



**MINUTES FROM THE MEETING OF THE
PLANS MANAGEMENT BOARD
JUNE 4, 2019**

A meeting of the Plans Management Board (the “Board”) was held on June 4, 2019, 10:00 a.m., in the Buck Library at the Buena Vista Conference Center, located at 661 S. Dupont Highway, New Castle, Delaware.

Board Members Represented or in Attendance:

Mr. Gerald Gallagher, Member-at-Large

Ms. Donna Vieira, 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 Trinidad Navarro, Insurance Commissioner

The Honorable Colleen C. Davis, State Treasurer

Board Members Not Represented or in Attendance:

Mr. Alan Colberg, Investment Committee Chair

Mr. Ralph Cetrulo, Audit and Governance Committee Chair

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice

Ms. Debra Moreau, XXX, Public Integrity Commission

Ms. Liza Davis, Deputy State Treasurer, Office of the State Treasurer (“OST”)

Mr. John Meyer, Director of Contributions and Plans Management, OST

Ms. Christine Haas, Director of Communications, OST

Mr. Dan Kimmel, Promotion and Outreach Manager, OST

Ms. Susan Steward, Economic Policy Advisor, OST

Ms. Deborah Bradl, Policy Analyst, 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”)

Mr. Roger Morrisette, Director- Retirement and College Leadership, Fidelity

Ms. Kellie Desrosiers, Vice President – Strategic Relationship Management, Voya

Mr. Doug Peters, K-12 Regional Vice President – Mid-Atlantic Region, Voya

Mr. Mike Cordrey, Account Supervisor, Aloysius, Butler and Clark (AB&C)

Ms. Joanna Ford, Director of PR & Social Media, AB&C

CALLED TO ORDER

The meeting was called to order at 10:02 a.m. Mr. Meyer updated members on the resignation of Board chair Mr. Stephen Saville and introduced new public member Ms. Donna Vieira.

APPROVAL OF MINUTES

A MOTION was made by Mr. Gallagher and seconded by Mr. Scoglietti to approve the minutes from the Board meeting on March 5, 2019.

MOTION ADOPTED UNANIMOUSLY

PRESENTATIONS

Ethics Training – Public Integrity Commission

Ms. Moreau from the Public Integrity Commission provided training on ethics for State officials and employees.

Deferred Compensation Plans – Voya Financial

Ms. Desrosiers reviewed Q1 2019 performance and plan information. Ms. Desrosiers updated members on the communications strategy for 2019. Ms. Desrosiers noted a 10 percent year-to-date growth in enrollments. Mr. Peters explained that email activity from the State Treasurer’s office has significantly increased engagement, as reflected by a 56 percent increase in requests for one-on-one appointments with Voya advisors in the first half of 2019. Ms. Desrosiers briefed the Board on the status of the fund replacement (Clear Bridge to Champlain) approved in March. Communications to plan participants began in late March. Voya received no negative feedback.

College Investment Plan – Fidelity

Ms. Ridolfi discussed the business results for the 529 plan. Ms. Ridolfi noted that new accounts for the plan were down 18 percent in the first three months of 2019 compared to the same period of 2018. The decline was consistent with an industry-wide decline of 19 percent for the same period. Ms. Ridolfi indicated that 45 percent of the assets within the plan are held for individuals who are either approaching 18 or are older than 18. The average balance of a Delaware account is \$30,000 versus the national average of \$19,000. There were \$13.1 million in contributions received into the plan.

Mr. Morrissette provided a summary of the marketing update for the 529 plan. The Board inquired about keywords that Fidelity was targeting in online digital advertising. Ms. Ridolfi and Mr. Morrissette stated they would follow up with this information.

DISCUSSIONS

Awareness Campaign for College Investment Plan

Mr. Meyer presented the current 529 marketing campaign initiatives by Fidelity. The Board discussed the opportunity to use administrative funds to educate and inform Delaware citizens about the plan.

Mr. Meyer introduced the concept of a needs-based scholarship to the Board. Treasurer Davis discussed the potential of drafting legislation to help clarify the use of the administrative fund as it relates to the college plan. Treasurer Davis stated that the office received an opinion from Ice Miller regarding the use of plan fees to offset marketing expenses, and that the office, out of an abundance of caution, had

drafted a bill that would modify the standard of care with respect to expressly permit the payment of marketing expenses.

Mr. Longfellow asked if, in lieu of scholarship or advertising, the Board could repatriate administrative funds back to participants, or reduce fees for current participants. Treasurer Davis indicated that repatriation would be impracticable. Ms. Ridolfi explained that fee reduction is not possible under the arrangement with Fidelity.

The Board briefly discussed the concept of a match or incentive program. Mr. Meyer indicates that the office would explore program alternatives and present information for discussion at an upcoming Board meeting.

