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MEMORANDUM

To: Ralph Cetrulo, Chair of Audit and Governance Committee
Alan Colberg, Chair of Investment Committee
Cc: Plans Management Board Members
From: John Meyer, Director of Contributions and Plan Management
Sent: September 4, 2019
Subject: Committee Reports to the Plans Management Board

The Audit and Governance Committee (AGC) held a meeting on August 13, 2019 at the Buena Vista Conference Center. The AGC received updates on the plan audits by external audit firm Belfint Lyons Shuman (BLS). The AGC continued work on the governance manual policy development and reviewed drafts for the Reimbursement Policy and Indemnification Policy. The AGC reviewed a suggested plan amendment drafted by Ice Miller for the 403(b) plan.

The Investment Committee (IC) held a meeting on August 20, 2019 at the Buena Vista Conference Center. Cammack presented on the investment performance of the plans and a watch list fund update on JP Morgan US Small Company. Representatives from American Funds reviewed the target date fund series for the deferred compensation program. The IC discussed the college plan investment management agreement and the scope of services for the investment consultant request for proposal.

The following recommendations and action items are presented for consideration by the Plans Management Board (Board):

AGC Recommendation Regarding Plan Financial Statements

BLS presented the final audit reports and financial statements for the 2018 457(b), 401(a) plan, and the college investment plan. BLS also presented the draft audit reports for the 2016, 2017 403(b) plan and noted that the goal would be to finalize 2016, 2017, 2018 403(b) plan audits by end of year. The AGC accepted the reports and financial statements for the plans. Materials can be viewed [online](#) and physical copies will be available at the Board meeting location.

Action Item: Motion to accept the financial statements for the 2018 457(b) and 401(a) plan audits, and the 2018 College Investment Plan Audit.

AGC Recommendation on Reimbursement Policy and Indemnification Policy

Background: At the September 2018 meeting, the Board approved the outline of the governance manual policies. The AGC continued the development and review of policies. The AGC is recommending that both the Reimbursement Policy and the Indemnification Policy are approved and accepted by the Board.

Board Action Item: Motion to approve and accept the Reimbursement Policy and the Indemnification Policy to be incorporated into the Delaware Plans Management Board Governance Manual.

AGC Recommendation on 403(b) Plan Amendment-Remove Six-month Suspension Contribution Provision

Background: In November of 2018, the US Internal Revenue Service released regulations requiring all 401(k) and 403(b) plans to eliminate the six-month suspension for hardship withdrawals made on and after January 1, 2020, with the option to eliminate the six-month suspension as early as plan years beginning on or after January 1, 2019. The Office of State Treasurer (OST) and the AGC worked with Ice Miller to draft a plan amendment to reflect this change to match the practice that was put in place in January 2019.

Action Item: Motion to approve the 403(b) Plan Amendment involving the removal of the language regarding the six-month suspension contribution provision.

IC Recommendation on the College Investment Plan Investment Management Agreement

Background: In June, the Board approved a recommendation for [investment changes](#) to the Delaware College Investment Plan. At the August meeting, the IC reviewed changes to the investment management agreement. IC recommends to the Board the approval of the College Investment Plan Investment Management Agreement.

Action Item: Motion to approve the College Investment Plan Investment Management Agreement with changes.

IC Recommendation Regarding the Investment Consultant Request for Proposal (RFP)

Background: The contract with the Board's investment consultant expires on January 2, 2020. At the August meeting, the IC discussed the Scope of Services for the Investment Consultant RFP. The IC recommends to the Board the approval of the RFP language as revised.

Action Item: Motion to approve the scope of services and direct OST to conduct an RFP for the Board's investment consultant.