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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: June 4, 2019
Subject: Committee Reports to the Plans Management Board

The Audit and Governance Committee (AGC) held a meeting on May 14, 2019 at the Office of State Treasurer (OST). The Investment Committee (IC) held a meeting on May 21, 2019 at the Buena Vista Conference Center. The AGC and IC recommend the following action items:

Recommendation on Proxy Voting and Fiduciary Decision Documentation Policies

Background: In September 2018, the Board approved the governance manual (table of contents), directed the further development of the governance manual, and related policies. The AGC and IC reviewed two operating policies in May. The Deputy Attorney General drafted the policies with input by committee members and the Board's counsel (Ice Miller). Please see attached policy drafts.

Board Action Item: Motion to approve the Proxy Voting Policy and Fiduciary Decision Documentation Policy.

Recommendation on 457 State Administration Fee Suspension

Background: In June 2018, the Plans Management Board (Board) approved using 457 legacy fees to offset plan expenses and suspend the state administration 457 fee through June 2019. The initial projections indicated that legacy fees would cover two years of expenses and leave a budget reserve of approximately \$200,000. The projections are still accurate. The current suspension of state administration 457 fee should continue for another four calendar quarters starting in June 2019. The AGC will evaluate the fee suspension at the November 2019 and February 2020 committee meetings.

Board Action Item: Motion to continue the state administration 457 fee suspension for another four calendar quarters starting in June 2019.

Recommendation on Placing JPMorgan US Small Company Fund on Watch

Background: Cammack Retirement Group (“Cammack”) recommended adding the fund to the “Watch” list due to its relative underperformance to the benchmark over the near term. The IC accepted the recommendation. The committee will continue to monitor the fund’s performance over the next several meetings and report to the Board. Please see attached supporting memorandum from Cammack for additional detail.

Board Action Item: Motion to approve placing JPMorgan US Small Company Fund on “Watch”.

Recommendation on College Investment Plan Investment Changes

Background: Fidelity presented four proposals relating to the college investment plan. The proposals include i). Enhancing the glide path and strategic asset allocation for the Delaware College Investment Plan, ii) Converting to Fidelity Series funds as underlying investments, iii). Eliminating the 529 Multi-Firm product as an investment option and iv). Launching the 529 Blend strategy. The IC discussed the proposals that the other Fidelity state plans (NH, MA, AZ) had recently approved. Changes to the investment management agreement and objectives will need the Board’s approval in September. The IC recommends the approval of the proposals and that the Board includes a review of the investment structure in the upcoming request for proposal for the college plan in 2020. Please see attached supporting memorandum from Fidelity for additional detail.

Board Action Item: Motion to approve the Fidelity proposals relating to the Delaware College Investment Plan.