**A MOTION was made by Mr. Scoglietti and seconded by Ms. Scola to revise the agenda to consider draft legislation to permit a match or scholarship program.
MOTION ADOPTED UNANIMOUSLY**

**A MOTION was made by Mr. Scoglietti and seconded by Mr. Gallagher to permit OST to proceed with seeking approval and enactment of a bill to revise the standard of care for the 529 plan to permit the creation and funding of a scholarship or match program and clarify the availability of indemnification and exculpation for subcommittee members who are not also members of the full Board.
MOTION ADOPTED UNANIMOUSLY**

AB&C presented the proposed marketing campaign for the 529 plan. Mr. Cordrey reiterated the importance of “on the ground” marketing, along with social media and partnerships.

Mr. Cordrey presented the breakdown of the budget for the campaign. The Board discussed possible partnerships, grandparent marketing, and effective ways to track the success of the marketing efforts. Mr. Cordrey stated that the focus would be on growing the number of Delaware participants.

COMMITTEE REPORTS

Proxy Voting Policy and Fiduciary Decision Documentation Policy

Mr. Meyer presented the recommendation from Audit & Governance and Investment Committees regarding the policies for proxy voting and documenting fiduciary decisions.

**A MOTION was made by Mr. Scoglietti and seconded by Treasurer Davis to approve the Proxy Voting Policy and Fiduciary Decision Documentation Policy.
MOTION ADOPTED UNANIMOUSLY**

Administrative Fees for the 457(b) Plan

Mr. Meyer stated that in June 2018, the Board approved a suspension of the administrative fees for the 457 plan and authorized the use of “legacy funds” to pay current plan expenses. The initial suspension was for four calendar quarters with the fees forecasted to cover two-years of expenses and a one-year budget reserve. Mr. Meyer stated that the plan expenses are still in alignment with the projections, and that the Audit & Governance Committee recommended to continue the suspension of fees for an additional four calendar quarters, ending in June 2020.

A MOTION was made by Treasurer Davis and seconded by Mr. Longfellow to approve the continued suspension of fees for the 457 plan another four calendar quarters beginning in June 2019.

MOTION ADOPTED UNANIMOUSLY

Recommendation to place JP Morgan US Small Company Fund on the Watch List

[Ms. Vieira exited the room.]

Mr. Meyer presented the recommendation from the Investment Committee to place JP Morgan US Small Company Fund R6 on watch. Mr. Meyer cited continued underperformance, as reported by Cammack, as the primary reason for placing the recommendation. Mr. Meyer also referred to the memo from Cammack, which provides additional support for the recommendation.

A MOTION was made by Treasurer Davis and seconded by Ms. Scola to approve placing JP Morgan US Small Company Fund R6 on watch.

MOTION ADOPTED UNANIMOUSLY

[Ms. Vieira entered the room].

College Investment Plan Investment Changes Proposal

Ms. Ridolfi discussed the proposed investment option changes that Fidelity believes will enhance the performance of the 529 Plan for participants. First, Fidelity proposed adding exposure to long-term U.S. Treasuries and inflation-protected debt to the glide path and strategic allocation in the age-based portfolios. Because of the strategic allocation changes, Fidelity noted the composite benchmarks for the portfolios would need to be updated accordingly. Second, Fidelity recommended transitioning the underlying investments in the Delaware 529 age-based and static allocation portfolios from publicly available mutual funds to the Fidelity Series Funds. Third, Fidelity recommended eliminating the multi-firm product as an investment option within the plan. Fidelity noted that 2.5 percent of the plan assets were in the product. Fourth, Fidelity recommended adding a Blend age-based product offering, consisting of a mix of both active and passive investments, to the plan lineup. Fidelity discussed how participants would receive a combination of the benefits of active management and the cost reduction of passive management. Fifth, Fidelity proposed to move the current Multi-Firm participants into the Fidelity Active 529 strategy. Fidelity stated that participants would be notified of the change and will be provided the ability to opt into an alternative strategy

A MOTION was made by Mr. Scoglietti and seconded by Ms. Scola to approve the Fidelity proposal related to the investments and strategies within the 529 plan.

MOTION ADOPTED UNANIMOUSLY

College Investment Plan Awareness Campaign Budget

Mr. Meyer presented the \$155,000 budget for AB&C's proposed marketing campaign for the 529 plan. AB&C recommended a budget split between digital efforts, radio promotions, partnerships, and public relation efforts. Mr. Meyer referred the Board to the recommended budget included in AB&C's presentation posted to the Simbli meeting page.

**A MOTION was made by Mr. Longfellow and seconded by Mr. Scoglietti to approve the College Investment Plan Awareness budget.
MOTION ADOPTED UNANIMOUSLY**

ABLE REPORT

Mr. Meyer indicated that the ABLE report as of May 28, 2019 has been posted to the Simbli meeting page. Mr. Meyer noted that June marks the one-year anniversary of the ABLE program in Delaware, and that, to date, there are 37 accounts with \$258,000 in assets.

PUBLIC COMMENT

No members of the public present for comment.

NEXT MEETING

The next meeting of the Audit & Governance Committee is scheduled for August 13, 2019.
The next meeting of the Investment Committee is scheduled for August 20, 2019.
The next meeting of the Board is scheduled for September 4, 2019.

ADJOURNMENT

**A MOTION was made by Treasurer Davis and seconded by Ms. Scola to adjourn the meeting of the Board at 12:08 p.m.
MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

Chair for the Plans Management Board