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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: December 10, 2019
Subject: Committee Reports to the Plans Management Board

The Audit and Governance Committee (AGC) held a meeting on November 12, 2019 at the Carvel State Building. 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 Audit Policy and Budget Policy. The AGC reviewed 457(b) and 401(a) plan amendments for the Involuntary Cash Out for Terminated Accounts Below \$1,000.

The Investment Committee (IC) held a meeting on November 19, 2019 at the Buena Vista Conference Center. Cammock presented on the investment performance of the plans and a discussion was held with representatives from JP Morgan regarding their US Small Company fund which remains on “watch”. The IC discussed the watch list recommendations, college plan investment policy statement and 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 2016, 2017, and 2018 plan years for the 403(b) plan. The AGC accepted the reports and financial statements for the plan. Materials can be viewed [online](#).

Committee Recommendation: Motion to accept the audit reports and financial statements for the 2016, 2017 and 2018 403(b) Plan Audit.

AGC Recommendation on Audit Policy and Budget 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 Audit Policy as revised and the Budget Policy as revised are approved and accepted by the Board.

Committee Recommendation: Motion to approve and accept the Audit Policy as revised and the Budget Policy as revised to be incorporated into the Delaware Plans Management Board Governance Manual.

**AGC Recommendation on 457(b) and 401(a) Plan Amendment Regarding
Involuntary Cash Out for Terminated Accounts Below \$1,000**

Background: The AGC discussed plan amendments for the 457(b) and 401(a) plans that would permit the involuntary cash out for terminated employee accounts that maintained a balance of below \$1,000. The 403(b) plan document already contains a provision for small balance distributions in section 5.2 of the State of Delaware 403(b) Plan Document. The draft plan amendments can be viewed [online](#).

Committee Recommendation: Motion to approve the 457(b) and 401(a) Plan Amendments regarding involuntary cash out for terminated accounts below \$1,000.

**IC Recommendation on the Placement of
American Funds Washington Mutual R6 and Target Date Series on Watch**

Background: Cammack Retirement Group (“Cammack”) recommended adding the funds to the “Watch” list due to compliance concerns regarding their investment staff. Additional details regarding the compliance concerns can be found [online](#). Cammack will look to fully scrutinize any potential impact and to evaluate the remedial actions taken by Capital Group to avoid similar situations in the future. The IC also discussed the Templeton Global Bond R6 fund and choose not to place on “watch” at this time and will continue to monitor the fund’s performance.

Committee Recommendation: Motion to place American Funds Washington Mutual R6 and Target Date Series on Watch.

**IC Recommendation Regarding
Investment Consultant Agreement Extension Through March 31, 2020**

Background: The IC received an update on the status of the Investment Consultant RFP which was published on October 4, 2019 and generated seven proposals. In order to allow sufficient time for the evaluation committee to review the proposals, develop a list of invitees, and hold finalist presentations, the IC is recommending to extend the contract with Cammack through March 31, 2020 to allow for additional time for RFP review and provide for investment oversight for the first three months of 2020.

Committee Recommendation: Motion to extend the Investment Consultant Agreement with Cammack Retirement Group through March 31, 2020 and direct the Office of State Treasurer to execute extension.

**IC Recommendation Regarding
Fidelity’s Proposed Changes to the 529 Investment Management Agreement (“IMA”)**

Background: Fidelity proposed further changes to the IMA which was previously revised and approved by the Board in September to reflect the new blend investment option. The new changes reflect an entity change at Fidelity and further clarification of expenses. The changes were reviewed by Cammack and the Deputy Attorney General from the Delaware Department of Justice. The IC discussed the changes and recommends the approval of the IMA. The clean and redline versions of the IMA can be viewed [online](#).

Committee Recommendation: Motion to approve the revised Investment Management Agreement for College Investment Plan.