



**MINUTES FROM THE AUDIT AND GOVERNANCE COMMITTEE  
OF THE PLANS MANAGEMENT BOARD  
November 12, 2019**

A meeting of the Audit and Governance Committee (the "Committee") of the Plans Management Board (the "Board") was held November 12, 2019, 10:00 a.m., at the Carvel State Building, 820 N. French St., Wilmington, DE.

Committee Members Represented or in Attendance:

Mr. Peter Kennedy, Committee Member  
Mr. John Macedo, Committee Member  
Mr. Timothy J. Snyder, Committee Member  
The Honorable Colleen C. Davis, State Treasurer

Committee Members Not Represented or in Attendance:

Mr. Ralph Cetrulo, Committee Chair  
Mr. Gerard Gallagher, Board Member At-Large

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice  
Ms. Liza Davis, Deputy Treasurer, Office of the State Treasurer ("OST")  
Mr. John Meyer, Director of Contributions and Plan Management, OST  
Mr. Daniel Kimmel, Promotion and Outreach Program Manager, OST  
Mr. Michael Green, Investment and Program Manager, OST  
Mrs. Deborah Bradl, Executive Assistant, Contributions and Plan Management, OST  
Ms. Maria Hurd, Director, Belfint, Lyons and Shuman

**CALLED TO ORDER**

The meeting was called to order at 10:00 a.m.

**APPROVAL OF MINUTES**

Mr. Meyer suggested several minor changes to the draft August 13, 2019 meeting minutes.

**A MOTION was made by Mr. Snyder and seconded by Mr. John Macedo to approve minutes as corrected from the Committee meeting on August 13, 2019.**

**MOTION ADOPTED UNANIMOUSLY**

**PRESENTATIONS**

*403(b) Audit Report (2016-2018)*

Ms. Hurd provided the Committee with the audit reports for plan years 2016, 2017, and 2018 for the 403(b) plan. Ms. Hurd stated that in plan year 2017 there was a \$47.4 million dollar increase in assets (from \$360.9 million in 2016 to \$408.3 million in 2017). Ms. Hurd attributed the growth to market

performance. In plan year 2018, the 403(b) plan had a \$29.9 million decrease in assets (from \$408.3 million in 2017 to \$378.4 million in 2018). Ms. Hurd stated the total number of account balances decreased from 14,731 in 2016 to 14,303 in 2017, and to 14,267 in 2018. Ms. Hurd noted that there was an increase in the average account balance of \$24,501 in 2016 to \$28,545 in 2017, and that the average balance decreased to \$26,521 in 2018. The average distribution was \$23,829 in 2016, \$21,002 for 2017, and \$24,685 in 2018. The number of employees contributing to the plan was 5,631 in 2016, 5,318 in 2017, and 5,431 in 2018. Total contributions saw a slight increase to \$21.6 million in 2016 from \$20.4 million in 2017, and \$20.8 million in 2018. Total contributions were down due to fluctuations in the average contribution per participant and the number of active plan participants.

Ms. Hurd stated that administrative expenses decreased in 2016 but increased in plan years 2017 and 2018. Ms. Hurd attributed the increases to new arrangements with service providers and the number of transactions charged directly to participant accounts.

Ms. Hurd discussed an audit finding relating to an uncashed check for a required minimum distribution that was returned due to a bad address. Ms. Hurd recommended that OST work with Voya to procure participant locator services. The Committee discussed the feasibility of such services from a cost-benefit standpoint. Mr. Meyer and Mr. Green offered to consult with the recordkeeper and report back to the Committee.

#### *529 College Plan Audit Report (2018)*

Ms. Hurd reported that the 529 assets decreased by \$56 million during the reporting period (from \$682.4 million to \$626.2 million). Ms. Hurd attributed the decrease to the market downturn in the fourth quarter of 2018. Ms. Hurd also noted that contributions to the plan were approximately \$91 million, while withdrawals were \$121 million (due to the large percentage of beneficiaries at or approaching college age). Ms. Hurd noted that the audit report also included the administrative fund account currently held at PNC Bank.

Finally, Ms. Hurd noted that there were 5,000 participants who made withdrawals from their accounts in plan year 2018, with an average of \$24,260 per withdrawal.

## **DISCUSSION AND ACTION ITEMS**

### *Recommendation Regarding Plan Audit Reports*

The Committee discussed the audit reports.

**A MOTION was made by Mr. Snyder and seconded by Mr. Macedo to recommend that the Board accept the 2016, 2017, 2018 audit reports.**

**MOTION ADOPTED UNANIMOUSLY**

### *Recommendation Regarding Audit and Budget Policies*

Mr. Meyer discussed with the Committee the draft audit policy proposed by OST. The audit policy outlines the responsibility of the Board to arrange for an annual audit by an outside auditor, enter into a memorandum of understanding with the Auditor of Accounts (“AOA”) and pay for the audits. Mr. Macedo expressed a concern regarding AOA’s selection of the auditor. Mr. Meyer explained that, by law, AOA is responsible for selection of plan auditors. Mr. Meyer indicated that AOA had agreed to allow OST staff to participate in the selection process. Finally, Mr. Kennedy had two suggested changes. The first was to change the term “accounting standards” to “auditing standards.” The second was to

change the term “material findings” to “material weaknesses.” The changes were discussed and deemed appropriate.

Mr. Macedo suggested several minor changes that were discussed and accepted.

**A MOTION was made by Mr. Kennedy and seconded by Mr. Macedo to recommend that the Board approve the Audit policy, with revisions.**

**MOTION ADOPTED UNANIMOUSLY**

Mr. Meyer presented the budget policy to the Committee. Mr. Meyer stated the budget policy governs the development and management of an annual budget for the plans and addresses the accounting practices and internal controls necessary to manage the budget. Mr. Macedo suggested some minor changes. Mr. Macedo also raised concerns with respect to the 457 and 529 plan reserve funds. Mr. Macedo inquired if the one-year budget reserve would be created with the legacy, unallocated funds or new fees. Mr. Meyer explain that the budget reserves would be established with legacy funds.

**A MOTION was made by Mr. Kennedy and seconded by Mr. Macedo to recommend that the Board approve the Budget policy, with revisions.**

**MOTION ADOPTED UNANIMOUSLY**

*Recommendation Regarding 457b and Match Plan Amendment*

Mr. Meyer presented a plan amendment to permit automatic cash outs for terminated accounts below \$1,000. The amendment would allow OST to direct the recordkeeper to disburse small balances held by non-active employees. There was a discussion about eligibility language included in the proposed amendment. The eligibility language included the term “common law Employee”. The Committee discussed the issue, agreed to table the eligibility issue and approved the amendment.

**A MOTION was made by Mr. Macedo and seconded by Mr. Kennedy to recommend that the Board approve the Plan Amendment, with revisions.**

**MOTION ADOPTED UNANIMOUSLY**

**PUBLIC COMMENT**

No member of the public was present for comment.

**NEXT MEETING**

The next meeting of the Committee is scheduled for February 11, 2020.

The next meeting of the Board is scheduled for December 10, 2019.

**ADJOURNMENT**

**A MOTION was made by Mr. Kennedy and seconded by Mr. Macedo to adjourn the meeting at 11:22 a.m.**

**MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

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Ralph Cetrulo  
Chair for the Audit and Governance Committee

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