Manager for 529 Plans, Fidelity
Mr. Michael Butler, Public Member

CALLED TO ORDER

The meeting was called to order at 10:01 a.m.

APPROVAL OF MINUTES

A MOTION was made by Mr. Roselle and seconded by Mr. Porter to approve the minutes from the Committee meeting on August 21, 2018.

MOTION ADOPTED UNANIMOUSLY

PRESENTATIONS

College Investment Plan – Fidelity Investments

Mr. Morrissette reviewed third quarter performance for Delaware’s College Investment Plan. Mr. Dierdorf provided additional detail regarding third quarter performance of the age-based and static portfolios. These two portfolios comprise approximately 91 percent of total plan assets, or \$604 million as of September 30, 2018. In reviewing the assets, Mr. Dierdorf commented that one-third of plan beneficiaries are at college-age and receiving disbursements.

Mr. Dierdorf stated that the returns for the Fidelity age-based and static portfolios had positive absolute returns for the third quarter; however, on a relative basis the portfolios did underperform the benchmark for the 3-month, 1-, 3-, and 5-year periods. Underperformance was largely attributed to Fidelity being underweight in U.S. equities, a shift motivated by the belief that the U.S. is in a mid- to late-cycle economy. Losses from this strategy were offset by gains attributable to investment grade debt, with overall one-year performance ranging from 1.5 to 10.7 percent.

The Committee inquired about Fidelity’s investment strategy. Mr. Dierdorf explained that Fidelity typically prefers inexpensive assets that are out-of-favor particularly as markets perform strongly. The current position has been more neutral overall, with more favor towards emerging markets than U.S. equities. This positioning has hurt the performance in the short-run, but overall long-term performance continues to remain positive. Finally, Mr. Dierdorf indicated that Morningstar recently announced its annual plan rankings, and that the Delaware plan had retained its “bronze” status.

Deferred Compensation Plan – Cammack Retirement Group

Ms. Villeneuve reviewed the third quarter performance of the deferred compensation plans. Assets in the plan totaled approximately \$792.8 million, reflecting a quarterly increase of \$29.4 million. Quarterly contributions into the plans were approximately \$17.0 million. Ms. Villeneuve indicated that weighted average expense ratio of the funds was 0.35 percent, which is within the average range of 0.31 and 0.45 percent for similar sized plans.

Ms. Burns reviewed the analysis of funds under the Plans with respect to the Investment Policy Statement for the Committee. Cammack addressed the ClearBridge fund, which has been on watch since February. Ms. Burns stated that, while the gap between the fund’s benchmark and performance has narrowed significantly, Cammack recommends that the fund remain on watch until performance improves further

Ms. Burns next discussed the Lazard International Equity fund. Ms. Burns reported that the fund’s 3- and 5-year trailing returns reflect underperformance in 2016 and the first half of 2017. This fund’s underweight exposure to emerging markets, compared to the category peers, has had a negative impact on the performance of the strategy. The fund’s third-quarter performance was below the index’s

performance, as was the fund's year-to-date performance. Cammack expects this fund to perform better going forward, as the strategy is designed to do well in weaker markets.

Ms. Villeneuve provided statistics about Tier One, Tier Two, and Tier Three options, which hold 76.7, 21.1, and 2.2 percent of the assets, respectively. In the third quarter, Tier One participants contributed approximately \$13.4 million, and Tier Two participants added \$3.6 million in assets. As of September 30, 2018, there were approximately \$6.0 million (0.76 percent of total plan assets) invested in the Managed Account feature, representing 304 participant accounts. Tier Three (TD Ameritrade self-directed brokerage option) held approximately \$15.9 million across 365 participant accounts.

(Mr. Porter, Ms. Scola, Mr. Echeverri, and representatives from Cammack left the meeting)

DISCUSSION

Renewal of Cammack Professional Services Contract

Treasurer Simpler discussed the final one-year option and the proposed amendment to add 529 plan consulting services. Treasurer Simpler stated his view that Cammack's performance justifies retaining the firm for another year and recommended the scope of services be expanded to include 529-related services. The Committee and the Board presently have no independent advisor with respect to the 529 plan.

Mr. Colberg queried whether the proposed amendment had procurement implications. Mr. Staib stated that the costs associated with the proposed amendment were under \$50,000 and therefore presented no procurement issues.

A MOTION was made by Mr. Scoglietti and seconded by Mr. Roselle to recommend to the Board that Cammack's consulting contract be extended for one year and amended to require Cammack to provide consulting services for the College Investment Plan.

MOTION ADOPTED UNANIMOUSLY

PUBLIC COMMENTS

No members of the public made a comment.

NEXT MEETING

The next meeting of the Board is scheduled for December 4, 2018.

The next meeting of the Committee is scheduled for February 19, 2019.

ADJOURNMENT

A MOTION was made by Mr. Scoglietti and seconded by Mr. Roselle to adjourn the meeting of the Committee at 12:34 p.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Alan Colberg
Chair for the Investment Committee