



**MINUTES FROM THE MEETING OF THE  
PLANS MANAGEMENT BOARD  
DECEMBER 4, 2018**

A meeting of the Plans Management Board (the “Board”) was held on December 4, 2018, 10:00 a.m., in the Dupont Room at the Buena Vista Conference Center, located at 661 S. Dupont Highway, New Castle, DE 19720.

Board Members Represented or in Attendance:

Mr. Stephen Saville, Board Chair  
Mr. Alan Colberg, Investment Committee Chair  
Mr. Gerald Gallagher, Member-at-Large  
Mr. Charles Campbell-King, Member-at-Large  
Mr. Charles Longfellow, Associate Secretary for Operations Support, Department of Education (on behalf of Ms. Susan Bunting, Secretary of Education)  
Mr. Robert Scoglietti, Chief of Policy, Office of Management and Budget (on behalf of Mr. Michael Jackson, Director)  
Ms. Stephanie Scola, Director of Bond Finance, Department of Finance (on behalf of Mr. Richard Geisenberger, Secretary of Finance)  
The Honorable Kenneth Simpler, State Treasurer

Board Members Not Represented or in Attendance:

Mr. Ralph Cetrulo, Audit and Governance Committee Chair  
The Honorable Trinidad Navarro, Insurance Commissioner

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice  
Ms. Nohora Gonzalez, Deputy State Treasurer, Office of the State Treasurer (“OST”)  
Mr. John Meyer, Director of Contributions and Plans Management, OST  
Mr. Mike Green, Investment and Operation Manager, OST  
Mr. Dan Kimmel, Promotion and Outreach Manager, OST  
Ms. Susan Steward, Economic Policy Advisor, OST  
Mr. Earle Allen, Partner, Cammack Retirement Group (“Cammack”)  
Ms. Marie Villeneuve, Consultant, Cammack  
Ms. Melissa Ridolfi, Vice President of Retirement and College Products, Fidelity Investments (“Fidelity”)  
Ms. Sharon Rogers, Director – Segment Marketing, Fidelity  
Mr. Justin Rozzero, Director – 529 Product and Relationship Manager, Fidelity  
Mr. Roger Morrissette, Director- Retirement and College Leadership, Fidelity  
Mr. Frederick Blue, Sr. Vice President, Client Relationship Management, Voya Financial (“Voya”)

Mr. Mark Jackowitz, Senior Vice President – Mid-Atlantic Region, Voya  
Ms. Kellie Desrosiers, Vice President – Strategic Relationship Management, Voya  
Ms. Sarala Katta, Regional Vice President – Mid-Atlantic Region, Voya  
Mr. Doug Peters, K-12 Regional Vice President – Mid-Atlantic Region, Voya  
Mr. Michael DeLauro, Customer Experience Consultant, Voya  
Mr. Michael Cordrey, Account Supervisor, Aloysius Butler & Clark (“AB&C”)

### **CALLED TO ORDER**

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

### **APPROVAL OF MINUTES**

Mr. Scoglietti abstained from voting on the minutes citing his absence from the last meeting.

**A MOTION was made by Mr. Colberg and seconded by Mr. Campbell-King to approve the minutes from the Board meeting on September 5, 2018.**

**MOTION ADOPTED UNANIMOUSLY**

### **VENDOR PRESENTATIONS AND BUSINESS RESULTS**

#### *Deferred Compensation Plan - Voya*

Mr. Blue introduced Ms. Desrosiers as the new relationship manager for the Delaware plan. Ms. Desrosiers presented the goals and progress for the Delaware plan during the third quarter of 2018. As of November 16, 2018, Voya has reached 38.5 percent participation, 50 basis points less than the target for the plan. Voya anticipates meeting the target by year-end. There are 1,627 participants on track to be retirement ready. Ms. Desrosiers suggested the Board consider expanding this goal in the next year.

Mr. Peters presented on the engagement efforts by Voya to drive the increase in enrollment to the Delaware plan. Voya makes appearances at various meetings and community events in an effort to continuously engage prospective participants. As a result of these continued efforts to engage prospective participants, enrollment since 2017 has increased by 22 percent. Voya’s marketing data suggests that email campaigns coordinated with OST have been the most effective at driving new enrollments. Voya data shows an immediate increase in plan activity after each email correspondence sent from OST. Voya believes that the timing and regularity of communication coming from the State contributes to prospective participants taking action after receiving an email

Ms. Katta informed the Board about the changes in contribution amounts during the third quarter. There are fewer actively contributing participants in the 457 plan as of the third quarter of 2018; however, from 2017 to 2018 average account balances and contributions have increased by \$2,892 and \$77, respectively. Ms. Katta informed the Board that actively contributing participation has increased in the 403(b) plan by 131 participants since third quarter of 2017. The average account balance increased by \$4,134 since the third quarter of 2017; however, average contributions have declined modestly over the same period.

The Board discussed the relevance and continuation of the managed account product and whether or not customer analytics justified the continued offering. Mr. Saville stated that the Board should review annually the effectiveness of the managed account product and inform those using the account of the opportunity costs.

