



**MINUTES FROM THE INVESTMENT COMMITTEE
OF THE PLANS MANAGEMENT BOARD
AUGUST 20, 2019**

A meeting of the Investment Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on August 20, 2019, 10:00 a.m., in the Buck Library at the Buena Vista Conference Center, 661 S. Dupont Highway, New Castle, DE 19720.

Committee Members Represented or in Attendance:

Mr. Alan Colberg, Committee Chair
Mr. Todd Roselle, Committee Member-by phone
Ms. Stephanie Scola, Director of Bond Finance, Department of Finance (on behalf of Mr. Richard Geisenberger, Secretary of Finance)
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)
The Honorable Colleen C. Davis, State Treasurer

Committee Members Not Represented or in Attendance:

Mr. Jose Echeverri, Committee Member
Mr. Porter Schutt, Committee Member

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”)
Ms. Chris Haas, Director of Communications and Policy Advisor, OST
Mr. Mike Green, Investments and Operations Manager, OST
Mr. Dan Kimmel, Promotion and Outreach Manager, OST
Ms. Deborah Bradl, Executive Assistant, OST
Mr. Earle Allen, Partner, Cammack Retirement Group (“Cammack”)
Ms. Marie Villeneuve, Consultant, Cammack
Mr. James Duffy, Research Associate, Cammack
Ms. Denise Burns - Cammack
Mr. Rich Lang - Capital Group
Mr. Ronan Burke - Capital Group
Mr. Jeff Bowman-Investment Product Manager - Fidelity
Ms. Heather Zakian-Institutional Portfolio Manager -Fidelity
Mr. Roger Morrissette, Director, Retirement and Income Solutions - Fidelity

CALLED TO ORDER

The meeting was called to order at 10:03 a.m.

APPROVAL OF MINUTES

A MOTION was made by Treasurer Davis and seconded by Ms. Scola to approve the minutes from the Committee meeting on May 21, 2019.

MOTION ADOPTED UNANIMOUSLY

Mr. Scoglietti entered the meeting.

PRESENTATIONS

Investment Performance on Deferred Compensation Plan – Cammack

Ms. Villeneuve reviewed the second quarter performance of the deferred compensation plans. Assets in the plans totaled \$838.5 million, not including 403(b) legacy vendors assets totaling \$288.6 million. Assets in the plans reflected a quarterly increase of approximately \$32.5 million. Quarterly contributions to the plans were approximately \$15.4 million. Ms. Villeneuve indicated that the weighted average expense ratio of the funds was 0.34 percent, which is .15 percent less than the NAGDCA survey of similar sized plans.

Ms. Burns reviewed the investment highlights and provided analysis of the investment options. There was a discussion concerning the Templeton Global Bond R6 fund. Ms. Burns recommended that the fund be put on watch due to a manager change. Ms. Burns indicated that Cammack does not expect changes in strategy or investment processes. Ms. Burns recommended that the JP Morgan US Small Company R6 fund remain on watch due to underperformance in 2017. The Committee, after discussion, requested that Cammack invite JP Morgan to the November 2019 meeting to provide additional commentary on the US Small Company fund. The Committee will continue to monitor the Templeton fund.

Ms. Burns next discussed the Lazard International Equity R6 fund and reported that it is performing in the bottom quartile for the 3-, 5-, and 10-year periods. While the fund's performance improved in recent quarters, it was not enough to bring the 3-year performance up to the performance of the fund's peer group. Ms. Burns recommended that the Committee maintain the Lazard fund as an investment option. Additionally, Ms. Burns reported that the Clear Bridge Mid Cap Growth fund had been replaced by Champlain Mid Cap Institutional fund in the second quarter, with assets and contributions being mapped to the new investment absent contrary directions from a participant.

