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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: March 5, 2019
Subject: **Committee Reports to the Plans Management Board**

The Audit and Governance Committee (AGC) held a meeting on February 12, 2019 at the Office of State Treasurer (OST). The Investment Committee (IC) held a meeting on February 19, 2019 at OST. The following recommendations and action items are presented for consideration by the Plans Management Board (Board).

AGC Recommendation to Schedule Ethics and Freedom of Information Act Training

Background: Fiduciary training was conducted for the Board and Committee members on November 13, 2018. The AGC is recommending that additional training be scheduled for an Ethics and Freedom of Information Act overview. Training will be conducted by the Deputy Attorney General of the Delaware Department of Justice.

Board Action Item: Motion to schedule Ethics and Freedom of Information Act training for June 4, 2019 Board meeting.

AGC Recommendation on Voya Contract Extension

Background: Deferred Compensation Council awarded the original three-year contract for record keeping services in May 2016. The agreement included the option of two, one-year extensions. Based on the complexity of the transition, Voya's performance, and the progress on enrollment growth, a recommendation is made to exercise the first of two one-year extensions. In addition, the AGC recommended that the Board or the Investment Committee undertake a review of the managed account service provider and the self-directed brokerage provider and ensure that they are appropriate providers. In addition, any fiduciary decisions with respect to the providers is documented. Please also see attached Cammack memorandum.

Action Item: Motion to approve the first one-year contract extensions with Voya Financial for the record keeping services for the 457, 401(a) and 403(b) plans and direct OST and the IC to review the managed account service and self-directed brokerage providers under guidelines of the investment policy statement.

IC Recommendation on the Termination and Replacement of ClearBridge

Background: The Board voted in March 2018 to place ClearBridge Mid Cap Growth on watch. After monitoring the investment for four quarters, Cammack recommended replacing the fund due to persistent underperformance. The fund underperformed the Russell Mid Cap Growth Index in the fourth quarter of 2018. The fund has also underperformed its benchmark over the 1-year period ending December 31, 2018. Cammack presented three funds to be considered as a replacement for Clear Bridge. Cammack offered Champlain Mid Cap Institutional, MFS Mid Cap Growth R6, and Pioneer Select Mid Cap Growth K as possible replacements. Following the process outlined in the Investment Policy Statement for the Deferred Compensation Plans, the IC is recommending that the Board approve replacing ClearBridge with Champlain Mid Cap. For more information regarding ClearBridge, please see the attached memo from Cammack.

Action Item: Motion to remove ClearBridge as an investment option in the deferred compensation plans and replace with Champlain.