### *College Investment Plan - Fidelity*

Ms. Ridolfi provided an update to the College Investment Plan for the third quarter of 2018. Ms. Ridolfi stated that the plan assets declined from second quarter to third quarter of 2018 by 1.5 percent; furthermore, the plan has decreased in assets year-over-year by 0.5 percent. Overall, the plan holds about \$670 million in assets as of September 30, 2018, or 0.4 percent of the total 529 direct-sold market share. Ms. Ridolfi stated that Fidelity believes a large contributing factor to the decline in plan assets is the result of over a third of the accounts are with beneficiaries over the age of 18, contributing to a negative impact on the plan assets in the form of disbursements.

Overall, Ms. Ridolfi stated that the number of new accounts did increase by 34 new accounts over the third quarter of 2017. Forty percent of the new accounts being opened are for children under the age of five. According to Ms. Ridolfi, new accounts for Delaware residents increased 17 percent over the same period in 2017. Ms. Ridolfi added that of the new accounts from Delaware residents, 58 percent came from existing Fidelity customers, with 42 percent being new Fidelity customers. Despite positive trends on new enrollments, contributions to the plan have slowed and declined year-over-year with total contributions during the third quarter down 3 percent from the same time last year. Fidelity is still determining the best way to represent “readiness,” but reiterated the “2K rule,” whereby families are saving for college \$2,000 annually in a tax-advantaged plan or \$36,000 by age 18, the typical time kids head off to college.

Ms. Rogers reviewed the third quarter advertising efforts by Fidelity. According to Mr. Rogers, about one-third more is being spent in paid search this year from previous, which is yielding a significant increase in new accounts. Paid search remains the most effective strategy in gaining new accounts, and Fidelity has lowered the cost per account for marketing the plan through this channel. During the fourth quarter, Fidelity launched social media and television ads to encourage gifting to 529s during Cyber Monday.

### **STRATEGIC PLAN DISCUSSION FOR COLLEGE INVESTMENT PLAN**

Mr. Meyer updated the Board on the work with AB&C and indicated no polling was undertaken as the initial costs (\$25-\$50,000 estimated) came in over the authorized amount. Instead, Mr. Meyer briefed the Board on results from the Fidelity survey. There were between 100-150 Delaware families that were part of the national survey. The Delaware families that were part of the survey were either invested in the Delaware investment plan or another savings option. There appears to be a strong relationship between having a plan for saving and opening a 529 account.

Mr. Meyer stated that OST also looked at the 2018 Sallie Mae study “How America Pays for College” to better understand the various funding sources used by American families to fund college education. The study indicates that college is paid through a mix of earned, saved, and borrowed funds with half of the parent funding being paid through household income. Of the sources, income and savings make up 49 percent, 24 percent is based on borrowing, and the remaining 27 percent corresponds to grants and scholarships.

The Board discussed the status of the strategic plan and a long-term plan. The Board had a discussion regarding the ability to reach more Delaware residents about college readiness, and what initiatives could be undertaken to increase current participation rates within the plan.

### **INVESTMENT COMMITTEE REPORT**

#### *Investment Performance of College Investment Plan*

Mr. Colberg provided a summary of the information presented at the Investment Committee on the third quarter performance of the College Investment Plan. Mr. Colberg indicated that the information provided to the Board today remained unchanged from that provided to the Investment Committee on November 20, 2018.

#### *Investment Performance of Deferred Compensation Plan*

At the meeting on November 20, 2018, Mr. Colberg stated that Cammack presented on the changes in the Deferred Compensation Plan. At that time, the Investment Committee heard follow up information regarding ClearBridge, a fund the remains “on watch” and the Lazard International Fund. At this time no additional action is being recommended for either fund.

#### *Review and Approval of Cammack Contract Extension and Amendment*

Mr. Colberg stated that there was discussion about expanding Cammack’s contract to include investment advisory services for the College Investment Plan as an amendment with their extension. Mr. Staib confirmed for the Board that this would not create any issue with procurement rules, and the amendment could be added to their existing agreement with extension.

**A MOTION was made by Mr. Colberg and seconded by Mr. Campbell-King to approve the Cammack Contract Extension and Amendment.**

**MOTION ADOPTED UNANIMOUSLY**

#### **AUDIT AND GOVERNANCE COMMITTEE REPORT**

##### *Fiduciary Training*

Mr. Meyer thanked all of the members that attended the November 13 fiduciary training presented by Ice Miller. The session was recorded by video for future use if needed. Mr. Meyer noted several follow up items from the presentation.

#### **ABLE REPORT**

The presentation is available via Simbli. Mr. Meyer reminded the Board that there is limited funding for marketing the ABLE program.

#### **UPDATE ON OST ADMINISTRATION TRANSITION**

Treasurer Simpler provided an update on the transition of OST to Treasurer-elect Colleen Davis.

#### **PUBLIC COMMENT**

No members of the public present for comment.

#### **NEXT MEETING**

The next meeting of the Board is scheduled for March 5, 2019.

#### **ADJOURNMENT**

**A MOTION was made by Treasurer Simpler and seconded by Ms. Scola to adjourn the meeting of the Board at 12:50 p.m.**

**MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

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Stephen Saville,  
Chair for the Plans Management Board

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