Ms. Burns reviewed the different tiers of funds within the plans. As of June 30, 2019, Tier 1 held approximately 76 percent of the total assets worth \$634.9 million. 91% percent of plan participants are invested in target date funds. Tier 1 received nearly 73.6 percent of all new contributions last quarter. Most of the target date series vintages ranked in the top quartile for averaged annualized returns for the 3-, 5-, and 10-year performance periods. As of June 30, 2019, Tier 2 held approximately \$184.1 million, or 22 percent of total assets. Ms. Burns stated that Tier 2 received approximately 26.4 percent (\$4.1 million), of new contributions made within the second quarter. Finally, Tier 3 held approximately \$19.6 million, representing 2.3 percent of total assets, as of June 30, 2019.

Cammack reported on the Voya Fixed Plus Account, which had a credit rating as of June 30, 2019 of 1.75 percent. Cammack also discussed the Vanguard Federal Money Market option, which had a current yield of 2.28 percent as of June 30, 2019.

American Funds Overview - Capital Group

Mr. Burke introduced himself and Mr. Lang to the Committee. Mr. Burke indicated that Capital Group has \$1.9 trillion in assets under management.

Mr. Lang presented the structure, philosophy, and the members of the portfolio oversight committee for the American Fund target date series. Mr. Lang provided a brief history of the funds, which hold \$131.4 billion in assets. Mr. Lang stated that 76 percent of the underlying funds have a track record of 25 years or longer, which is used in the glide path calculation for the funds. Mr. Lang continued the presentation by describing the strategy employed by Capital Group for the American Funds investment options. Mr. Lang stated that Capital Group believes in active management and will continue this method of management.

College Investment Plan – Cammack

Mr. Duffy reviewed second quarter plan performance for Delaware’s 529 plan. Second quarter plan assets were at \$685.8 million, with 76 percent of assets (\$521.7 million) in the age-based option and 24 percent of assets (\$164.1 million) allocated to static portfolios.

Mr. Duffy noted that the active age-based option outperformed for the quarter and continues to be a strong performer for the plan in a volatile market environment. The multi-firm age-based option showed relative outperformance versus the majority of their composite benchmarks age bands. The index age-based option performed inline with benchmark expectations.

Mr. Duffy, citing industry analysis, stated that 59 percent of families were saving for college in 2018, with 27 percent of them using a 529 plan. This is an increase compared to 2017 data. Mr. Duffy noted that over the last five years, the number of families saving for college has generally declined. Mr. Duffy explained that there is a trend of parents expecting their children to share in the burden for paying for higher education.

[Mr. Lang and Mr. Burke left the meeting]

DISCUSSION AND ACTION ITEMS

Recommendation on 529 Plan Investment Management Agreement

Mr. Meyer presented the revised and restated Investment Management Agreement with Fidelity. The revisions reflected the investment changes that the Committee approved at the May 21st meeting. Cammack had no objection to the changes.

MOTION to recommend that the Board approve the amended and re-stated Investment Management Agreement made by Mr. Scoglietti and seconded by Treasurer Davis.

MOTION APPROVED UNANIMOUSLY

Investment Policy Statement - College Investment Plan

The Committee's discussion of the Investment Policy Statement for the 529 plan was tabled until the November 2019 meeting.

[Cammack left the meeting]

Recommendation Regarding Investment Consultant Request for Proposal

The Committee discussed the scope of services for a prospective request for proposals for investment consulting services ("RFP"). It was noted that the contract with the current investment consultant, Cammack, will expire in January 2020. The future agreement will have a three-year term with two one-year renewals.

The Committee indicated that the new consultant should be able to assist in any upcoming RFPs for new investment managers or plan record keepers and offer assistance on the ABLE plan and other special projects. The Committee discussed revisions related to an optional hourly fee structure for the ABLE plan and other special projects. The Committee suggested revisions related to the attendance of consultants at Board and Committee meetings.

**Motion to recommend that the Board approve of the Investment Consultant Request for Proposal as amended and revised made by Ms. Scola and seconded by Mr. Scoglietti.
MOTION APPROVED UNANIMOUSLY**

PUBLIC COMMENTS

No members of the public made a comment.

NEXT MEETING

The next meeting of the Board is scheduled for September 4, 2019.

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

ADJOURNMENT

A MOTION was made by Mr. Scoglietti and seconded by Ms. Scola to adjourn the meeting of the Committee at 11:45 p.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Alan Colberg
Chair for the Investment Committee